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When Development Met Market:

A Study on Creating Shared Value Strategy of Public-Private Partnership for International Development

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Abstract

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This study pays attention to the two different sectors' movements: International development and market. Discussions in the area of international development has been moving towards embracing market and for-profit sector, while more and more scholars and players in for-profit sector have been placing emphasis on social impact. Both of the movements are innovative and unconventional movement against traditional realm of each sector.

International development has begun to adopt marketized principles of efficiency and effectiveness. As the efficiency and effectiveness are at the core of business sector, developmental organizations and governments need

to benchmark market's practices and strategies. On the other hand, since social value has not been treated as a core of business sector, recent emphasis on the social responsibilities of firms as a member of society and on innovative and alternative business strategy of creating shared value has widened opportunities of partnerships between for-profit sector and public or non-profit sector. The representative efforts of the trends are observed in stressing public-private partnership in development area and creating shared value in business sector.

In the analytical frame of modified Hybrid spectrum of organizations, the two concepts from different sectors can be placed at the middle. That is, the two different sectors can exchange each party's strategies at some point. Taking this as the premise of analysis, this thesis analyzes three successful public-private partnership cases in the frame of creating shared value strategies.

The three cases represent each of the strategies for companies to creating shared value suggested by Porter and Kramer. First case is the partnership of Vodafone and DFID, which introduced innovative mobile banking model in Kenya and developing countries. By taking first strategy of reconceiving products and market, the business model have provided Vodafone new revenue sources with first-mover advantage in new markets, while enabling the unbanked population in the country to have access to financial service, thereby enhancing welfare of the residents significantly.

Second case is the case of Cocoa Partnership which is an alliance of many development organizations and Mondelez International. The partnership was initiated by Mondelez International to strengthen their supply of cocoa

from Ghana in their value chain. Due to the initiatives of the partnership, productivity of cocoa which is critical to the nation's economy and fundamental competitiveness of the company have been dramatically enhanced.

The last case is about cluster building. After decades of efforts in Kenya, small and medium size social enterprises producing biomass cooking stoves have emerged. The Market Transformation for Highly Efficient Biomass Stoves for Institutions and Medium-Scale Enterprises in Kenya including these enterprises and the United Nations Development Plan have maximized the impact of the innovative biomass stoves that can contribute to the welfare of the whole community and especially women through strengthening the cluster of existing business model.

Keywords: International Development, Public-Private Partnership, Creating Shared Value, M-PESA, Cocoa Partnership, Biomass Stoves

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Abbreviations

AMFI	Association of Micro-Finance Institutions of Kenya
ATM	Automatic Telling Machine
B4D	Business for Development
BOP	Bottom of Pyramid
CDC	Commonwealth Development Corporation
COCOBOD	Ghana Cocoa Board
CSR	Corporate Social Responsibility
CSV	Creating Shared Value
DBP	Danida Business Partnership
DFID	Department for International Development of the United Kingdom
DPP	Development Partnerships with Private Sector
FDCF	Financial Deepening Challenge Fund
GDA	Global Development Alliance
GDP	Gross Domestic Product
GEF	Global Environment Facility
GHGs	Green House Gases
GNP	Gross National Product
HDI	Human Development Index
HLF	High Level Forum on Aid Effectiveness
IGAD	Inter-Governmental Agency on Development
INGOs	International Non-Governmental Organizations
IPD	Innovative Partnerships for Development
ISAK	Improved Stoves Association of Kenya
KEFRI	Kenya Forestry Research Institute
KES	Kenyan Shilling
KFS	Kenya Forest Service

LCF	Local Cocoa Facilitators
LPG	Liquid Petroleum Gas
MDGs	Millennium Development Goals
MNCs	Multinational Corporations
MOE	Ministry of Energy
NGOs	Non-governmental Organization
OECD	Organisation for Economic Co-operation and Development
PIDG	Private Infrastructure Development Group
PPP	Public-Private Partnership
PSC	Project Steering Committee
RETAP	Renewable Energy Technology Assistance Programme
RTE	Rural Technology Enterprises
SGP	GEF/UNDP Small Grants Program
SMEs	Small and Medium-sized Enterprises
SMS	Short Message Service
SWEMNET	Schools, Woodlots and Energy Management Network
TBPT	Tree Biotechnology Programme Trust
UN	United Nations
UNDP	United Nations Development Plan
WFO	United Nations World Food Program

I. INTRODUCTION

1. Background

In September 2000, international society agreed on the necessity of global efforts to achieve global agenda and set forth eight goals to eradicate poverty by 2015 in Millennium Development Declaration. Since then, governments, international organizations, civil societies and international community has put concerted efforts to achieve the Millennium Development Goals (MDGs).

Figure 1. Millennium Development Goals[1]

However, it now appears that achieving the MDGs by its deadline of 2015 would be difficult. According to the latest report on the progress of MDGs,[2] 22 percent of the population in developing regions are still in

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1 United Nations. *Millennium Development Goals*. Available at: <http://www.un.org/millenniumgoals/> (5 January 2015)

2 United Nations. (2014) *The Millennium Development Goals Report 2014*.

extreme poverty, living on less than $1.25 per day. More than a quarter of children in developing regions enrolled primary school is dropping out, while girls are still facing hardships to even enter into formal education system. One out of 100 people aged 15 to 49 in Southern Africa is found as a new HIV infection per year. In Sub-Saharan Africa, 98 children died per every 1,000 children under the age of five.

The disappointing result of MDGs, obviously, has roused much critique against traditional process of development programs and some even question the validity of international aid itself. On the other hand, however, diverse actors across sectors from all around the world making concerted efforts resulted in invaluable outcomes: discourses on the right method of development. That is, thanks to the experience of the collective efforts, international society has begun to discuss on the right direction of international aid. Voices from donor countries, recipient countries, scholars, activists, communities and various stakeholders have made progresses towards more effective and sustainable way of development.

As one of the major outcomes from the discourses, Public-Private Partnership for international development has recently gained prominence. International organizations and governments have realized the importance of multi-sector alliance in the development field. Although international development has been traditionally considered as an area of public or non-profit sector, it has now opened up its realm to for-profit entities. The United Nations Global Compact and many other international organizations encourages corporations not only to comply with general principles for social values but to also be actively involved in making social impact which includes international development.

Taking the above developments as the background, what needs to be now discussed is how the cross-sector alliances will be able to achieve a successful outcome. What are the best practices of Public-Private Partnership and how can they make a difference? What are the strategies for international development through Public-Private Partnerships?

2. Research Question

International society has allocated immense finances and efforts to eradicate poverty, which leads to the question of how the aid can be made effective. One of the hypothetical answers to the question so far is Public-Private Partnership (PPP). Throughout the global conferences and forums such as High Level Forum for Aid Effectiveness, cross-sector alliance has been strongly recommended and encouraged.

Most of the discussions and recommendations are, however, focused only on the importance of PPP, without due regard to the strategy thereof. Since the Public-Private Partnership refers only to the organization structure for development, next step of the alliance still remains unclear. In order to achieve practical results, discussion on the strategies of PPP must come beforehand. How can PPPs for development result in successful outcomes? What are the strategies of PPPs to make their project sustainable and effective?

To answer the questions, this study pays attention to the two different sectors' recent movements which are innovative and unconventional when compared to the traditional realm of each sector: Public sector adopting marketized principles and strategies, and business sector embracing social value creation as one of the major strategies to sustain or strengthen its competitiveness.

The United Nations and many development organizations have urged donor countries to increase the amount of international aid for decades. With arguable outcomes of many projects including MDGs, however, discussions and discourses have begun to focus more on the effectiveness of its results rather than the sheer size of aid. Effectiveness and sustainability have emerged as major key words in international development area. Since the efficiency and effectiveness have traditionally laid at the core of business sector, recent trends in international development can be understood as a movement towards market.

Market, on the other hand, has been expanding its domain towards making social impact, which has long been treated as a territory of public and non-profit sector. Corporate Social Responsibility (CSR) have already become one of the main agenda for corporations. Corporate Social Responsibilities of major companies are monitored and assessed by various organizations including civil society organizations and governments, which put pressure on firms to conduct their business in a socially responsible way. But the reaction to the social pressure is not always in passive way. More and more companies are trying to connect social activities to the core of their businesses. Observing some of the innovative success cases among them, Porter and Kramer argued that enterprises and businesses should break the conventional view of distinguishing profit-seeking activities and social activities. Suggesting a new concept of Creating Shared Value (CSV), they argue that corporations can find new business opportunities or develop innovative business models in the field of social value creation, including international development.[3]

The two distinct movements from international development sector and business sector may provide a hint in finding strategies for Public-Private Partnership for international development. If partners from public sector and for-profit sector each pursuing their own interests can share an identical goal at some point, couldn't they adopt each other’s strategies to achieve the goal? Does the CSV strategies for enterprises also work for PPPs as suitable strategies?

Research Question: Can CSV strategies be adopted as effective strategies for Public-Private Partnership for international development?

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[3] Michael E. Porter and Mark R. Kramer. (2011) Creating Shared Value. *Harvard Business Review* 89:62-77.

II. LITERATURE REVIEW

1. Transnational Actors in International Relations

Nation-state, or state has been the main actor in traditional theories of international relations since the Peace of Westphalia of 1648.[4] In the world of Realists, especially, states are unitary actors in the stage of international relations having military security problem as the central issue.[5] Despite of wide spectrum from classical realism of Morgenthau and Niebuhr to structural realism of Waltz, modern realism of Grieco, and to relatively recent theory of offense-defense realism, realism stands on the three common basis: statism, survival, and self-help.[6] Sovereign state has supreme authority in domestic relations, while acting as an independent player in inter-state relations with no controlling entity such as the world government. Since states have to self-help to protect themselves in the anarchic system of international relations, conflicts between states are at the core of the realism.[7] Thus, non-state actors are not considered as players in the world of Realists.

Liberal theories, traditional rival against realism, also share the idea of state-centrism.[8] As Liberalist's theories are more focused on cooperation rather than conflicts, they consider non-state actors such as non-governmental

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4 Stephen M. Walt. (1998) International Relations: One World, Many Theories. *Foreign policy:*29-46.
5 Barry Buzan. (1996) The Timeless Wisdom of Realism? *International theory: positivism and beyond:*47-65.
6 John Baylis and Steve Smith. (Eds). (2013) *The Globalization of World Politics: An Introduction to International Relations.* Oxford University Press.; Walt. *op. cit.*
7 Walt. *op. cit.*
8 John Baylis and Steve Smith. *op. cit.*; Walt. *op. cit.*

organizations (NGOs), multinational corporations (MNCs), and international organizations as influential players in the international relations.[9] Liberal theories has bottom-up perspective on international relations treating individuals and societal groups as important players. Non-state players, however, take part only in formation of state preference by influencing in decisions of each state's behavior. Therefore, states still remain as main actors in the world of liberalists.

With emergence of powerful non-state actors on the global stage, however, theories focusing on transnational relations have challenged traditional idea of state-centrism. Transnational relations is defined as "regular interactions across national boundaries when at least one actor is a non-state agent or does not operate on behalf of a national government of an intergovernmental organization,"[10] or as "the movement of items (tangible or intangible) across state boundaries when at least one actor is not an agent of a government or an intergovernmental organization"[11] Transnational actors link at least two societies or sub-units of national governments, while exerting more influence than states on certain issues, especially environment, economics, and human rights.[12]

Although transnational relations have been an agenda in international relations, increase of its numbers from late 20th century have brought

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9 Andrew Moravcsik. (1997) Taking Preferences Seriously: A Liberal Theory of International Politics. *International Organization* 51:513-553.

10 Thomas Risse-Kappen. (1995) *Bringing Transnational Relations Back In: Non-State Actors, Domestic Structures and International Institutions*. Cambridge University Press. p.3

11 Joseph S. Nye and Robert O. Keohane. (1971) Transnational Relations and World Politics: An Introduction. *International Organization* 25. p.332

12 Thomas Risse-Kappen. *op. cit.*

significant change. As Wapner remarks, states "do not hold a monopoly over the instruments that govern human affairs"[13] any more, although the traditional system of states still critical. International affairs now need to be considered with "the transnational activities of individuals, firms, interest associations and societal groups," for the "societal actors have significant effects on the flow of material resources, know-how and ideas around the world, and cannot be ignored in any full account of international relations. "[14] Mathews describes the situation that "the absolutes of the Westphalian system - territorially fixed states where everything of value lies within some state's borders; a single, secular authority governing each territory and representing it outside its borders; and no authority above state - are all dissolving."[15] Now states share powers including even security, the core of sovereignty, with non-state actors such as corporations, international organizations, and non-governmental organizations. Although the role of state is not diminished, state cannot deal with many of rising nontraditional threats such as "terrorism, organized crime, drug trafficking, ethnic conflict, and the combination of rapid population growth, environmental decline, and poverty that breeds economic stagnation, political instability, and, sometimes, state collapse."[16]

Spiro describes these phenomenon that "it is almost as if the world has arrived at a sort of neomedievalism in which the institutions and sources of

[13] Paul K. Wapner. (1996) *Environmental activism and world civic politics*. SUNY Press. p.7

[14] Mary J. Peterson. (1992) Transnational activity, international society and world politics. *Millennium-Journal of International Studies*, 21(3):371

[15] Jessica T. Mathews. (1997) Power Shift. *Foreign Affairs,* p.50

[16] Richard W. Mansbach and Edward J. Rhodes. (2008) *Global politics in a changing world: a reader*. Cengage Lear. p.202

authority are multifarious. Just as the leader of the Knights Templars or of the Franciscan order outranked all but the most powerful of princes, so too the secretary general of Amnesty International and the chief executive officer of Royal Dutch Shell cast far longer shadows on the international stage than do the leaders of Moldova, Namibia, or Nauru. The state may not be quite ready to wither away, but it's not what it used to"[17]

Krasner also points out that transnational actors have emerged and some of them, such as transnational radio broadcast and international capital movements and technology, merely limited by geographical border, have eroded sovereignty of state, although most of the transnational actors are raised in "an institutional setting in which states were already firmly established."[18]

Mostove expands transnationalism to identity citizenship and nationality, asserting that individuals in states have "fluid, multiple, and overlapping identities,"[19] which can soften geographic borders of states by creating multiple groups and associations across the border. Kastoryano also suggest the concept of 'transnational community' or 'global nation' as a "feeling of collective belonging through transnationality and a will to consolidate their solidarity as a political community that transcends member states," by observing leaders of immigrants' voluntary associations calling themselves as the 'thirteenth nation' in European Union.[20] Transnational Advocacy Network

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[17] Peter J. Spiro. (1995) New Global Communities: Nongovernmental Organizations in International Decision Making Institutions. *Washington Quarterly* 18:45-56.

[18] Stephen D. Krasner. (1995) Power Politics, Institutions, Transnational Relations. *Cambridge Studies in International Relations* 42:257-257.

[19] Julie Mostov. (2007) Soft Borders and Transnational Citizens. *Identities, affiliations, and allegiances.* UK: Cambridge University Press:136-158.

[20] Riva Kastoryano. (2007) Transnational Nationalism: Redefining Nation and

s[21] and Epistemic Communities[22] are the other forms of transnational actors.

Evans challenges, on the other hand, the idea of 'eclipse of state'.[23] While he admits that some cases such as underdeveloped countries in Africa shows "real eclipses of the state, in the sense of full-blown institutional collapse," and that "it was much harder to ignore the state in the 1990s than in was in the 1960s," he asserts that it is not a sign of eclipse of state. Rather, the changes of globalization make the strong role of state, 'high stateness', as a prominent solution for dynamics of global economy. Furthermore, Washington Consensus does not necessarily lead to the eclipse of state but could be simply a change of the role of state to maintain efficient and predictable market environment for business.

In conclusion, as Scherer, Palazzon, and Baumann state, global governance is now not solely composed of states but is also composed of non-state actors, including MNCs and non-profit organizations. The transnational actors actively participate in setting and implementing rules which had been believed as a role of nation-states.[24]

Transnational actors can be categorized into two types according to their purpose. One is multinational corporations (MNCs), with primary motivation

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Territory. *Identities, Affiliations and Allegiances.* UK: Cambridge University Press:159-181.

21 Margaret E. Keck and Kathryn Sikkink. (1998) *Activists Beyond Borders: Advocacy Networks in International Politics*. Ithaca, NY: Cornell University Press.

22 Peter M. Haas. (Ed.). (1992) *Knowledge, power, and international policy coordination*. Reaktion Books.

23 Peter Evans. (1997) The Eclipse of the State? Reflections on Stateness in an Era of Globalization. *World politics* 50:62-87.

24 Andreas Georg Scherer, Guido Palazzo, and Dorothee Baumann. (2006) Global Rules and Private Actors: Toward a New Role of the Transnational Corporation in Global Governance. *Business Ethics Quarterly* 16:505-532.

of economic gain while another type encompasses international non-governmental organizations (INGOs), transnational coalitions, and transgovernmental networks among state officials with the purpose of promoting principled ideas and knowledge.[25] Especially the former type, MNCs, is emerging as "the most prominent kind of transnational actor in the contemporary world."[26] They do not only influence state policies and structures but also make changes in social organization, political culture, and local governance.[27]

2. Aid Effectiveness

Foreign aid and its effectiveness has been a main subject of discussions in scholars and policy makers. Cassen aptly summarized the question here with the title of his book, "Does Aid Work?"[28] Despite of numerous discussions and disputes including over one hundred studies on macro effects of aid,[29] there is no agreed answer to the question yet.[30] White

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25 Thomas Risse-Kappen. *op. cit.*

26 Stephen D. Krasner. *op. cit.*

27 P. Martin. (2014) The Globalization of Contentious Politics: The Amazonian Indigenous Rights Movement. Routledge. p.19

28 Robert Cassen and Associates. (1986) *Does Aid Work?: Report to an Intergovernmental Task Force*. Oxford: Clarendon Press.

29 Hristos Doucouliagos and Martin Paldam. (2009) The Aid Effectiveness Literature: The Sad Results of 40 Years of Research. *Journal of Economic Surveys* 23:433-461.

30 Many studies conclude that there is no agreement in the effectiveness of international aid. see Paul Mosley. (1980) Aid, Savings and Growth Revisited. *Oxford Bulletin of Economics and Statistics* 42:79-95.; Paul Mosley, John Hudson, and Sara Horrell. (1987) Aid, the Public Sector and the Market in Less Developed Countries. *The Economic Journal:616*-641.; Henrik Hansen and Finn Tarp. (2000) Aid Effectiveness Disputed. *Foreign Aid and Development: Lessons*

described the situation as it is "so inconclusive that there is not even consensus on whether there is consensus."[31] As Rajan stated, "the debate about aid effectiveness is one where little is settled."[32]

Boone took a thousand regressions and found no significant correlations between foreign aid and investment or economic growth.[33] He added his explanation on the finding that capital shortage is not the main reason for poverty and that politicians use it in a wrong way which is not related to economic growth.[34] Pedersen also points out that foreign aid makes the situation worse as it distorts development.[35] Feyzioglu, Swaroop, and Zhu remarks that "an aid recipient country could render ear-marked aid fungible by reducing its own resources in the sector that receives aid and transferring them to other sectors of the budget"[36]

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*Learnt and Directions for the Future:*103-128.; Hristos Doucouliagos and Martin Paldam. *op. cit.*; Francois Bourguignon and Mark Sundberg. (2007) Aid Effectiveness: Opening the Black Box. *The American economic review:*316-321.; David Roodman. (2007) The Anarchy of Numbers: Aid, Development, and Cross-Country Empirics. *The World Bank Economic Review* 21:255-277.; Channing Arndt, Sam Jones, and Finn Tarp. (2009) *Aid and Growth: Have We Come Full Circle?*: WIDER Discussion Papers, World Institute for Development Economics (UNU-WIDER).; George Mavrotas. (2009) Introduction: Development Aid－Theory, Policies, and Performance. *Review of Development Economics* 13:373-381.

31 Howard White. (2007) *Evaluating aid impact* (No. 2007/75). Research Paper, UNU-WIDER, United Nations University (UNU).

32 Raghuram Rajan. (2005) Aid and growth: the policy challenge. *Finance and Development*, 42(4). *p.54*

33 Peter Boone. (1994) *The Impact of Foreign Aid on Savings and Growth*. London School of Economics and Political Science, Centre for Economic Performance.

34 Peter Boone. (1996) Politics and the Effectiveness of Foreign Aid. *European economic review* 40:289-329.

35 Karl R. Pedersen. (1996) Aid, Investment and Incentives. *The Scandinavian Journal of Economics:*423-437.

36 Tarhan Feyzioglu, Vinaya Swaroop, and Min Zhu. (1998) A Panel Data Analysis of the Fungibility of Foreign Aid. *The World Bank Economic Review* 12:29-58.

Burnside and Dollar highlighted the bright side after studies on over fifty countries. According to them, foreign aid does work in countries with good economic policies.[37] Their findings of conditional success was followed and strengthened by other studies.[38] Collier and Dollar emphasized strong institution and economic policies as the best condition for successful aid.[39] Collier and Hoeffler demonstrated that aid does work in the countries that just have finished civil war and following good policies.[40] In a similar vein, Collier and Dollar asserted that the impact on per-capita income determines result of aid flows.[41] Dehn showed the critical role of aid in the countries suffering price drops of key commodities.[42] Guillaumont and Chauvet also remarked that aid mitigates impact of global economic shock and disasters.[43] Clemens, Radelet, Bhavnani, and Bazzi examined short-run impact of aid and found that the recipient countries with right allocation of aid flow showed a significant impact for the subsequent four years.[44]

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37 Craig Burnside and David Dollar. (2000) Aid, Policies, and Growth. *American economic review:*847-868.; Craig Burnside and David Dollar. (1998) *Aid, the Incentive Regime, and Poverty Reduction*. World Bank, Development Research Group, Macroeconomics and Growth.

38 see Paul Collier and David Dollar. (2001) Can the world cut poverty in half? How policy reform and effective aid can meet international development goals. *World development*, 29(11): 1787-1802.; Paul Collier and David Dollar. (2002) Aid Allocation and Poverty Reduction. *European economic review* 46:1475-1500.; Paul Collier and Anke Hoeffler. (2004) Aid, Policy and Growth in Post-Conflict Societies. *European economic review* 48:1125-1145.

39 Paul Collier and David Dollar. (2004) Development Effectiveness: What Have We Learnt?. *The Economic Journal* 114:244-271.

40 Paul Collier and Anke Hoeffler. *op. cit.*

41 Paul Collier and David Dollar. (2001) *op. cit.*

42 Jan Dehn. (2000) *Commodity price uncertainty in developing countries* (Vol. 2426). World Bank, Development Research Group, Rural Development.

43 Patrick Guillaumont and Lisa Chauvet. (2001) Aid and Performance: A Reassessment. *Journal of Development Studies* 37:66-92.

Easterly[45] challenged the analysis of Burnside and Dollar that good policies secure effective result of aid by modifying the definition of key concepts including foreign aid, good macroeconomic policies, and economic growth. Easterly et al. continued the challenge by extending four years on the original database of Burnside and Dollar.[46] Rajan and Subramanian investigated the relationship between aid and growth with a sample of over a hundred countries in accordance with the aid segmentation of Clemens et al.[47] and found "little robust evidence of a positive (or negative) relationship between aid inflows into a country and its economic growth," regardless of the good policies and tropical locations.[48] Roodman criticized the arguments of seven aid-supportive studies including Dehn,[49] Collier and Dollar,[50] and Collier and Hoeffler,[51] arguing that all of the analysis are vulnerable to the sample expansion, potentially caused by arbitrary sample choice.[52] Doucouliagos and Paldam[53] and McGillivray et al.[54] concluded that the

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44 Michael A. Clemens, Steven Radelet, and Rikhil R. Bhavnani. (2004) *Counting Chickens When They Hatch: The Short-Term Effect of Aid on Growth*. Center for Global Development Working Paper, 44.

45 William Easterly. (2003) Can Foreign Aid Buy Growth? *Journal of Economic Perspectives:*23-48.

46 William Easterly, Ross Levine, and David Roodman. (2003) *New Data, new doubts: A comment on Burnside and Dollar's "aid, policies, and growth"(2000)*. National Bureau of Economic Research.

47 Michael A. Clemens, Steven Radelet, and Rikhil R. Bhavnani. *op. cit.*

48 Raghuram G. Rajan and Arvind Subramanian. (2008) Aid and Growth: What Does the Cross-Country Evidence Really Show? *The Review of economics and Statistics* 90:643-665.

49 Jan Dehn. *op. cit.*

50 Paul Collier and David Dollar. (2001) *op. cit.*

51 Paul Collier and Anke Hoeffler. *op. cit.*

52 David Roodman. *op. cit.*

53 Hristos Doucouliagos and Martin Paldam. *op. cit.*

54 Mark McGillivray, Simon Feeny, Niels Hermes, and Robert Lensink. (2006)

literature on aid effectiveness since the late 1990s has failed to prove the impact of aid.

On the other hand, some pro-aid studies raises challenges on the questions of the aid effectiveness on economic growth. Gomanee, Morrissey, Mosley, and Verschoor remarks that aid works for development even when it does not make impact on economic growth.[55] Several studies prove indirect impact of aid on development by showing that aid influences pro-poor spendings of government and that it reduces poverty and enhances well-being such as infant mortality and the Human Development Index (HDI).[56] Kenny asserts that good policies influenced by foreign aid make good results.[57] Fielding, McGillivray, and Torres argues that foreign aid works for development by enhancing the indicators of well-being and Millennium Development Goals (MDGs).[58] Michaelowa and Weber[59] and

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Controversies over the Impact of Development Aid: It Works; It Doesn't; It Can, but That Depends…. *Journal of International Development* 18:1031-1050.

55 Karuna Gomanee, Oliver Morrissey, Paul Mosley, and Jan Adriaan Johannes Verschoor. (2003) *Aid, Pro-poor Government Spending and Welfare.* Centre for Research in Economic Development and International Trade, University of Nottingham, Nottingham. (CREDIT Research Paper 03/01)

56 Karuna Gomanee and Oliver Morrissey. (2002) Evaluating aid effectiveness against a poverty reduction criterion. In *DESG Conference Paper, Nottingham.*; Paul Mosley, John Hudson, and Arjan Verschoor. (2004) Aid, Poverty Reduction and the 'New Conditionality'. *The Economic Journal*, 114(496):F217-F243.; Arjan Verschoor and Adriaan Kalwij. (2006) Aid, social policies and pro-poor growth. *Journal of International Development*, 18(4):519-532.

57 Charles Kenny. (2008) What Is Effective Aid? How Would Donors Allocate It? *The European Journal of Development Research* 20:330-346.

58 David Fielding, Mark McGillivray, and Sebastian Torres. (2006) *A Wider Approach to Aid Effectiveness: Correlated Impacts on Health, Wealth, Fertility and Education*. Research Paper, UNU-WIDER, United Nations University (UNU).; David Fielding, Mark McGillivray, and Sebastian Torres. (2008) Achieving Health, Wealth and Wisdom: Links between Aid and the Millennium Development Goals. *Achieving the millennium development goals*. Palgrave

Dreher, Nunnenkamp, and Thiele[60] proved aid for education enhances primary school enrollment. Mishra and Newhouse found that aid for health increases infant mortality.[61]

Riddell focuses on practical outcomes of foreign aid. According to him, aid effectiveness is an aggregated result of the "small discrete" projects and studies for development and most of the projects have been successful regarding their objects.[62] Piciotto suggests as practical evidence some developing countries including Eritrea, Uganda, Ghana, Mozambique and Tanzania showing 4.8 percent of GNP per capita growth with significant size of foreign aid as much as 22 percent of their gross national income.[63] Addison, Mavrotas, and McGillivray argues that without aid, poverty would be more severe since aid does work for development.[64]

In the inconclusive answer to the ultimate question, "Does Aid Work?", the well-known debate between Jeffrey Sachs and William Easterly represents practical policy recommendations of pro-aid side and anti-aid side.

Macmillan in association with the United Nations University-World Institute for Development Economics Research.

59 Katharina Michaelowa and Anke Weber. (2006) Aid effectiveness in the education sector: A Dynamic panel analysis. *Frontiers of Economics and Globalization*, 1:357-385.

60 Axel Dreher, Peter Nunnenkamp, and Rainer Thiele. (2008) Does Aid for Education Educate Children? Evidence from Panel Data. *The World Bank Economic Review* 22:291-314.

61 Prachi Mishra and David Locke Newhouse. (2007) *Health Aid and Infant Mortality*. International Monetary Fund.

62 Roger C. Riddell. (2007) *Does Foreign Aid Really Work?*. Oxford University Press.

63 *ibid.*

64 Tony Addison, George Mavrotas, and Mark McGillivray. (2005) Development Assistance and Development Finance: Evidence and Global Policy Agendas. *Journal of International Development* 17:819-836.

In his book 'The End of Poverty,' Sachs stresses the need of enough amount of foreign aid for developing countries to escape from the "poverty trap".[65] For those who are in extreme poverty, there is no practical possibility of standing on their own feet by their efforts alone. Since growth only happens when there is investment as a result of savings, individuals and countries who have to spend all their money to survive cannot expect a different future. "When people [⋯] need their entire income, or more, just to survive, there is no margin of income above survival that can be invested for the future. This is the main reason why the poorest of the poor are most prone to becoming trapped with low or negative economic growth rates. They are too poor to save for the future and thereby accumulate the capital that could pull them out of their current misery."[66] Therefore international community should help them to accumulate money for investment by capital injection. Moreover, due to the 'financing gap' between required investment on infrastructure such as schools, clinics, and roads and actual capital available to build them up, developing countries cannot get the chance to escape from poverty, for such infrastructures are necessary to make growth.[67] Sachs suggests several practices where aid actually worked such as Green Revolution in Asia supported by the Rockefeller Foundation, eradication of smallpox as a results of global scale movement led by World Health Organization, the Global Alliance for Vaccines and Immunization financed by Bill & Melinda Gates Foundation, and so on. Sachs summarizes

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65 Jeffrey Sachs. (2006) *The End of Poverty: Economic Possibilities for Our Time*. Penguin.

66 *ibid.*, pp.56-57

67 *ibid.*, pp.56-57

his argument that "if the foreign aid assistance is substantial enough, and lasts long enough, the capital stock rises sufficiently to lift households above subsistence. At that point, the poverty trap is broken... Growth becomes self-sustaining through household savings and public investments supported by taxation of households. In this sense, foreign assistance is not a welfare handout, but is actually an investment that breaks the poverty trap once and for all."[68]

William Easterly agrees to the tragedy of poverty in developing countries and gives applause to Sachs in his review for blowing the whistle on global community on the issue, saying "Jeffrey D. Sachs's guided tour to the poorest regions of the Earth is enthralling and maddening at the same time - enthralling, because his eloquence and compassion make you care about some very desperate people; maddening, because he offers solutions that range all the way from practical to absurd. It's a shame that Sachs's prescriptions are unconvincing because he is resoundingly right about the tragedy of world poverty. As he puts it, newspapers should (but don't) report every morning, more than 20,000 people perished yesterday of extreme poverty."[69]

However he criticized the solution to the situation of Sachs referring him as "utopian," who believes the world poverty can be eliminated once and for all with the "Big Plan".[70] He developed his criticism and demonstrated it in his book 'White Man's Burden.' He distinguishes "Planners," who

68 *ibid.*, p.246

69 William Easterly. (2005) A Modest Proposal, Review of The End of Poverty: Economic Possibilities of Our Time, by Jeffrey Sachs. *Washington Post*. (March 13, 2005)

70 *ibid.*

believe in top-down plans, and "Searchers," who takes bottom-up approach to specific needs of the field. And he criticizes the conventional way of the West and Jeffrey Sachs as being that of "planners", whose method is utopian without actual results. First, he denies the concept of "poverty trap", the core concept of Sachs. Based on the statistical data about 137 countries from 1950 to 2001, the poorest fifth in 1950 increased their per capital income by a factor of 2.25 while the other four fifth by a factor of 2.47. The difference between the two groups is "not statistically distinguishable from random fluctuation."[71] He continues that "countries with below-average aid had the same growth rate as countries with above average foreign aid. Poor countries without aid had no trouble having positive growth."[72] He also criticizes the premise of Sachs on the effect of the quality of government to poverty, saying "when we control both for initial poverty and for bad government, it is bad government that explains the slower growth. We cannot statistically discern any effect of initial poverty on subsequent growth once we control for bad government."[73] Easterly strengthens his argument through previous studies on the relationship between aid and growth. According to him, some studies "found any growth effect at all," and they "found that the larger the aid already was, the smaller the additional growth benefit from that additional injection of aid was."[74]

According to Easterly, the solution is not "Big Push," but homegrown development in free market with a gradual approach which means piecemeal

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71 William Easterly. (2006) *The White Man's Burden: Why the West's Efforts to Aid the Rest Have Done So Much Ill and So Little Good*. Penguin. p.38

72 *ibid.*, p.39

73 *ibid.*, pp.43-44

74 *ibid.*, pp.43-44

reforms for the troubled country.[75] He concludes his argument and criticism against Sachs and pro-aid camp saying "Aid cannot achieve the end of poverty. Only homegrown development based on the dynamism of individuals and firms in free markets can do that."[76]

75 *ibid.*, pp.43-44

76 *ibid.*, p.368

III. GETTING CLOSER: PUBLIC AND PRIVATE IN INTERNATIONAL DEVELOPMENT

1. Public towards Market: International Development and Aid Effectiveness

1.1. Emphasis on Aid Effectiveness

In the early age of international development, United Nations and international society had focused on increase of the development aid, setting the target of 0.7% of gross national product and stressing it throughout Monterrey Consensus on Financing for Development in 2002.[77]

Despite of the efforts from all around the world, however, development programs and initiatives has often failed to achieve the desired results due to "lack of co-ordination, overly ambitious targets, unrealistic time- and budget constraints and political self-interest."[78] From the experiences, international society has realized the importance of aid effective, which needs cooperative efforts.

In 2002, the first High Level Forum on Aid Effectiveness was held in Rome. Participants including senior officials, ministers, head of agencies from 28 recipient countries and more than 40 development institutions set the agreed principles to manage effectiveness of aid, by endorsing the Rome Declaration on Harmonisation.[79] Since then, three more High Level Forums

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77 Adopted at the International Conference on Financing for Development

78 A history of the High Level Fora on Aid Effectiveness. Available at: <http://www.oecd.org/dac/effectiveness/thehighlevelforaonaideffectivenessahistory.htm> (5 January 2015)

79 Available at: <http://www.oecd.org/development/effectiveness/31451637.pdf>

has been held so far, representing development of aid effectiveness discussions.

HLF1[80]: The High Level Forum on Harmonization (Rome, 2002)

The first High Level Forum on Aid Effectiveness was held in Rome, Italy in February 2003. Through the conference with high profiles from donor countries, recipient countries, development institutions, and civil society organizations, shared principles for aid effectiveness were outlined. Harmonization of aid process among every stakeholder including donor countries, development agencies, and recipient countries was lied at the core of the principles.

Table 1. Principal Commitments of the Rome Declaration[81]

▪ Ensuring that development assistance is delivered in accordance with partner country priorities ▪ Reviewing and amending policy, procedures and practice to facilitate harmonization. Such as by reducing donor missions, reviews and reporting ▪ Implementing progressively good practice principles in development assistance delivery ▪ Intensifying donor efforts to work through delegated co-operation and increasing the flexibility of staff to manage country

(5 January 2015)

80 The First High Level Forum on Aid Effectiveness

81 Summarized by the OECD (The Organisation for Economic Co-operation and Development). Available at: <http://www.oecd.org/dac/effectiveness/hlf-1thefirsthighlevelforumonaideffectivenessrome.htm> (5 January 2015)

programmes and projects more effectively and efficiently

- Developing incentives to foster recognition of the benefits of harmonization
- Providing support for country analytic work in ways that will strengthen government leaderships and ownership of development results
- Mainstreaming country-led efforts to streamline donor procedures and practices including demand-driven technical co-operation
- Applying good practice principles - including alignment with national budget cycles and poverty reduction strategy reviews - in providing budget, sector or balance of payments support
- Promoting harmonized approaches in global and regional programmes

HLF2: Joint Progress toward Enhanced Aid Effectiveness (Harmonization, Alignment, and Results) (Paris, 2005)

The Second High Level Forum on Aid Effectiveness was held in Paris, France in 2005. Distinguished from the HLF1 which focuses on the roles and responsibilities of donor, HLF2 emphasize accountabilities of both side of donors and recipients. Five fundamental principles for effectiveness of aid were established: Ownership, Alignment, Harmonization, Results, and Mutual accountability. Based on the principles, the Paris Declaration on Aid Effectiveness suggests action-oriented guidelines for implementing and monitoring its progress.

Table 2. Five Principles of the Paris Declaration[82]

▪ Ownership: Developing countries set their own strategies for poverty reduction, improve their institutions and tackle corruption. ▪ Alignment: Donor countries align behind these objectives and use local systems. ▪ Harmonization: Donor countries coordinate, simplify procedures and share information to avoid duplication. ▪ Results: Developing countries and donors shift focus to development results and results get measured. ▪ Mutual accountability: Donors and partners are accountable for development results.

HLF3: The Third High Level Forum on Aid Effectiveness (Accra, 2008)

The third High Level Forum on Aid Effectiveness was held in Accra, Ghana in 2008. The HLF3 reconfirmed the roadmap for effective aid established in the previous forum in Paris. Instead of replacing the principles of the Paris Declaration, the HLF3 emphasized the need of deepen implementation of the Paris targets, suggesting a set of priority areas for acceleration as ownership, inclusive partnerships, and delivering results.

HLF4: The Fourth High Level Forum on Aid Effectiveness (Busan, 2011)

The latest High Level Form on Aid Effectiveness took place in Busan,

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82 Summarized by OECD. Available at: <http://www.oecd.org/dac/effectiveness/thehighlevelforaonaideffectivenessahistory.htm> (5 January 2015); The full text of the Paris Declaration on Aid Effectiveness is Available at: <http://www.oecd.org/dac/effectiveness/35036791.pdf> (5 January 2015)

Korea, in 2011. Over 3,000 delegates were gathered in the forum to review progress made in the implementation of the Paris Declaration. One of the major progress of Busan forum is the expansion of partners of development. The Busan Partnership for Effective Development Co-operation emphasized the importance of participation of the "new development actors," which include private sector, civil society, and emerging countries. Private sectors were considered as one of the main actors in development area for the first time in Busan.

Table 3. Shared Principles to Achieve Common Goals of the Busan Partnership for Effective Development Co-operation[83]

▪ *Ownership of development priorities by developing countries.* Partnerships for development can only succeed if they are led by developing countries, implementing approaches that are tailored to country-specific situations and needs. ▪ *Focus on results.* Our investments and efforts must have a lasting impact on eradicating poverty and reducing inequality, on sustainable development, and on enhancing developing countries' capacities, aligned with the priorities and policies set out by developing countries themselves. ▪ *Inclusive development partnerships.* Openness, trust, and mutual respect and learning lie at the core of effective partnerships in support of development goals, recognizing the different and complementary roles of all actors.

83 *The Busan Partnership for Effective Development Co-operation*. (2012) Available at <http://www.oecd.org/dac/effectiveness/Busan%20partnership.pdf> (5 January 2015)

- *Transparency and accountability to each other.* Mutual accountability and accountability to the intended beneficiaries of our co-operation, as well as to our respective citizens, organizations, constituents and shareholders, is critical to delivering results. Transparent practices form the basis for enhanced accountability.

1.2. Development through Partnership: Public-Private Partnership

There is no clear consensus on definition of Public-Private Partnership (PPP) for international development. According to World Bank, PPP refers to "arrangements, typically medium to long term, between the public and private sectors whereby some of the services that fall under the responsibilities of the public sector are provided by the private sector, with clear agreement on shared objectives for delivery of public infrastructure and/or public services,"[84] while International Monetary Fund defines it as "arrangements where the private sector supplies infrastructure assets and services that traditionally have been provided by the government."[85] United Nations, however, interpret PPP in a more expanded meaning. According to the definition of UN, public-private partnerships are about "shared agendas and combined resources, risks, rewards, and linkages that can magnify scale," and are not "philanthropic or donor-recipient relationships - such as a

[84] The World Bank Group. Available at <http://ppp.worldbank.org/public-private-partnership/> (5 January 2015)

[85] The International Monetary Fund. *Public-Private Partnerships*. Available at <https://www.imf.org/external/np/fad/2004/pifp/eng/031204.htm> (5 January 2015)

one-time donation - or collaborations that fail to draw on the core competencies of each party."[86] In sum, public-private partners in the area of international development can be understood as a partnership or alliance between public sector including governmental organizations and inter-governmental organizations and private sector including non-profit organizations and for-profit enterprises for development.

Many development organizations including UN and OECD put emphasis on private sector's role in international development throughout eighth target of MDGs - Global Partnership for Development, Monterrey Consensus of the International Conference on Financing for Development, Johannesburg Declaration on Sustainable Development, and especially the fourth High Level Forum held in Busan.

Public-private partnership is recommended as an effective way of private sector's participation in the field as a relatively new actor.[87] Indeed, many donor countries' development organizations have already their own brand of public-private partnership program: Global Development Alliance (GDA) of United States, Commonwealth Development Corporation (CDC) and Private Infrastructure Development Group (PIDG) of United Kingdom, Danida Business Partnership (DBP) and Innovative Partnerships for Development (IPD) of Denmark, Development Partnerships with Private Sector (DPP) of Germany, and Business for Development (B4D) of Sweden.

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[86] The United Nations Foundations. *Understanding Public-Private Partnership*. Available at <http://www.globalproblems-globalsolutions-files.org/unf_website/PDF/understand_public_private_partner.pdf> (5 January 2015)

[87] Private sector were referred as "new development actors" in the Busan Partnership for Effective Development Co-operation, the result of the fourth High Level Forum on Aid Effectiveness held in 2011.

Public sector or donor agencies have realized the necessity of embracing private sector or at least social enterprises in some areas for more effective outcome. Rogerson, Whitley, Darko, and Rabinowitz suggests four primary justifications for the use of public resources to support market-based interventions in development area: market failure, inclusive and sustainable growth, contracting-out, and experimentation.[88]

Table 4. Four Primary Justifications for the Use of Public Funds to Support Market- and Enterprise-based Interventions in Developing Countries[89]

1. *Market failure.* intervening where the market alone cannot optimally allocate goods and services in terms of wider societal objectives.
2. *Inclusive and sustainable growth.* addressing specific access barriers faced by the poor.
3. *Contracting-out.* buying socially and environmentally desirable outputs cost-effectively.
4. *Experimentation and first-mover cost.* encouraging innovative technical and business solutions by reducing first-mover cost and scaling up successful experiments.

[88] Andrew Rogerson, Shelagh Whitley, Emily Darko, and Gideon Rabinowitz. (2014) *Why and how are donors supporting social enterprises?*. Overseas Development Institute working paper. Available at <http://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/8894.pdf> (5 January 2015)

[89] *ibid.*

2. Market towards Public: Social Activities of Businesses

2.1. Corporate Social Responsibilities (CSR) and Creating Shared Value (CSV)

Conventionally the roles and objectives of corporations have been believed to be maximizing profits in the business sector, distinguishing them from the other sectors - government and non-profit. Even in 1970s and 1980s, it was not difficult to observe connections between multinational corporations and perpetrators of coups or engagement in corruptions in developing countries.[90]

However, businesses began to realize the necessity of Corporate Social Responsibilities (CSR), observing how public responds to the area where they had never fulfilled their responsibilities before.[91] Also, growing importance of shareholders and separation between ownership and management has strengthened CSR activities of enterprises.[92] Moreover, social responsibility of firms have been gained weight in the discussions in international society. United Nations Global Compact as a strategic policy initiative for business to align universally accepted principles in the area of human rights, labor, environment and anti-corruption was launched by Secretary-General in 2000. Since then, over 12,000 participants including over 8,000 businesses in 145 countries around world have joined the Compact.[93] Afterwards, ISO 26000 standard on social responsibility was

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90 Michel Doucin. (2011) *Corporate Social Responsibility: Private Self-Regulation is Not Enough*. Private Sector Opinion of A Global Corporate Governance Forum Publication 24. Available at <http://www.ifc.org/wps/wcm/connect/0e9030004b28e55ebbfebbcca321f685/PSO24.pdf?MOD=AJPERES> (5 January 2015)

91 Michael E. Porter and Mark R. Kramer. (2006) *op. cit.*

92 Michel Doucin. *op. cit.*

93 As of June 2014. United Nations Global Compact. Available at

adopted in 2010, as a guideline for businesses and organizations to operate in a socially responsible way.[94]

Since the beginning of the recent enthusiasm on CSR, discussions on the topic have been focused on responsibility, a passive way of social engagement of firms such as philanthropic donations or one-time social activities. Therefore, traditional CSR practices have been very fragmented and disconnected from business and profit, for the resources used for CSR have been considered as costs without return.[95]

However, several benefits companies can acquire by CSR have been found. Through CSR, companies are able to acquire good reputation,[96] sustainability,[97] competitiveness,[98] and new business opportunity.[99] Porter and Kramer assert that corporations can employ CSR strategically to make positive effect on profit generation, the core of for-profit businesses.[100]

<https://www.unglobalcompact.org/ ParticipantsAndStakeholders/index.html> (5 January 2015)

94 (International Organization for Standardization (ISO). Available at <http://www.iso.org/iso/home/standards/iso26000.htm> (5 January 2015)

95 Michael E. Porter and Mark R. Kramer. *op. cit.*

96 Philip Kotler and Nancy Lee. (2008) *Corporate Social Responsibility: Doing the Most Good for Your Company and Your Cause*. John Wiley & Sons.; Ravi Kiran and Anupam Sharma. (2011) Corporate Social Responsibility: A Corporate Strategy for New Business Opportunities. *Journal of International Business Ethics* 4.; Archie B. Carroll. (2008) A History of Corporate Social Responsibility: Concepts and Practices. *The Oxford handbook of corporate social responsibility*:19-46.

97 Lee Burke and Jeanne M. Logsdon. (1996) How Corporate Social Responsibility Pays Off. *Long range planning* 29:495-502.; Rodney McAdam and Denis Leonard. (2003) Corporate Social Responsibility in a Total Quality Management Context: Opportunities for Sustainable Growth. *Corporate Governance* 3:36-45.

98 Michael E. Porter and Mark R. Kramer. (2006) *op. cit.*

99 Coimbatore K. Prahalad and Allen Hammond. (2002) Serving the World's Poor, Profitably. *Harvard Business Review* 80:48-59.; Ravi Kiran and Anupam Sharma. *op. cit.*

Therefore, connecting corporate social responsibilities to their value chain, companies can create economic value while conducting social activities or creating social values.[101]

Porter and Kramer distinguish two different type of CSR by its objective: responsive CSR and strategic CSR.[102] Responsible CSR is conducted for mitigating social pressures and for matching social concerns of stakeholders, while strategic CSR refers to social activities conducted for taking competitive advantage in the market. In 2011, Porter and Kramer took one step forward by suggesting the concept of Creating Shared Value (CSV), which pursues social value creation and profit maximization at the same time.[103] Since multinational corporations (MNCs) have clear competitive incentives to work with states,[104] MNCs and for-profit sector are now beginning to actively take part in Public-Private Partnership for development.

2.2. Bottom of Pyramid market

After the idea of "Bottom of Pyramid" was introduced by Prahalad and Hart in 2002,[105] conventional perspective on developing countries and the poor in business sector has been transformed rapidly. After pointing out that

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100 Michael E. Porter and Mark R. Kramer. (2002) *op. cit.*
101 Michael E. Porter and Mark R. Kramer. (2006) *op. cit.*
102 *ibid.*
103 Michael E. Porter and Mark R. Kramer. (2011) *op. cit.*
104 Stephen D. Krasner. (1995) Power Politics, Institutions, Transnational Relations. Thomas Risse-Kappen. (Eds.). *Bringing transnational relations back in: Non-state actors, domestic structures and international institutions*. Cambridge University Press.
105 Stuart Hart and C. K. Prahalad. (2002) The Fortune at the Bottom of the Pyramid. *Strategy+ Business*, 26:54-67.

multinational companies are still remained at the old perspectives of the era of Cold War, Prahalad and Hart proposed that traditional stereotype of considering developing countries as hopeless market should be discarded and changed to considering them as great business opportunities. According to them, "the real source of market promise is not the wealthy few in the developing world, or even the emerging middle-income consumers: It is the billions of aspiring poor who are joining the market economy for the first time".[106] Multinational companies can find new innovative business opportunities by changing their conventional perception and by doing business with the four billion poorest people.

In the world economic pyramid, four billions are in tier 4, less than $1,500 annual per capita income in purchasing power parity in USD, which is approximately two third of the world population. Considering the desperate needs of the people, business environment of low competition, and 4-5 percent of annual growth rate for ten years from now, business potential in the market is huge.[107] Moreover, this population will continue to grow with projections of approximately 6 billion in the next 40 years.[108]

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106 *ibid.*

107 Coimbatore K. Prahalad and Allen Hammond. (2002) *op. cit.*

108 Stuart Hart and C. K. Prahalad. *op. cit.*

Table 5. The World Economic Pyramid[109]

Annual Per Capita Income*	Tiers	Population in Millions
More Than $20,000	1	75-100
$1,500-$20,000	2&3	1,500-1,750
Less Than $1,500	4	4,000

*Based on purchasing power parity in USD

This means that companies need to enter into the development area not because of social responsibilities but because they can find attractive business opportunities by participating in the international cooperation for development. By entering into the Bottom of the Pyramid (BoP) market with partners in other setors including government, NGOs, and local communities, companies can take advantage of facilitated access to "education, training, infrastructure building, job opening, leapfrogging technology and most importantly, winning potential loyal consumers."[110]

Indeed, the alternative business models targeting BoP market have already emerged and are even evolving. After the first rush to the BoP market, business strategy for BoP market is moving towards "business co-venturing" from "selling to the poor".[111] At this point, the BoP market strategy of business is meeting the concept of Creating Shared Value (CSV). Firms can create shared value by achieving their economic value of profit maximizing

109 *ibid.*

110 Jeb Brugmann and Coimbatore K. Prahalad. (2007) Cocreating Business's New Social Compact. *Harvard Business Review* 85:80.

111 Erik Simanis, Stuart Hart, and Duncan Duke. (2008) The Base of the Pyramid Protocol: Beyond “Basic Needs” Business Strategies. *innovations* 3:57-84.

and social value of community development in developing countries.[112]

Table 6. Next Generation BoP Strategy[113]

BoP 1.0	BoP 2.0
• BoP as consumer • Deep listening • Reduce price points • Redesign packaging, extend distribution • Arm's length relationships mediated by NGOs	• BoP as business partner • Deep dialogue • Expand imagination • Marry capabilities, build shared commitment • Direct, personal relationships facilitated by NGOs
"Selling to the Poor"	"Business Co-Venturing"

The third area where business and social value creation encounters each other is the emergence of social enterprises. Since 1980s so-called 'social enterprise' have emerged and expanded from the United States and European countries. Although there is no single definition, defining characteristics of social enterprise is that "it uses market-based approaches to earn commercial income and accomplish its mission."[114] As OECD explains, social enterprise lies between the market and the State bridging the two traditional sectors, and have both of economic and social criteria.[115]

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112 Beth Jenkins and Eriko Ishikawa. (2009) Business Linkages: Enabling Access to Markets at the Base of the Pyramid. Report of a Roundtable Dialogue March 3-5, 2009, Jaipur, India. Washington, DC: International Finance Corporation. In *International Business Leaders Forum, and the CSR Initiative at the Harvard Kennedy School.*

113 Erik Simanis, Stuart Hart, and Duncan Duke. *op. cit.*

114 Sutia Kim Alter. (2003) Social Enterprise: A Typology of the Field Contextualized in Latin America.

115 OECD, The social enterprise sector: a conceptual framework. Available at

Economic Criteria:

1) Unlike traditional non-profit organizations, social enterprises are directly engaged in the production and/or sale of goods and services (rather than predominantly advisory or grant-giving functions)
2) Social enterprises are voluntarily created and managed by groups of citizens. As a result, while they may receive grants and donations from public authorities or private companies, social enterprises enjoy a high degree of autonomy and shareholders have the right to participate ('voice') and to leave the organization ('exit');
3) The financial viability of social enterprises depends on the efforts of their members, who are responsible for ensuring adequate financial resources, unlike most public institutions. Social enterprises therefore involve a significant level of economic risk;
4) Activities carried out by social enterprises require a minimum number of paid workers, even if they may combine voluntary and paid workers.

Social criteria:

5) Social enterprises are the result of an initiative by citizens involving people belonging to a community or to a group that shares a certain need or aim. They must maintain this dimension in one form or another
6) Decision making rights are shared by stakeholders, generally through the principle of 'one member, one vote'. Although capital owners in

<http://www.oecd.org/regional/leed/37753595.pdf> (5 January 2015)

social enterprises play an important role, decision-making power is not based on capital ownership;

7) Social enterprises are participatory in nature, insofar as those affected by the activities (the users of social enterprises' services) are represented and participate in the management of activities. In many cases one of the objectives is to strengthen democracy at local level through economic activity;
8) Social enterprises include organizations that totally prohibit the distribution of profits and organizations such as co-operatives, which may distribute their profit only to a limited degree. Social enterprises therefore avoid profit maximising behaviour, as they involve a limited distribution of profit.
9) Social enterprises pursue an explicit aim to benefit the community or a specific group of people. By doing so, they directly and indirectly promote a sense of social responsibility at local level.

Lying between the purely philanthropic organizations and purely commercial organizations, social enterprise can be understood as hybrid organization. Social enterprises ares therefore driven by two major motivations: social change (often) by "innovative, entrepreneurial, or enterprise-based solutions", and the business sustainability by making profi t.[116] Based on these "double bottom line (DBL)," financial and social objectives, social enterprises have the distinct characteristics as follows;[117]

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[116] Alter, Sutia Kim., *op. cit.*
[117] *ibid.*

- Use business approaches to achieve social objectives
- Blend social and commercial capital and methods
- Simultaneously create social and economic value
- Generate income from commercial enterprise to help fund mission
- Are market-driven, but balance market opportunities against social costs
- Measure financial performance and social impact

Table 7. Spectrum of Practitioners[118]

	Purely Philanthropic	Hybrid	Purely commercial
Type of organization	Traditional NGO	NGO enterprise or socially responsible business	Traditional for-profit
Motives	Appeal to goodwill	Mixed motives	Appeal to self-interest
Methods	Mission-driven	Balance of mission and creation	Economic value creation
Goals	Social value	Social and economic value creation	Distributed to shareholders and owners
Destination of Income/Profit	Directed toward mission activities of NGO (required by law or organizational policy)	Reinvested in mission activities or operational expenses, and/or retained for business growth and development (for-profits may redistribute a portion)	

And in the hybrid spectrum, organizations have "generalized degree" of

118 *ibid.*

activities by motive, accountability and use of income.[119] One end of the spectrum is close to for-profit, socially responsible businesses while NGOs with income-generating activities takes another end. And at the middle of the spectrum is the social enterprise.

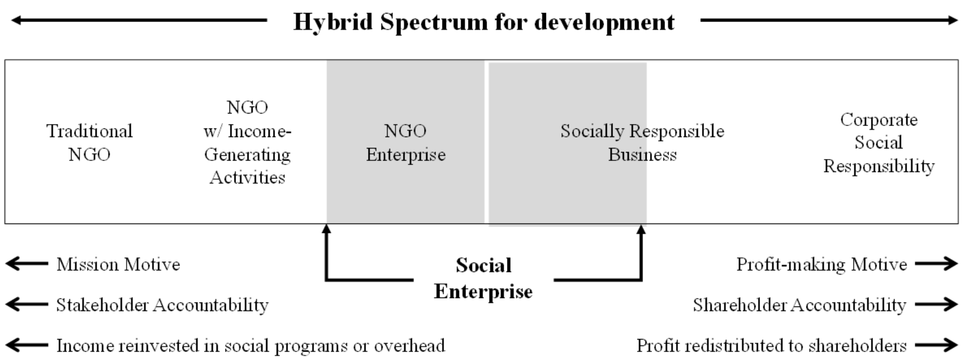

Figure 2. Hybrid Spectrum of Organizations

Activities for social change and income generation can be complimentary for each other and social enterprises show the practical evidences thereto. Social enterprises are, in this sense, effective instruments for achieving policy targets in regards to service delivery and social inclusion.[120]

119 *ibid.*

120 Marta Maretich and Margaret Bolton. (2010) *Social Enterprise: From definitions to developments in practice.* EVPA Knowledge Center research paper. Available at <http://evpa.eu.com/wp-content/uploads/2011/06/Social-Enterprise_From-Definitions-to-Development-in-Practice1.pdf> (5 January 2015)

IV. ANALYTICAL FRAMEWORK

This study pays attention to the movement of the two different sectors: development and business. If the two different actors are moving towards each other as discussed in the previous chapters, isn't there a point where they encounter each other? Especially when they form an alliance for an identical goal, what common characteristics do they have as one entity?

1. Modified Hybrid Spectrum for Development

Public-Private Partnership (PPP) can be defined as a partnership or an alliance of public sector including governmental and inter-governmental organizations and private sector including non-profit organizations and for-profit enterprises. When the for-profit enterprises comprise the private sector side of the partnership, the entity of the partnership will have the characteristics of hybrid organization pursuing both profit-seeking and social impact creation at the same time. Thus public-private partnerships should be placed at somewhere in the hybrid spectrum of organizations.

Since the hybrid spectrum of Alter, however, is limited to private sector organizations including non-governmental organizations and for-profit enterprises, it cannot include public sector entities such as governments and inter-governmental organizations. To describe characteristics of each of the activities for development by public and private sector in public-private partnerships, Alter's hybrid spectrum need to be modified. Thus, the modified hybrid spectrum developed based on the movements of the two sectors reviewed in previous chapters is suggested as below;

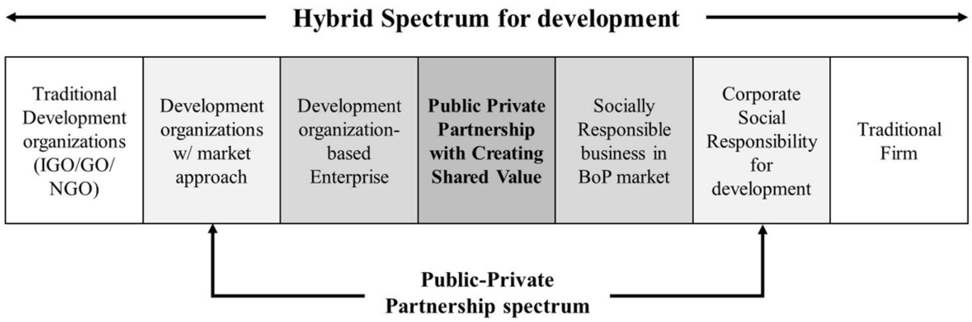

Figure 3. Modified Hybrid Spectrum for Development

In the modified hybrid spectrum for development, traditional actors in development are placed on the left end, while profit-seeking activities of for-profit firms are on the right end. Hybrid characteristics reside somewhere between the two conventional organizations. Recent efforts of developmental organizations to enhance its effectiveness and accountability by applying market approach can be placed left side of the spectrum, while traditional corporate social responsibilities of corporations takes the right side. Public-Private Partnership as an entity or an organization can have various characteristics in between the two ends of the modified hybrid spectrum.

At the core of the spectrum, PPP with creating shared value lies. When corporations enter into the development activities with creating shared value strategies as a form of PPP, and when development organizations suggest business opportunities to corporations to make synergy in the field of international development, it is the area where both purposes of business and development are encountered. Since the partnership or alliance should make social impact while creating economic value, itis identical to the concept of Creating Social Value suggested by Porter and Kramer.[121] At this point, therefore, public-private partnership entities are able to take business sector strategies of creating shared value.

2. CSV Strategies as Strategic Framework for PPP

Based on the premise that creating shared value strategies of enterprises can meet with the effort of governmental or intergovernmental organizations to enhance aid effectiveness by alliance with enterprises at some point, this study tries to take strategies of creating shared value of Porter and Kramer as a strategic framework for successful public-private partnerships for international development.

Porter and Kramer suggested three strategies for companies to create shared value opportunities: reconceiving products and markets, redefining productivity in the value chain, and enabling local cluster development.[122]

Strategy1: Reconceiving Products and Markets

Strategy2: Redefining productivity in the value chain

Strategy3: Enabling local cluster development

Strategy1: Reconceiving products and markets

Porter and Kramer argues that similar or greater business opportunities are arising from developing countries which traditionally have not been considered as a viable market. Borrowing the idea of the bottom of pyramid of Prahalad, they maintain that companies can find huge scope of potential

[121] Michael E. Porter and Mark R. Kramer. (2011) *op. cit.*
[122] *ibid.*

customers with unmet needs in underdeveloped or developing countries. By meeting needs of the underestimated market of the poor, companies can make innovations that can be adopted in traditional market.

Strategy2: Redefining productivity in the value chain

Each component of a company's value chain is closely related to societal issues such as labor rights, environments and gender equality. Therefore, companies can create shared value by addressing the societal problems in their value chain. It can not only make social impact but also bring competitive advantages to corporations. For instance, many companies now try to minimize CO_2 emission not only for addressing environmental issues but for reducing costs and taxes.

Strategy3: Enabling local cluster development

Clusters, or geographic concentrations of related companies and agencies, have strong influence on productivity and innovation of companies. Clusters include firms, institutions including associations, and public assets such as schools and environment. By building clusters, therefore, companies can enhance their own productivity and capture synergy, while resolving societal problems in the area.

These three strategies for corporations will be examined to determine whether they can be utilized by public-private partnership entities for international development.

3. Assessment of Sustainability

Sustainability of public-private partnership projects can be assessed by using the sustainability of the partnerships as a proxy for the outcome of the former. The sustainability of alliance is determined by the level of motivations of each partners. Austine and Reficco explain that motivations as a driving force for organizations working across sectors are distinguished by two different axes: altruism and utilitarianism.[123] Utilitarianism is again classified as risk management and competitive advantage. In short, major motivations of organizations to engage or sustain partnerships are classified as three types - altruism, risk management, and competitive advantage.

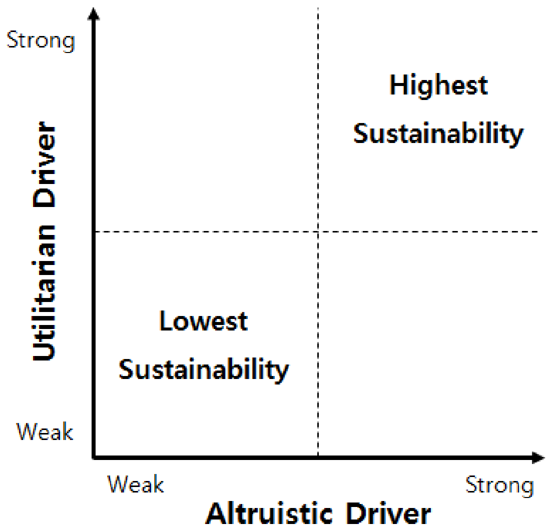

Figure 4. The Cross-Sector Collaboration Motivational Spectrum[124]

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[123] James Austin and Ezequiel Reficco. (2005) Motivation and the Cross-sector Alliance. *Social Partnering in Latin America: Lessons Drawn from Collaborations of Businesses and Civil Society Organisations. Cambridge: Harvard Business School*. Retrieved August, 31, 2007.

Altruistic motives or idealistic motives are closely related to the mission of public or non-profit sector, while utilitarian or self-interested motives are the core of business sector. Highest sustainability of partnerships, therefore, can be achieved when the two different motivation drivers are met as the cross-sector collaboration motivational spectrum shows.

To analyze following PPP cases, therefore, the two axes of motivations with three component will be used as an analytical framework for assessing sustainability of each cases.

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124 *ibid.*

V. CASE STUDIES

In this chapter, three successful public-private partnership cases will be analyzed in the frame of Creating Shared Value (CSV) strategies. First case is about the partnership of Vodafone and the Department for International Development of the United Kingdom (DFID), which introduced innovative mobile banking model in Kenya. By taking the first strategy of CSV, reconceiving products and market, the partnership has enabled the unbanked population in the country to gain access to formal financial services, while providing new revenue sources to Vodafone. With the success of the innovative mobile banking service, welfare of the community has also been improved.

Second case examines the Cocoa Partnership, an alliance of various development organizations and a multinational confectionery Mondelez International. The partnership was initiated by Mondelez International to secure and strengthen their long-term supply of cocoa from Ghana. As a result of the initiatives of the partnership, productivity of cocoa which is critical to the nation's economy have been dramatically enhanced.

The last case shows how can the third strategy of CSV, enabling local cluster development, works for development. Although many enterprises fabricating efficient biomass cooking stoves have emerged in Kenya since decades ago, limited resources of the small or medium size companies had made it difficult to spread their products. A partnership of Global Environment Facility (GEF), United Nations Development Plan (UNDP), the Ministry of Energy (MoE), and a local enterprise with a sustainable biomass energy technologies have maximized the impact of the innovative biomass stoves that can contribute to welfare of the whole community and especially women in Kenya.

Case Study 1: M-PESA

1. Background

1.1. Introduction of M-PESA

M-PESA, which stands for Mteja-Pesa or "mobile money" in Swahili, is a mobile banking service started in Kenya that provides money transfer, save and redeem service by mobile phone.[125] It provides convenient, safe and private financial services to residents in developing countries that lack traditional banking infrastructure, bypassing official banking account and branches.

The service has been launched in Kenya by Vodafone and Safaricom, Kenya's largest mobile phone provider and a local subsidiary of Vodafone in 2007. With the unprecedented success after the launching, nearly 90% of mobile subscribers in Kenya used the services in 2012. In the first quarter of 2013, transaction volume of M-PESA in the country exceeded US$5 billion.[126]

Leveraging its success in Kenya, Vodafone expanded its service area every year and as of today they cover ten countries including Tanzania, Fiji, South Africa, Democratic Republic of the Congo, India, Mozambique, Egypt, Lesotho, Romania.[127] M-PESA now became one of the most successful financial services in the world.[128]

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125 The "M" is for mobile, "Pesa" is the Swahili word for cash; Nick Hughes and Susie Lonie. (2007) M-PESA: mobile money for the "unbanked" turning cellphones into 24-hour tellers in Kenya. *Innovations*, 2(1-2):63-81.

126 James Manyika, Armando Cabral, Lohini Moodley, Safroadu Yeboah-Amankwah, Suraj Moraje, Michael Chui, et al. (2013) *Lions go digital: The Internet's transformative potential in Africa.* McKinsey Global Institute

127 Regional coverage of M-PESA is available at <http://www.vodafone.com/content/index/about/about-us/money_transfer.html> (5 January 2015)

1.2. Situation in Kenya

Before M-PESA's launching in 2007, formal financial service was not common in Kenya. According to a survey, 55% of people was sending money via family members or friends traveling and 22% using public transportation in 2007.[129] Over 70% of population prefer such informal ways to transfer money to their family members and friends[130]. Only 27% Kenyans used official banking system, who were mostly comprised of well educated (72%) and male (61%) populations. 38% of the population in Kenya was excluded from financial services, as was around 75% of the adult population in sub-Saharan Africa.[131]

On the other hand, African countries had witnessed the fastest growth rate of mobile phone penetration in the world.[132] At the end of 2003, there were 51.8 million people in Africa subscribed to mobile phone service, compared to 48.4 million in U.S. and 55 million in Europe. The growth rate of mobile penetration in Africa was over 1,000 percent in five years.[133] Over 60% of whole population now has mobile phone, which is ten times much as that of fixed phone.[134]

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[128] William Jack and Tavneet Suri. (2011) *Mobile money: the economics of M-PESA* (No. w16721). National Bureau of Economic Research.

[129] Tonny Omwansa. (2009) M-PESA: Progress and prospects. *Innovations case discussion material, Mobile World Congress 2009*. Available at <http://www.strathmore.edu/pdf/innov-gsma-omwansa.pdf> (5 January 2015)

[130] *ibid.*

[131] Pauline Vaughan. (2007) Early lessons from the deployment of M-PESA, Vodafone's own mobile transactions services. *The transformational potential of m-transactions, Vodafone Group PLC:*6-10.

[132] International Telecommunications Union. (2004) *African Telecommunication Indicators*, 7th edition. Telecommunications Development Bureau, International Telecommunication Union.

[133] Vodafone Group. (2005) Africa: The Impact of Mobile Phones. *The Vodafone Policy Paper Series 2.*

In conclusion, over a billion people with mobile phone did not have access to official financial services. This implied a huge potential of creating social impact if mobile-based financial services could be provided in the community.

2. Strategy: Reconceiving Products and Markets

2.1. Beginning of the Partnership

Why did Vodafone start mobile banking services in Kenya? Financial service was not the core of their business and developing countries with poor infrastructure and business environment such as Kenya is generally not the best place to start a new business.

Idea of the business began at the World Summit for Sustainable Development in 2003, when one of the representatives of the United Kingdom's Department for International Development (DFID) approached a representative of Vodafone.[135] They discussed the ways to make corporations be involved in and provide funding to sustainable development, not considered as a core area for businesses yet.

When the potential of mobile phone usage in African countries found throughout researches in Uganda, Botswana and Ghana, DFID needed powerful partners like Vodafone with capacity to actualize the potential by developing an innovative business model and operating the business in the

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[134] Jenny C. Aker and Isaac M. Mbiti. (2010) Mobile phones and economic development in Africa. *The Journal of Economic Perspectives*:207-232.
[135] Nick Hughes and Susie Lonie. *op. cit.*

market. However, it was not easy for Vodafone to enter into the business with high risk. According to the recollection of Nick Hughes of Vodafone who played central role in the early stage, financial service was "not part of Vodafone's core business; it was not developed in a core market (Kenya is a relatively small market in Vodafone's terms); and it has little to do with the voice or data products that drive Vodafone's revenue streams."[136]

Financial Deepening Challenge Fund of DFID, however, lowered the entry barrier. DFID established the Financial Deepening Challenge Fund (FDCF) to support private sector's involvement in enhancing access to financial services in East Africa in 2000. Though the scheme, a private organization who won the bid could be awarded 50 percent of total cost back. The project were awarded about ￡1 million by FDCF, matched by Vodafone's initial investment in the business. The grant played a significant role in shifting Vodafone's internal strategy towards the business.[137]

"DFID's matching challenge grant, corporations such as ours have been able to reduce internal competition for capital, thereby allowing socially beneficial projects that might hold higher risk or have lower returns on investment to go ahead."[138]

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136 *ibid.*

137 DFID. (2008) DFID's support to mobile phone banking (m-banking) for the poor. Available at <http://webarchive.nationalarchives.gov.uk/+/http:/www.dfid.gov.uk/Media-Room/News-Stories/2008/DFIDs-support-to-mobile-phone-banking-m-banking-for-the-poor-/> (5 January 2015)

138 Nick Hughes and Susie Lonie. *op. cit.*

2.2. Reconceiving Markets and Products

M-PESA is a representative case of the first strategy of Creating Shared Value (CSV), reconceiving markets and products. DFID drove Vodafone to join the project by suggesting new perspectives on the business opportunities in Kenya which had been perceived as an unattractive market.

Reconceiving market

Financial market in Kenya had been perceived as an unattractive market especially for global-scale corporations like Vodafone. In 2006, there were only 400 bank branches and 600 ATMs for 36 million population, covered only 18.9% of whole population.[139] Only 26.4% of the population, thus, could access official financial services including 7.5% had access to microfinance.[140] The remaining majority were limited to access to institutionalized financial services. The poorly developed infrastructure and people's preference for unconventional ways made market attractiveness for new business low.

However, DFID and Vodafone saw the market in another way of perspective. DFID found the potential of mobile banking business in African countries through a DFID-funded research which found that people in Uganda, Botswana, and Ghana used mobile airtime minutes as a pseudo currency.[141] DFID reached to Vodfone and discussed an unconventional

139 Tonny K. Omwansa and Nicholas Sullivan. (2012) *Money, Real Quick: Kenya's Disruptive Mobile Money Innovation*. Balloonview Press.

140 *ibid.*

141 Kevin McKemey, Nigel Scott, David Souter, Thomas Afullo, Richard Kibombo, and O. Sakyi-Dawson. (2003) Innovative demand models for telecommunications services. *Final technical report (R8069)*. Commonwealth Telecommunications

perspective on the mobile financial services business model in developing countries. Potential customers who had unmet needs on access to official financial services were estimated to be about 2.5 billion all around the world.[142] If they succeeded in the innovative financial service model in Kenya, Vodafone could enjoy the first-movers advantage in the untapped market. Especially the situation in Kenya that over 60% of the population could access mobile service while only about a quarter have bank accounts was perceived as attractive business opportunities for mobile banking service. Finally, the partnership of Vodafone and DFID took first step towards the innovative mobile banking services for 'unbanked' population in developing countries with unmet needs for access to financial services.

Reconceiving products

Since the partnership set its target customer as 'unbanked' population, new products needed to be developed in appropriate way for the target, who were not capable of using high technologies.

"Financial services in emerging markets are not about new technology; in fact, even at the early concept stage we expected to use a very basic application of mobile communication, called SMS (or text messaging), certainly not the sexiest aspect of mobile technology, especially in the core European markets where java applications, 3G and smart phones were all

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Organisation (CTO) and Gamos.

142 Jake Kendall, Nataliya Mylenko, and Alejandro Ponce. (2010) Measuring financial access around the world. *World Bank Policy Research Working Paper Series*. (5253)

in vogue. This wasn't about new technology, it was about a new application of existing technology."[143]

Throughout the experiences of pilot test, M-PESA system was developed as easy, fast, and safe way of money transfer service. The service worked as SMS[144]-based and branchless, enabled anyone with mobile phone to access M-PESA. Due to the branchless system, moreover, users of M-PESA could save and withdraw money at over 12,000 agents such as retail kiosks, gas stations. Subscribers could manage money easily by e-float, M-PESA currency issued by Safaricom, which had same value with local currency in the system.

Since the launch, M-PESA has continued to develop new and innovative products. They partnered with Pesa Point, one of the largest ATM service providers in Kenya, and enabled withdrawal M-PESA money from Pesa Point ATM. M-PESA expanded its services to pay bill service in 2009, which enabled people to pay regular bills including utilities, insurance, and loan installments with M-PESA money. Moreover, M-PESA users are now able to open bank account with their mobile phone through M-PESA accounts. Beside the financial services, M-PESA money is now used for purchasing goods and services at partner shops.[145]

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143 Nick Hughes and Susie Lonie. *op. cit.*

144 Short Message Service by mobile phone

145 Mercy W. Buku and Michael W. Meredith. (2013) Safaricom and M-PESA in Kenya: Financial Inclusion and Financial Integrity. *Washington Journal of Law, Technology & Arts 8(3) Mobile Money Symposium 2013*. Available at <http://digital.law.washington.edu/dspace-law/handle/1773.1/1204> (5 January 2015)

3. Results and Assessments

In the first three months after M-PESA was launched in Kenya in 2007, 111 thousand people registered and nearly US$6 million was transferred.[146] And at the end of 2007, over 1.1 million users were registered and over US$87 million had been transferred over the system.[147] Four month later, 2 million active users were registered and 80% of population were aware of M-PESA. By 2012, 86% of Kenyan mobile subscribers used M-PESA, and by 2013, M-PESA's transactions amounted to some $35 million daily. Annualized, that's more than a quarter of Kenya's GDP.[148] As of February 2014, M-PESA is now the world's first and indeed, most successful mobile money transfer service with 18.2 million customers.[149] The platform moves KES 77.3 billion (approx. US$840 million) a month in peer to peer transactions. A further KES 9.9 billion (approx. US$110 million) is moved in person to business transactions while person to business transactions account for KES 7.6 billion (approx. US$80 million) a month.[150]

Launched as a simple money transfer service, M-PESA has evolved to a full payment service which now includes payment services and the Lipa na M-PESA service which is cashless merchant payment service targeted at small and medium-sized enterprises (SMEs). Since launch 2013, Lipa na M-PESA has so far recruited 36,749 merchants.[151]

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146 Pauline Vaughan. *op. cit.*

147 Isaac Mbiti and David N. Weil. (2011) *Mobile banking: The impact of M-Pesa in Kenya*. (No. w17129). National Bureau of Economic Research, 2011.

148 Dayo Olopade. (2014) Africa’s Tech Edge. The Atlantic. (May 2014). Available at <http://www.theatlantic.com/magazine/archive/2014/05/africas-tech-edge/359808/?utm_&&&> (5 January 2015)

149 Safaricom Press Release. (February 2015) Available at <http://www.safaricom.co.ke/about-us/media-centre/press-releases> (5 January 2015)

150 *ibid.*

3.1. Economic Impact

By meeting unmet needs of the residents in Kenya by the innovative solution of mobile banking, M-PESA have acquired a large number of loyal customers since its launch in 2007. Over 2 million subscribers registered for the services in the first year of the service.[152] Within two years, the number of registered users reached more than 20% of the whole population in Kenya, whose earning accounted nearly a third of Safaicom's profits of £150 million.[153] In 2013, its number of subscribers were over 15.2 million, which is about 90 percent of that of Safaricom and 63 percent of the adult population in Kenya.[154] Its transaction volume is over two million everyday and it takes about 17 percent of the nations' gross domestic product per annum.[155] Since its launch in 2007, over US$1.4 trillion has been transferred. M-PESA "processes more transactions domestically than Western Union does globally."[156] The customer base is solid. 95 percent of users feel M-PESA is "faster, safer, cheaper, or more convenient than alternative payment services." 84 percent of users say that it would have a large and negative effect on their own lives if they lose the M-PESA service.[157]

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151 Safaricom half-year result presentation 2013-2014. (5 November 2013) Available at <http://www.safaricom.co.ke/images/Downloads/Resources_Downloads/Half_Year_2013-2014_Results_Presentation.pdf> (5 January 2015)

152 Mercy W. Buku and Michael W. Meredith. *op. cit.*

153 *The Guardian*. (11 July 2011) Private sector has potential to aid development, but beware the pitfalls. Available at <http://www.theguardian.com/global-development/poverty-matters/2011/jul/11/private-sector-aid-potential-and-pitfalls> (5 January 2015)

154 Mercy W. Buku and Michael W. Meredith. *op. cit.*

155 *ibid.*

156 Ignacio Mas and Dan Radcliffe. (2010) *Mobile Payments Go Viral: M-PESA in Kenya*. Available at <http://siteresources.worldbank.org/AFRICAEXT/Resources/258643-1271798012256/M-PESA_Kenya.pdf> (5 January 2015)

On the other hand, Safaricom could extend their business area to payment service provider, enhancing customer retention rate. For Vodafone, they could prepare the stepping stone of a low-cost international remittance service, whose market size reached $300 billion.[158] On the base of the success in Kenya, Vodafone has expanded its service to other countries and regions. The service is provided in ten countries as of today.

Table 8. Regional Coverage of M-PESA[159]

Country	Data Launched	Provider	Product Name
Kenya	Mar-07	Safaricom	M-PESA
Tanzania	Apr-08	Vodacom	M-PESA
Fiji	Jun-10	Vodafone	M-Paisa
South Africa	Aug-10	Vodacom	M-PESA
DRC	Nov-12	Vodacom	M-PESA
India	Apr-13	Vodafone	M-PESA
Mozambique	May-13	Vodacom	M-PESA
Egypt	Jun-13	Vodafone	Vodafone Cash
Lesotho	Jul-13	Vodacom	M-PESA
Romania	Mar-14	Vodafone	M-PESA

157 William Jack and Tavneet Suri. *op. cit.*
158 Nick Hughes and Susie Lonie. *op. cit.*
159 Available at <http://www.vodafone.com/content/index/about/about-us/money_transfer.html> (5 January 2015)

3.2. Social Impact

M-PESA provided access to financial services to "over 70 percent of households and over 50 percent of the poor, unbanked, and rural populations" by 2009.[160] Those who were using services of M-PESA enjoyed better quality of life "in the level of consumption expenditures, and in particular food consumption, in the face of negative income shocks, such as job loss, livestock death, harvest or business failure, or poor health." compared to those who did not.[161]

Due to the significant investment of Safaricom, regional economies were vitalized. M-PESA has expanded its agents to meet the soaring demand. Now the number of agents of M-PESA is over 35,500 with diverse types including supermarkets, gas stations, Safaricom shops.[162] There are "over five times the number of M-PESA outlets than the total number of [⋯] post offices, bank branches, and automated teller machines (ATMs)."[163]

M-PESA has impacted the welfare of rural residents in Kenya. Thanks to the M-PESA, people in rural area do not need to make long trips to city for regular payments such as electricity and heating anymore. People can save not only time and energy but US$3 on average for transaction.[164] The saved time and energy can be used for other productive activities or investments. M-PESA also has impacted shock management, especially for rural people. "Instead of waiting for conditions to worsen to levels that

160 William Jack and Tavneet Suri. *op. cit.*
161 *ibid.*
162 Mercy W. Buku and Michael W. Meredith. *op. cit.*
163 Ignacio Mas and Dan Radcliffe. *op. cit.*
164 Mercy W. Buku and Michael W. Meredith. *op. cit.*

cause long-term damage, M-PESA might enable support networks to keep negative shocks manageable."[165]

In conclusion, by providing safe and easy access to financial services via mobile phone, M-PESA has enhanced welfare of the poor in Kenya dramatically. Overall social impact of M-PESA is well explained by Plyler, Haas, and Ngarajan as follows;[166]

- Money circulation – (local economic expansion)
- Transactions ease – (business environment)
- Money security – (security)
- Food security – (security)
- Human capital accumulation – (capital accumulation)
- Expansion of businesses – (local economic expansion)
- Social capital accumulation – (capital accumulation)
- Employment opportunities – (local economic expansion)
- Financial capital accumulation – (capital accumulation)
- Physical security – (security)
- Quality control – (business environment)

Betty Mwangi Thuo, Safaricom's General Manager for Financial Services, well describes its social impact saying "The advent of M-PESA provided Kenyans with an unprecedented degree of financial liberation and the pressure is therefore on us to stay ahead of the market by continuously coming up with innovations that respond to or predict market needs."[167]

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[165] William Jack and Tavneet Suri. *op. cit.*

[166] Megan Plyler, Sherri Haas, and G. Ngarajan. (2010) Community-Level Economic Effects of M-PESA in Kenya: Initial Findings. *College Park, MD: IRIS Center, Assessing the Impact of Innovation Grants in Financial Services Project.*

3.3. Sustainability of Partnership

Through the success of M-PESA, the major parties including Vodafone and DFID could achieve their goals, which could lead to high sustainability of partnership. Specifically, all the three drivers for sustainability could be marked as 'high'.

For Vodafone, utilitarian drivers are at the core of motivations of the partnership. The most direct benefit of the partnership lies in the risk-management side. Leveraging Financial Deepening Challenge Fund of DFID, Vodafone could lower the initial investment for the business up to 50 percent with subsidy of ￡1 million. Competitive advantage driver has also been higher. Vodafone could enjoy the first-mover advantage in the mobile banking services in developing countries by expanding their business up to 10 countries. Good reputation as a model case of corporate citizenship is an additional benefit of the partnership.

For DFID, altruism is a main driver of its motivation. Social impact itself, therefore, is a main component of DFID's motivation. Most direct social impact is derived from the size of subscribers of M-PESA. Over 15.2 million subscribers of M-PESA could gain access to safe, convenient and efficient financial services through their mobile phone. Again, this has enhanced the community members' overall welfare as discussed in previous section. People using M-PESA enjoys higher quality of life especially when faced with economic shock. Moreover, regional economy has vitalized by the expansion of M-PESA agent and the service has expanded to other 9 developing countries. Thus the altruism driver of the partnership could be assessed as 'high'.

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167 Safaricom Press Release. (May 2014) Available at <http://www.safaricom.co.ke/about-us/media-centre/press-releases> (5 January 2015)

Case Study 2: Cocoa Partnership

1. Background

1.1. Introduction of Cocoa Partnership

Cocoa Partnership is a multi-organization partnership launched in 2008 as a 'Cadbury Cocoa Partnership' led by Cadbury and United Nations Development Plan to enhance welfare of cocoa farmers and local community in Ghana. The initiative was rebranded as the Cocoa Partnership when Kraft Foods acquired Cadbury in 2012.

Table 9. The Cocoa Partnership's Goals[168]

▪ Promote sustainable livelihoods for one million cocoa farmers ▪ Increase crop yields for farmers participating in the program 20 percent by 2012 and 100 percent by 2018 ▪ Create new sources of income in 100 cocoa-farming communities ▪ Address key issues affecting the cocoa sector, including child labor, health, gender diversity, and environmental sustainability

The focus of the partnership is categorized as five areas: "sustainable increase in cocoa yields which is expected to result in increased farmer incomes from cocoa production; making cocoa farming an attractive business for the youth through its Cocoa Ambassadors Programme, involving

168 Business Call to Action. (2010) Cocoa Partnership: Improving Productivity and Farmer's Incomes. Available at <http://www.businesscalltoaction.org/wp-content/files_mf/bctacocoapartnershipcasestudyforweb.pdf> (5 January 2015)

recruiting tertiary students to mentor young people in cocoa growing communities; sustainable livelihood from other sources which involves helping farmers to diversify their sources of income; empowering communities to be at the forefront of their own development; and the active engagement of all relevant stakeholders in the public, private and civil society institutions at all levels to promote synergies."[169]

1.2. Cocoa Production in Ghana

Cocoa has played a critical role in Ghana, world's second largest producer of cocoa. Cocoa is one of the major export commodities, contributing about 22.5 percent of the total export.[170] Over 700,000 farmers in southern tropical belt of the countries lives on Cocoa.[171] About a third of total income of whole population is generated by cocoa industry.

Cocoa industry in Ghana had faced fundamental challenges. In 2008, cocoa production of the country remained at about 40 percent of its estimated output.[172] potential. Cocoa productivity of Ghana was 25 percent lower than the average of the ten largest cocoa producing countries and about 40 percent lower than neighboring Cote d'Ivoire.[173] Average age of

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169 Robert Darko Osei. (2013) Cadbury Cocoa Partnership. *Growing Inclusive Markets case study*. United Nations Development Plan.

170 Robert Darko Osei. *op. cit.*

171 Shashi Kolavalli and Marcella Vigneri. (2011) Cocoa in Ghana: Shaping the success of an economy. *Yes, Africa can: success stories from a dynamic continent 201.*

172 Stephanie Ware Barrientos, Kwadwo Asenso-Okyere, Samuel Asuming-Brempong, Daniel Sarpong, Nana Akua Anyidoho, and Raphael Kaplinsky. (2007) Mapping sustainable production in Ghanaian cocoa. *Report to Cadbury Schweppes plc.*

173 Dawuni Mohammed, David Asamoah, and Felicity Asiedu-Appiah. (2011) Cocoa Value Chain - Implication for the Smallholder Farmer in Ghana. Department of

cocoa farmers was over 50. Hainmueller, Hiscox, and Tampe summarized the problems based on the baseline survey: low productivity, low incomes for cocoa farming households, farmers' negative perspective on the future of the industry which leads to low recommendation of the job to their children, and unorganized farmers to solve the problems above.[174] The cocoa farming community in Ghana and related stakeholders needed find structural solutions to address the issues.

2. Strategy: Redefining Productivity in the Value Chain

2.1. Beginning of the Partnership

"Sustainable cocoa production is vital to Cadbury's commercial success: not simply the supply of our most important ingredient, but guaranteeing a reliable, long term source of the right quality cocoa, produced to the high standards our business, customers and our consumers expect."

Matt Shattock,

President of Cadbury Britain, Ireland, the Middle East and Africa[175]

Cocoa production in Ghana was a major source of supply for Mondelez International (former Cadbury),[176] one of the largest confectionary in the

Information Systems and Decision Sciences, KNUST School of Business, Kwame Nkrumah University of Science & Technology, Ghana.

174 Jens Hainmueller, Michael J. Hiscox, and Maja Tampe. (2011) Sustainable Development for Cocoa Farmers in Ghana. MIT and Harvard University.

175 Available at <http://trade.ec.europa.eu/doclib/docs/2008/march/tradoc_138097.pdf> (5 January 2015)

world. Declining cocoa sector in Ghana, therefore, was a critical problem not only for the country, but for the company as well. The seriousness of the problem became clear when a study funded by Cadbury confirmed that average production of cocoa had dropped to 40 percent of potential yield and that the attractiveness of cocoa farming for young generation had become lower. This could affect the fundamental competitiveness of Cadbury, for securing enough quantity of cocoa with good quality was the core of producing chocolate products.

The situation made Mondelez International (Cadbury) initiate Cadbury Cocoa Partnership. In 2008, Cadbury invested ? 1 million as seed money to establish partnership based on the belief that the long-term sustainability of cocoa supply could be secured only when cocoa farmer's welfare improve d.[177] This partnership includes various players including farmers, non-governmental organizations, international organizations - Mondelez International, Ghana Cocoa Board (COCOBOD), United Nations Development Programme (UNDP), World Vision, Care International, VSO, Kuapa Kokoo and the Ministry of Employment and Social Welfare (UNDP).

2.2. Redefining Productivity in the Value Chain

Mondelez International defined sustainable supply of cocoa as a critical part of their business, which led them directly involved in the very first step of their value chain - cocoa farming. Cocoa Partnership has been set as a 10 year initiative with US$45 million funded by Mondelez International.[178]

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[176] Kraft acquired Cadbury in 2010 and rebranded its snack food division including Cadbury as Mondelez International.

[177] Robert Darko Osei. *op. cit.*

To enhance sustainability of the farmers, five strategic pillars of the partnership were set:[179]

- Sustainable increase in cocoa yields resulting in increasing current incomes
- Making cocoa farming an attractive business for the youth
- Sustainable livelihood from other sources
- Community-centered development
- Institutional engagement

Sustainable increase in cocoa yields resulting in increasing current incomes

The first pillar directly address the sustainability of cocoa farming, by enhancing cocoa productivity and increasing engagement of youth generation. Trained agents of the partnership are allocated a community for three years and they work closely with farmers in the community to improve productivity. 2 to 3 young people for every community are entitled as local cocoa facilitators (LCF), who can learn from experts in particular area. They play the role of agents of the partnership when the agents are absent. Also, this project's objective include rehabilitation of cocoa farms, farmer training, forming farmers group to help each other and have collective power, ensuring that all farmer groups take benefit by registering under the fair trade certification.[180]

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178 Business Call to Action. *op. cit.*
179 Robert Darko Osei. *op. cit.*
180 *ibid.*

Making cocoa farming an attractive business for the youth: The Cadbury Cocoa Ambassadors Program

Cocoa Partnership launched the Cocoa Ambassadors Program to enhance attractiveness of cocoa farming. The ambassadors are qualified students from tertiary institutions, who develop and organize programs for young generation to increase awareness of the importance and attractiveness of cocoa farming with the financial support of Cocoa Partnership. Each ambassador are responsible for about eight communities. They create school farms in the communities, form cocoa reading clubs in schools, and organize vacation classes in the communities. The ambassadors receive financial support and laptop from Cocoa Partnership

Sustainable livelihood from other sources

To increase cocoa farmer's income level, Cocoa Partnership supports farmers to have additional income sources. Farmers are encouraged to participate in two ways: agricultural activities and non-agricultural activities. Agricultural activities include food crops production, mushroom production, bee keeping, snails rearing, market gardening, and so on. Non-agricultural activities include making soap, manufacturing of farming equipment, handicrafts, housing construction and so on. Cocoa Partnership provide support by pre-financing a portion of the activities.

Community-centered development

Cocoa Partnership support sustainable development of cocoa communities. This objective avoids providing one-time help to the communities. Rather, it focuses on small-scale investments for development such as improving access to health care services, clean water, and reliable energy supply.

Institutional engagement

For a successful result, Cocoa Partnership need to collaborate various stakeholders and players related to cocoa farming community. The partnership includes all relevant stakeholders from public, private, and civil society to maximize its synergy.

3. Results and Assessments

3.1. Project Outcomes

Securing medium to long term supply of quality cocoa is a critical part of Mondelez International's business. The partnership focuses on improvement of welfare of cocoa farmers, which will lead to stable production of high quality cocoa in Ghana and will attract young generations to cocoa farming industry. The enhancement of the welfare of farmers itself, therefore, is directly linked to the business of the company. By the end of 2012, the partnership has expanded to 209 communities with target of 500 communities by 2015.[181]

The most direct and significant result is enhanced productivity of cocoa. In the project communities, cocoa productivity has been enhanced up to double in less than two years. The increased yield means not only increase

[181] Robert Darko Osei. *op. cit.*

in income of the community, but enhanced stability of cocoa supply of Mondelez International.

"The whole of last year, I harvest 6 bags of cocoa but after adopting some of the skills under the cocoa partnership program, I have already harvested 4 bags this year. I am just harvest again, which will give me at least 4 bags before I go into the main season and so I am grateful to the Cadbury Cocoa Partnership."

Juampo, cocoa farmer in Ghana[182]

"I used to get less than a bag of cocoa from my 20-acre farm. But after implementing lessons from Cadbury Cocoa Partnership programme, I now harvest not less than 10 bags..."

Nana Okai Boadi, Sekyere Krobo, Mpohor Wassa East[183]

Moreover, the Cocoa Ambassadors Program has gradually attracted interest in cocoa among young people. Schools in the communities supported by the partnership has begun school gardening of cocoa, which will educate students on cocoa and cocoa farming. Throughout these changes, medium to long term sustainability of cocoa farming in Ghana has been strengthened.

With the partnership, Mondelez International can manage the risk of instable supply of cocoa, which saves cost of raw material sourcing. Besides, the company has gained solid network with local government and communities.

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182 Robert Darko Osei. *op. cit.*
183 *ibid.*

Cocoa Partnership has encouraged local communities to assess their own problems and develop initiatives to solve them for their own. The communities has actively worked with local governments and launched projects to address their own problems. Besides, the partnership provided social amenities to the communities via Community Challenge Fund. The amenities include solar lanterns, bore holes, and classroom facilities, and so on.[184]

UNDP's Resident Representative in Ghana Daouda Toure assessed the meaning of the partnership in the welcoming message.

"UNDP strives to promote inclusive, sustainable development, where everyone benefits as a country gets to grips with fighting poverty. Ghana has been producing cocoa for decades now and the industry has certainly gone some way to improving the lives of the Ghanaian people, but with this new public-private partnership approach developed with Cadbury, where both the small producer and the consumer benefit, we hope to show just how effectively sustainable cocoa production can be in generating improved opportunities for local farmers, conserving the environment and building a brighter future for younger generations."[185]

3.2. Sustainability of Partnership

Through the success of the Cocoa Partnership, partners could achieve their own aims. Through a utilitarian motivation, Mondelez International has enjoyed successful results both in risk-management and competitive

184 Robert Darko Osei. *op. cit.*
185 *ibid.*

advantage. Mondelez International has supported cocoa farming community to strengthen the supply chain of their core business, since they faced serious problem in mid-term and long-term sustainability of supply of quality cocoa. Mondelez International could maximize its impact through the initiative which involved various partnership from each sectors - from local non-governmental organizations to international development organizations such as UNDP. Addressing mid and long term risk in stable supply of cocoa successfully, the partnership is marked high score in risk-management driver for Mondelez International. Considering the supply of quality cocoa is a main component of competitiveness, enhancing the productivity of cocoa farming and attracting young generations to the industry has contributed to the competitive advantage of the company. Thus, the utilitarian driver of the partnership could be evaluated as 'high'.

In the other partners' perspective, especially the United Nations Development Plan, the altruistic driver is the main determinant of the level of motivation. Protection of cocoa farming industry and enhancing the welfare of cocoa farmers itself has created social impact in the community of Ghana, since cocoa farming is one of the main industry of the country. Through the initiative, over 200 communities has been benefited by the end of 2012. In the projected area, productivity of cocoa farming has enhanced up to 200%, revenue sources of cocoa farmers has been diversified, and attractiveness of cocoa farming industry has been raised through Cocoa Ambassadors Program. Overall assessment of altruism side of motivation of the partnership, therefore, is scored 'high'.

Case Study 3: Market Transformation for Highly Efficient Biomass Stoves for Institutions and Medium-Scale Enterprises in Kenya

1. Background

1.1. Introduction of the Project

The Market Transformation for Highly Efficient Biomass Stoves for Institutions and Medium-Scale Enterprises in Kenya is a four year project aiming to enhance the use of sustainable biomass energy technologies in institutions and small and medium size enterprises in Kenya such as schools, hospitals, restaurants, hotels. The Global Environment Facility-initiated project had been conducted from 2007 to 2010 by partnership of Global Environment Facility (GEF), United Nations Development Plan (UNDP), the Ministry of Energy (MoE), the Rural Technology Enterprises (RTE), the Renewable Energy Technology Assistance Programme (RETAP) and the Tree Biotechnology Programme Trust (TBPT). It was an up-scaled project of the previous successful partnership project of the partnership of RETAP and RTE. Key activities of the project included promoting highly efficient biomass stoves manufactured by RTE, and establishing woodlots managed by target organizations.[186]

The project had set the specific targets as follows; 50,000 tons of CO2 avoided by 2008 and 7.5 million tree seedlings planted within the project in

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186 Violet Matiru and Jason Schäffler. (2011) The Market Transformation for Highly Efficient Biomass Stoves for Institutions and Medium-Scale Enterprises in Kenya. *Terminal Evaluation report prepared for UNDP.*

managed fuelwood plantations as mid-term targets. 100,000 tons of CO2 avoided by 2010, representing a switch of about 3,500 institutions and small businesses to efficient stoves (a penetration rate of 16% against a baseline of 5%) and 15 million tree seedlings planted within the project in managed fuelwood plantations with an indicative minimum of 75% long-term tree survival rates as end-tern targets.[187]

1.2. Situation in Kenya

Biomass fuel including firewood, charcoal and crop residue is the primary energy in Kenya. Biomass takes 68% of total energy consumption when petroleum 22%, electricity 9% and others 1%.[188] And the proportion of biomass in energy usage had increased in the past two decades from 74% in 1980 to 80% in 2000.[189] Over 95% of institutions including schools and hospitals which counted about 20,000 in Kenya used fuelwood as the main source of energy for cooking and heating water. Institutions changing their main source of energy to fuelwood from Liquid Petroleum Gas (LPG) or industrial oil had increased due to the lower cost of fuelwood.

Sustainable supply of wood in Kenya was estimated about 15 million tons per year, which lack behind its demand of 35 million. Institutions and businesses consumed the most of firewood, which estimated up to 270 ton per year. The situation could result in severe environmental damage by unsustainable harvest of woods including large logs. Such harvests could again worsen biodiversity by decreasing the number of wild animal

187 Violet Matiru and Jason Schäffler. *op. cit.*
188 *ibid.*
189 *ibid.*

including elephants, rhinos, gazelles. Besides, in-door air pollution caused by traditional stove's incomplete combustion resulted in an estimated 9.8 million premature deaths in Africa by the year of 2030.[190]

2. Strategy: Enabling Local Cluster Development

One of the greatest successes of the RTE/RETAP project has been its ability to gradually grow, from a small-scale operation, to an enhanced operation that is able to attract investors and partners from the public and private sector.[191]

The Market Transformation for Highly Efficient Biomass Stoves for Institutions and Medium-Scale Enterprises in Kenya is an up-scaled project built on the basis of previous project of the Rural Technology Enterprises (RTE) and the Renewable Energy Technology Assistance Program (RETAP). Thus, the program aims to strengthen and to maximize the impact of existing activities by developing cluster of relevant stakeholders.

RTE is a private corporation established in early 1980s to manufacture and supply energy efficient biomass stoves especially for institutions.[192] While the product had good quality of energy efficiency with abundant

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190 Robert Bailis, Majid Ezzati, and Daniel M. Kammen. (2005) Mortality and greenhouse gas impacts of biomass and petroleum energy futures in Africa. *Science* 308(5718): 98-103.

191 Violet Matiru and Jason Schäffler. *op. cit.*

192 Available at <http://rte.kbo.co.ke/> (5 January 2015)

demand in the market, its business had faced difficulties in growing due to the lack of finance of institutions and private enterprises in the market.

In 1988, the company was awarded the Golden Award for Excellence in Indigenous Innovation in the Energy Sector, when GEF/UNDP Small Grants Program (SGP) coordinator was attracted by the business. After the discussion between the two parties, the Renewable Energy Technology Assistance Program (RETAP) was established as a non-governmental organization managing a revolving fund with seed funding of $50,000 from GEF/UNDP Small Grants Program. The RETAP fund supported schools by enabling them to make repayment over a 2 year, aligned with the financial cycle of schools. Since the RTE stoves improved energy efficiency up to 70%, benefited schools could pay for the stoves with two-year savings of firewood.

Afterwards, tree planting was introduced in the activity to secure supply of firewood for schools. RETAP has been funded and supported by various organizations, which led to expansion of the program to providing seedlings to schools and training on management of woodlots. RETAP had provided over 100,000 seedlings to 50 schools which purchased energy efficient stoves from 2003 to 2007.

In 2007, the program was scaled up as Medium Sized Project of GEF with objectives of Green House Gases (GHGs) reduction through the use of the efficient biomass stoves and the development of the woodlots.

Table 10. Support Provided to RETAP[193]

Year	Partner	Support($)	Use
1996	GEF/UNDP SGP	50,000	Seed funding for Revolving Fund Credit Scheme
1996	CIDA	9,091	To install stoves in westrern province
1997	Kenya Gatsby Trust	30,000	Loan repayable at 13% p.a.
1998	Kenya Gatsby Trust	33,333	Loan repayable at 13% p.a.
1999	Staples Trust	21,666	For training and evaluation
2000/ 2001	Ashden Trust	6,410	For training
2001	Ashden Trust	25,000	Renewable Energy Award to RETAP
2002- 2004	SGP/COMPACT	45,000	Eco-Schools pjoject, with stoves and woodlots around Mt. Kenya
2002- 2004	Ashen Trust	40,000	For the woodlots in the Eco-Schools around Mt. Kenya
2007- 2010	GEF/UNDP MSP	1,000,000	Scaling up of the SGP project
	Total	1,260,500	

In conclusion, the Market Transformation for Highly Efficient Biomass Stoves for Institutions and Medium-Scale Enterprises in Kenya during 2007-2011 is a result of cluster development led by GEF, from the two-party partnership between RTE and RETAP that began in 1988.

193 Violet Matiru and Jason Schäffler. *op. cit.*

Clustering of various partners from every sector had contributed to synergy effect of the program. The partners included Global Environment Facility, United Nations Development Plan, the Ministry of Energy, the Rural Technology Enterprises, the Renewable Energy Technology Assistance Program and the Tree Biotechnology Programme Trust.

The main stakeholder of the program was GEF, who invested US$1 million with the focus on climate change mitigation and biodiversity conservation. The UNDP Kenya Country Office monitored and managed progress of the project as the implementing agency of GEF. UNDP was co-chair of the Project Steering Committee (PSC) with the Ministry of Energy. The Ministry of Energy (MoE) supported the project policy-wide such as policy making, legal framework setting, and coordination between public sectors. RTE, a for-profit company manufacturing and installing energy efficient stoves, took charge of providing, installing, and quality control of stoves in the program. The RETAP was the execution agency and host of the Project Management Unit. The TBPT, a public-private partnership aiming to promote biotechnologies in forestry in Kenya, provided quality seedlings for the woodlot establishment and training. The trust included the Kenya Forest Service (KFS), the Kenya Forestry Research Institute (KEFRI), the Gatsby Trust, Mondi Business Paper of South Africa, the International Services of Agri-biotechnology Applications based in the USA, Kenyatta University, Business Council of Kenya and private forest growers. Besides, various network of each partners included the Association of Micro-Finance Institutions of Kenya (AMFI), the United Nations World Food Program (WFO), Safaricom, the Inter-Governmental Agency on

Development (IGAD), the Schools, Woodlots and Energy Management Network (SWEMNET), the Improved Stoves Association of Kenya, and OIKO CREDIT, which directly or indirectly took part in the program.[194]

Table 11. Co-financing[195]

Partner	Cash or In-Kind	Amount(US$)
GEF	Cash	1,000,000
RTE	Cash and In-Kind	1,100,000
TBPT	In-Kind	469,319
MoE	In-Kind	408,431
End Users	In-Kind	4,250,000
Total		7,227.750

194 Violet Matiru and Jason Schäffler. *op. cit.*
195 *ibid.*

Table 12. Leveraged Funds[196]

Financier	Terms	Duration	Funds For	Amount (US$)
Ashden Trust	Grant	4years: 2010-2014	Training of woodlot managers and supplying seedlings	100,000
OIKO Credit	Soft Loan at 11% interest	4years: 2010-2014	To faciliate supply of WFP Stoves	250,000
Ron and Marlys Boehm	15% p.a. simple interest due in 1 year paid monthly	From 2010	Credit Scheme	80,000
John Swift (Swift Foundation)	8% p.a. simple interest due in 5 years paid annually	From 2010	Credit Scheme	10,000
Alex Hartlerja (Sarana Fund)	8% p.a. simple interest due in 5 years paid annually	From 2010	Credit Scheme	10,000
WFP	Successful bid for $1 million with possibilities of up to $5 million	From 2010	To supply stoves to WFP supported communities	1,000,000
UNDP TRAC Funds	Grat	2010	To cover the budget short-fail	76,000
Total				1,520,000

196 Violet Matiru and Jason Schäffler. *op. cit.*

3. Results

3.1. Project Outcomes

The most direct result of the program is the distribution of energy efficient stoves in the Kenyan communities by lowering financial barriers. By September 2010, 1,552 energy efficient stoves of RTE had been installed in 723 schools located in all the eight provinces of Kenya, a dramatic rise from 77 installed stoves in 20 schools of the Mt. Kenya region in 2006. 6 stoves had been installed in small to medium enterprises (SMEs) and about 500 stoves for household had been supplied by RETAP throughout the project. These results had contributed to enhancing overall welfare of local residents including cooking environment, cooking time and energy, fuel costs, income generation of stove manufacturers and seedling producers. Besides, approximately 12,000 tons of greenhouse gas emissions were estimated to be reduced by adopting the efficient stoves.[197] The cost-effective stoves enabled girls, who would not otherwise have been granted access to education, to enroll and stay in school. Saving time to fetch firewood and cook has also increased welfare of women in the community.

Through the project, 550,000 tree seedlings had been planted in about 342ha with survival rate of about 60%. The planted trees are expected to reduce 114,584 tons of carbon dioxide by 2020 if they are not harvested.[198] This has contributed to conservation of biodiversity and addressed deforestation and degradation of the country as well.

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[197] Violet Matiru and Jason Schäffler. *op. cit.*
[198] *ibid.*

Community building and establishment of favorable regulatory environment are the most important structural contributions of the program. Participants of the program has realized the benefits of collective action to improve the situation. Several institutions and organizations has been established throughout the program including the Improved Stoves Association of Kenya (ISAK), the Schools Woodlots and Energy Management Network (SWEMNET), the Tree Propagators Association and the Forest Tree Nurseries Association.

3.2. Sustainability of Partnership

Through the cluster building program, the impact of small alliance of RTE and RETAP was maximized. Utilitarian and altruistic motivations of the partners, therefore, must be moved towards 'high' positions. Especially in utilitarian side, RTE could enjoy continuous growth with support from many entities including finances. Installments of its stoves in schools had increased from 77 in 2006 to 1,552 in 2010 throughout the up-scaled program, while over 500 stoves had been installed in small to medium enterprises and households during the same period. RTE could strengthen its competitive advantage by leveraging the international organization funded program while minimizing financial risks of product development and marketing.

On the other side, altruistic motivations especially for non-profit organizations had also been satisfied. For the GEF/UNDP, one of the major partner of the alliance, could observe the successful outcomes of development through the program. The diffusion of stoves to 723 schools and many enterprises and households had lowered fuel cost of residents, enhancing the safety and welfare of women and girls. Result of 12,000 tons of greenhouse gas reduction and protection of wild animals by preserving trees are the environmental side of effect.

The two major axes of motivations, in conclusion, can be assessed as highly sustainable in all the three criteria - risk management, competitive advantage, and altruism.

VI. CONCLUSION

Throughout the decades of efforts of international community to eradicate poverty, stakeholders including donors and recipients have learnt that development cannot be achieved solely by public or non-profit sector. With the development of the relationship with society, in the other hand, businesses have now realized that business can be sustainable only when they cooperate with society. These lessons have made the two sectors move towards blurring the conventional boundary of business and development. Especially, recent stories of successful business models in the bottom of pyramid market reemphasize the necessity of reconsidering the conventional way of international aid.

As Porter and Kramer suggested, corporations have begun to find untapped business opportunities by applying Creating Shared Value strategies in the developing countries. Then, what if the strategies of business sector were adopted as a development initiative? This study suggested success cases of Public-Private Partnership for development which adopted each of the Creating Shared Value strategies.

M-PESA, an innovative mobile banking service in developing countries, shows how public-private partnerships could apply the first strategy of reconceiving markets and products. By reconceiving Kenyan market as a huge potential area of mobile banking services, Vodafone and DFID created an unprecedented success case both in business and development. Through the partnership, Vodafone could minimize its risk to enter into the new market with new products while DFID could leverage operational excellency and sustainability of its development initiatives.

Cocoa Partnership shows the application of the second strategy of CSV - redefining productivity in the value chain. Mondelez International, former Cadbury, initiated the partnership when they recognized its business sustainability was connected to the welfare of cocoa farming community. The partnership, therefore, focused on revitalizing cocoa industry in Ghana for both the fundamental competitiveness of Mondelez international and the core foundation of development of Ghana. Throughout the partnership, Mondelez International could strengthen the supply chain of its core business with financial and operational subsidy from various partners. At the same time, the United Nations Development Plan and other non-profit partners could leverage Mondelez International to address the fundamental problem of weakening cocoa industry in Ghana which would worsen the poverty in the region.

The last case of the Market Transformation for Highly Efficient Biomass Stoves for Institutions and Medium-Scale Enterprises in Kenya proves how could cluster building work in development field. GEF and UNDP scaled up the RTE/RETAP initiative of providing energy efficient stoves in Kenya. Many stakeholders joined the program to maximize its impact. Through the partnership, RTE could achieve rapid growth of its business, while the other partners including GEF and UNDP could effectively enhance the welfare of the residents and protect environment.

The last year of the MDGs has arrived. Now it is time for international society across sectors to take the next step to eradicate poverty in the world. With the hope for the sustainable development, this study suggests Creating Shared Value strategies as suitable strategies for public-private partnerships for development. As businesses are finding new business opportunities in the Bottom of Pyramid market, development organizations can take the wisdom of business sector as their strategy to make development sustainable.

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국 문 초 록

본 연구는 민간과의 협력, 시장 방식의 도입 등 국제사회가 글로벌 빈곤 문제 해결을 위해 시장의 효율성을 추구하고, 또 한편으로 시장은 이윤의 극대화라는 전통적 방향성에서 벗어나 사회적 가치 창출에 점차 적극적으로 참여하고 있는 두 가지 흐름에 주목하였다. 최근 국제개발협력 분야에서는 지속가능성과 원조효과성이 강조되며 시장의 원칙을 논의의 중심으로 들여오기 시작하였다. 다른 한편에서 시장은 기업의 사회적 책임을 보다 전략적으로 활용하려는 변화의 움직임 속에서 새로운 성장전략으로서 사회적 가치를 창출하기 위한 전략을 고민하고 있다. 이러한 두 가지 방향성을 잘 보여주는 것이 국제개발협력 분야에서는 공공-민간 협력(Public-Private Partnership)에 대한 강조이며, 시장 부문에서는 공유가치창출(Creative Shared Value) 전략의 등장이다.

하지만 지속가능성과 원조효과성을 확보하기 위해 국제사회가 권장하고 있는 공공-민간 협력은 개발 활동의 주체에 대한 논의에 제한되어 있다는 한계를 지닌다. 따라서 공공-민간 협력에 대한 논의는 전략적 방향성을 고민하여야 한다. 이러한 맥락에서 본 연구는 시장 영역에서 개발된 공유가치창출 전략을 공공-민간 협력의 전략으로 제안한다. 즉, 개발을 위한 공공-민간 협력체는 공유가치창출 전략을 사용하는 기업과 동일한 혼합 조직(hybrid organization)의 특성을 지니게 되므로, 상호 전략의 공유가 가능할 것이다. 이를 증명하기 위해, 기업의 공유가치창출과 개발을 위한 공공-민간 협력이 국제개발협력 분야에서 만나게 되는 지점을 하이브리드 스펙트럼 상에 나타내고, 이러한 지점에서 공유가치창출 전략이 공공-민간 협력을 위한 전략으로 성공적으로 활용되고 있음을 실제 사례 연구를 통해 확인한다.

사례 연구에서 제시되는 세 가지 공공-민간 협력 사업들은 각각 Porter와 Kramer가 제시한 공유가치창출을 위한 세 가지 전략을 활용한 사례들이다. M-PESA는 영국의 DFID와 Vodafone이 케냐에서의 사업 가능성을 새로운 관점에서 접근함으로써 유례없는 성공을 거둔 사례로, 금융서비스에 대한 접근권이 없던 현지 사회에 혁신적 변화를 일으키는 동시에 Vodafone에는 새로운 성장동력을 제공하였다. Cocoa Partnership의 경우, 글로벌 쵸코렛 생산업자인 Cadbury가 기업의 핵심 경쟁력을 보전하고 강화시키기 위해 국제기구를 포함한 다양한 이해관계자들과 파트너십을 맺고 가나 지역의 경제적 발전을 지원함으로써, 기업의 가치 사슬을 강화하는 한편 가나의 코코아 생산자들의 삶의 질을 극적으로 향상시켜 주었다. 마지막 사례는 아프리카 시장 내에서 시작된 적정기술과 사회적 기업의 움직임에 대하여, UNDP와 수원국 정부가 이들과 협력 관계를 맺고 다자 클러스터를 형성함으로써 혁신적 기술의 파급효과를 극대화시킨 사례다.

주요어 : 국제개발협력, 공공-민간 협력, 공유가치창출, M-PESA, Cocoa Partnership, Biomass Stoves

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