

# Examples from Sida's Private Sector Collaboration

Opportunities for improving, scaling  
and diversifying methods for partnerships  
with the private sector



# Table of content

Foreword	1
Improving sustainable smallholder farming in Bangladesh	2
Invigorating business environments in Bosnia-Herzegovina	4
Improving Industrial Relations in Cambodia	6
Innovations for peace in Colombia	8
Creating job opportunities in Ethiopia	10
Tackling Energy Poverty in Kenya	12
Inclusive Growth through Decent Work in the Great Rift Valley	14
Reducing youth unemployment in Kenya	16
Beyond the Grid Fund in Zambia	18
Innovation Against Poverty Challenge Funds	20
Securing Water for Food: A Grand Challenge for Development	22
Strengthening the private sector in Somalia	24
Private Sector Networks – examples	26
Examples of local networks	27
Case index	28

## Dear partners and colleagues

**To achieve the Sustainable Development Goals (SDG)**, all actors in society must collaborate and contribute. The private sector can support development and reduce poverty as they improve productivity, economic growth and the creation of decent jobs. Private actors can bring new perspectives, ideas and solutions, different to that of traditional development actors.

**Development agencies play an important role** in engaging the private sector in broader development efforts, especially when it comes to the first SDG: No Poverty. By partnering with the private sector, development cooperation can leverage actions and achieve results that would not have otherwise been possible.

**Sida's private sector collaboration focused** initially on a few specific instruments and methods such as funds and guarantees. Today, collaboration with the private sector has evolved towards a more systemic approach, encouraging private sector collaborations at the implementation level, building competence and establishing business networks such as Swedish Leadership for Sustainable Development to better understand the private sector's potential role in

development cooperation. This has led to innovative projects where instruments have been combined in new ways or completely new instruments have been developed.

**This collection of examples** is an excerpt from an internal study, [Sida's Private Sector Collaboration: Opportunities for improving, scaling and diversifying methods for partnerships with the private sector](#). The study looks at 16 strategies at the global, regional and bilateral level to see when, why and how Sida collaborates with the private sector.\*

**The examples aim to be a source of insight** and inspiration for engaging with the private sector and achieving better development results.

## Happy reading!

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\* The 16 strategies are: Bangladesh, Bosnia, Cambodia, Colombia, Ethiopia, Guatemala, Kenya, Palestine, Serbia, Somalia, Ukraine, Zambia, Regional Africa, Regional Asia, and two global strategies for sustainable economic and environmental development.

## Improving sustainable smallholder farming in Bangladesh



Bangladesh is among the world's most densely populated countries, with around **165 million people** living in the delta of the Ganges and the Brahmaputra. The country faces great challenges related to malnutrition and undernutrition.

The dairy and beef sub-sectors in Bangladesh are characterized by small-scale producers. Most dairy farmers in Bangladesh are traditional smallholder farmers with little or no access to education, technical services or the commercial market. Yields are low, and loose milk is sold directly to consumers at markets, with no guarantee of **quality or hygiene**.

### About the project

- **Project:** Dairy Hub and Dairy Academy Development Project
- **Partnership Tool:** Public-Private Development Partnership
- **Partners:** Sida, United Nations Industrial Development Organization (UNIDO), Tetra Pak, PRAN Ltd., Ministry of Fisheries and Livestock's Department of Livestock Services, smallholder dairy farmers
- **Development Objectives:** To improve the livelihood of small dairy farmers in Bangladesh through increased quality and yield of milk, allowing the replacement of imported powdered milk.
- **Duration:** 2013-2019
- **Budget:** 63 000 000 SEK (Sida 21 000 000 SEK and PRAN approximately 42 000 000 SEK)
- **Thematic area:** Agriculture

## Improving sustainable smallholder farming in Bangladesh

In 2013, Bangladesh's second largest dairy processor, PRAN Dairy, approached Sida with a project proposal in **collaboration** with the United Nations Industrial Development Organization (UNIDO) and the multinational food packaging company Tetra Pak.

PRAN and Tetra Pak had jointly developed a new innovative model for integrating dairy smallholder farmers in the formal supply chain of the commercial market. The project proposal to Sida covered an expansion of the activities to other districts and villages, with the goal to improve living conditions for **10 000 farmers**. Sida and PRAN funded the project and UNIDO served as the implementing partner.

The project set up local milk collection centres, where the milk could be properly collected, tested and cooled. In addition to high-quality cooling facilities and infrastructure, the Dairy Hub provides **training** and a demonstration farm to support PRAN's educational project, the Dairy Academy, in sharing best practices and increasing competence in the field.

The strategic objective was to **improve the livelihood** of small dairy farmers in Bangladesh through increased quality and yield of milk, allowing the replacement of imported powdered milk. In this case, the demand for locally produced milk already existed, while the model for collaboration was tested. A key success factor in this project was the market-driven approach.

### Results

After 44 months of operation, results have shown that:

- The milk yield per cow has **increased by 118%**
- The quality of the locally produced milk has **improved**
- The average income for the farmers has **increased by 137%**
- There has been a **ten-fold increase** in the number of farmers moving from producing milk for family consumption to commercial milk production as a source of income



## Invigorating business environments in Bosnia-Herzegovina

Ever since the end of the Bosnian war in 1995, Bosnia-Herzegovina struggles with a complicated political system and economic challenges. **The private sector is small**, access to risk-sharing capital is limited, and it is difficult for young entrepreneurs to develop their business ideas. There is a lack of skilled labour, and a substantial number of young people leave the country every year to search for jobs in EU countries.

In 2013, a small pilot fund, The Challenge Fund, was launched with a budget of SEK 5 million as part of Sweden's development cooperation portfolio in Bosnia-Herzegovina. The main objective was to **strengthen economic development** and cooperation between Sweden and Bosnia-Herzegovina. Companies and entrepreneurs were invited to apply and compete for grants to finance their innovations and business ideas. Grants were capped at EUR 30 000 and successful applicants had to match the grant with 50 percent of their own capital. The proposals needed to include potential employment effects, with a premium for employment of youth and women. The target group was micro and small enterprises as well as start-ups in Bosnia-Herzegovina, but also Swedish-based companies looking to do business in Bosnia-Herzegovina.

The pilot fund held three calls for proposals and received **1148 applications**. In the end, 27 companies were awarded grants.

### About the project

- **Project:** The Challenge fund project
- **Partnership tools:** Challenge fund
- **Partners:** Sida, awarded companies

- **Development objectives:**

To stimulate new enterprises and innovation in Bosnia-Herzegovina and a technology transfer to Bosnia-Herzegovina.

To support the private sector in Bosnia-Herzegovina by providing grants to project proposals that deliver both commercial benefits for the private sector and development benefits for the people of Bosnia-Herzegovina.

- **Duration:** Pilot The Challenge: 2013-2015
- **Budget:** Pilot The Challenge: SEK 5 000 000 (of which SEK 4 500 000 for grants)
- **Thematic area:** Employment

## Invigorating business environments in Bosnia-Herzegovina

Almost half of these companies were small enterprises with three employees or fewer, and 40 percent were start-ups. Most of them came from the IT sector. The pilot fund was implemented by the Sarajevo Economic Region Development Agency (SERDA) and the Republic Agency for Development Small and Medium Enterprise (RARS). An additional project partner was the Region Ostergotland from Sweden.

Thanks to the experiences from the first pilot fund, Sida was able to launch a second more extensive fund in 2017. The new fund was called Challenge to Change and received a budget of SEK 40 million. The structure was similar to the pilot fund but was implemented by an external partner with the aim to increase employment and **women's economic participation**, and to contribute to general economic growth.



### Results

#### The Challenge funds have:

- **Stimulated engagement** and expansion of small enterprises through fairly small financial incentives. The cost sharing, with 50 percent funding from awarded enterprises, ensured sustainability and continuous commitment from private sector partners.
- **Helped young entrepreneurs** to stay in Bosnia-Herzegovina to develop their businesses instead of leaving the country. They have provided unique opportunities in early phases of business development when external funding is often difficult to secure.
- **Provided opportunities** for companies to implement innovative and commercially sustainable ventures, and to stimulate technology transfer from Sweden.

## Improving Industrial Relations in Cambodia

The garment sector in Cambodia is the largest manufacturing industry and the biggest employer in the country. It already accounts for 80 percent of Cambodia's export earnings and **employs around 700 000 people** in a country of 16 million people. The female-dominated industry provides an important source of income for women, and has been an incubator for the development of the country's trade unions.

The manufacturing industries in Cambodia are characterized by **unfair labour practices** and face many challenges concerning labour rights and decent working conditions. Insufficient mechanisms for peaceful labour market dispute resolution has led to violent conflicts between workers and employers.

In 2014, a new partnership to promote sound industry relations and decent work in the garment sector was launched by the Embassy of Sweden in Phnom Penh, the International Labour Organization (ILO), the Swedish labour union IF Metall and the Swedish fashion chain H&M Group. The project aimed to **promote sound industrial relations** through collective bargaining, as well as to strengthen the regulatory and policy framework governing industrial relations. Policy was combined with capacity building to provide training that helped stakeholders implement more sound and appropriate policy approaches.

### About the project:

- **Project:** Improving Industrial Relations in Cambodia's Garment Industry
- **Partnership tools:** Public Private Development Partnership
- **Partners:** Sida, ILO, H&M Group, IF Metall
- **Development objectives:** Promoting sound industrial relations through collective bargaining and strengthening the regulatory and policy frameworks.
- **Duration:** 2014-2017
- **Budget:** USD 773 505
- **Thematic area:** Human Rights, Labour Rights

## Improving Industrial Relations in Cambodia

At the enterprise level, this included training in workplace cooperation, labour law, social dialogue, gender, non-discrimination. It also **encouraged agreements** between employees and employers.

The project was led by the ILO and jointly funded by Sida and the H&M Group. It had an overall budget of USD 773,505 plus in-kind contributions provided by IF Metall.



### Results:

#### Project results included:

- **In total, 26 factories participated** in the project. They signed an agreement to engage in collective bargaining and to refrain from unfair labour practices.
- **The project created dialogue** between the government, major union confederations, and the industry association Garment Manufacturers in Cambodia. Interventions at the national level included training for the Ministry of Labour and vocational training in policy development.
- **The project reached local factories** that otherwise could have been difficult to influence.

## Innovations for Peace in Colombia

Colombia is Latin America's fourth-largest economy and is rich in natural resources. However, the country's development is hampered by challenges such as weak institutions, unsustainable use of natural resources and armed conflicts driven by guerrillas and paramilitary groups. The people of Colombia have suffered **violence and armed conflicts since the early 1960s**. In 2016, a historic peace agreement was signed between the government and the country's largest guerrilla groups, officially bringing the longest-lasting conflict in the Americas to an end.

That same year, Sida launched a new Challenge fund, **Innovation for Peace-II** in Colombia, based on a previous challenge fund from 2012. The aim was to support economic development in conflict-affected areas. Colombian entrepreneurs were encouraged to apply for grants to launch business innovations linked to peace building. Increasing access to finance, building capacity, supporting business ideas and developing market linkages were crucial to ensure the sustainability of the initiatives.

The Challenge fund was implemented by the non-profit platform Reconciliación Colombia, **an alliance of more than 30 civil society organizations**. Through a robust selection process, 10 initiatives received funding in the first year. The finalists pitched to a jury, and regional visits were made to collect baseline data and to verify the applications.

### About the project

- **Project:** Innovation for Peace (I and II) in Colombia
- **Partnership tools:** Challenge fund accompanied by a guarantee
- **Partners:** Sida, USAID, ECOPETROL, Reconciliación Colombia
- **Development objective:** To improve the economic situation for women and men affected by conflict or living in conflict-affected regions by building capacity, increasing access to finance, supporting business models and developing market linkages
- **Duration:** 2016-2019
- **Budget:** SEK 13 000 000
- **Thematic area:** Civilian peacebuilding, conflict prevention and resolution, private sector development

## Innovations for Peace in Colombia

All accepted initiatives received **tailor-made technical assistance** for two years which could include setting up financial systems for accounting, obtaining equipment or receiving legal advice.

The fund was scaled up in the second year thanks to two new donors joining the initiative – USAID and the Colombian oil company, ECOPETROL. In the second call, **17 new entrepreneurs** were awarded grants for their business ideas.



## Results

### The funds have led to:

- **27 companies have received funding**, mainly agribusinesses in rural areas.
- **By February 2019, 2 000 families had been helped** by the innovative businesses, and 25 of the initiatives have shown significant improvements in production, sales and income for participating men and women.
- **An initiative headed by 14 women** selling ornamental fish increased production by 271% and sales by 15% thanks to the Swedish contribution and their own co-investment.
- **Other innovations that were awarded grants** include processing technology for ice cream production and improved cocoa production techniques.

## Creating job opportunities in Ethiopia

With around 102 million people, Ethiopia has the second largest population in Africa. Despite many years of strong economic growth, the country is still one of the world's poorest with extensive inequalities and **high unemployment rates**, especially among youth. A large part of the workforce – around 35 million people – lack education and are employed in low-skilled jobs.

In 2011, a Public Private Development Partnership (PPDP) was launched with Sida, UNIDO and Volvo that aimed to address the private sector's need for skilled workforce and the country's high unemployment rate. Volvo had received a large order of 800 trucks for a transport investment project in central Ethiopia and needed highly-trained mechanics to secure sustainable maintenance of the trucks. This resulted in **Ethiopia's first state-of-the-art vocational training** for heavy machinery being established at the Selam Technical and Vocational College in 2012-2019. A project for training of drivers has since also started.

In this public-private development partnership, the new job opportunities were directly connected to actual needs in the labour market. Furthermore, conventional classroom teaching was combined with practical training methods.

### About the project:

- **Project:** Heavy Duty Equipment and Commercial Vehicles Academy
- **Partnership tools:** Public Private Development Partnership
- **Partners:** Sida, UNIDO, Volvo, Selam Technical and Vocational College, Ministry of Education and Ministry of Industry
- **Development objectives:** Providing underprivileged youth with skills, help strengthen vocational training, engage a major multinational company in active provision of human resource development outside its own organisation, **creating employment opportunities** for young Ethiopians as commercial vehicle drivers.
- **Duration:** 2012-2019 (Mechanic program), 2017-2021 (Driver programme)
- **Budget:** USD 5 271 914 (Mechanic program), SEK 28 500 000 (Driver programme)
- **Thematic area:** Youth Employment

## Creating job opportunities in Ethiopia

By creating a platform for **dialogue and collaboration**, the strengths of the different partners were combined when designing the training programme.

Sida played a significant role in facilitating the set-up of the partnership. Volvo contributed with technical equipment, training material, training of teachers, ongoing curriculum development and apprenticeship opportunities for students.



UNIDO was responsible for the overall project management and added considerable experience with technical vocational training.

Selam Vocational Training College, where the training took place, manages the administration of the academy, teacher recruitment and student selection.

## Results

The results of the project have shown:

- **Provided students with training** in modern machinery operation, English and IT.
- **Trained 25-40 heavy-duty mechanics students** per year and has been open to applicants regardless of background
- **In total, 215 students have graduated** from the Heavy Duty Equipment and Commercial Vehicles Academy (HDECoVA), and at least 91 per cent of the graduates have found employment.
- **In 2015, the Academy was selected as one of 10 winners** of the competition “TVET for the 21st Century in Africa: The Most Promising Practices on the African Continent”.
- **In 2018, a new project “Misale Academy” was launched** to train young Ethiopians in commercial vehicle driving and was based on the experience and lessons learnt from the mechanics training programme.

## Tackling Energy Poverty in Kenya

The Government of Kenya has stated in its development blueprint that all Kenyans should have access to quality energy by 2030. However, challenges remain in devising a system to identify the poorest in need of affordable energy access. A large proportion of the Kenyan population **lack access to electricity** because they are located far from the national grid.

In 2017, the Embassy of Sweden in Nairobi initiated discussions with renewable energy providers, UNICEF, the Ministry of Labour and Social Protection and consultants from the US Power Africa team in order to ensure access to affordable quality energy. The aim was to investigate if it was possible to leverage the social protection system to **provide energy access to the poorest segments of society**. The same year, the partners launched a pilot programme, Energy for the Poorest, based on finding a solution to the existing need of electricity by using an already existing framework – Kenya’s social cash-transfer system.

The cash-transfer system was implemented in 2004 by the Ministry of Labour and Social Protection. The system has a robust database and targets the poorest million in the country, where each targeted family is attached to a social worker that supports them in their efforts to improve their lives.

### About the project

- **Project:** Energy for the poorest
- **Partnership Tool:** An innovative approach to combine existing public sector systems with private sector collaboration.
- **Partners:** UNICEF, Ministry of Energy and Ministry of Labour and Social Protection, county governments, payment service providers including local banks, private solar companies
- **Development Objectives:** The project aims to enhance access to energy for the most vulnerable segment of the poorest and increase penetration to households in the bottom of the pyramid.
- **Duration:** Pilot Programme 2017-2020
- **Budget:** USD 838 222 97
- **Thematic area:** Energy, health and education

## Tackling Energy Poverty in Kenya

The families are also part of a Beneficiary Welfare Committee. Transfers are made through normal bank channels, **involving both central and local levels.**

The collaboration represents an **interesting example of innovation** consisting of linking and leveraging already on-going initiatives in different sectors with each other - the energy and social sector. The programme is using the same channels, actors and database as in the social cash-transfer system and is now being rolled out and tested.



## Results

**Results from the programme have shown progress in:**

- Keeping children in school
- Reducing child labour
- Strengthening the overall legal status of poor families
- The companies view the poorest families as potential future customers of a new market that previously has been too remote and too risky to enter
- In November 2018, 1500 targeted households accessed solar home systems and solar lanterns

## Inclusive Growth through Decent Work in the Great Rift Valley

The provision of reliable and affordable electric energy is indispensable for social and economic development. In Kenya, there is great potential for geothermal energy to generate more power capacity to the national grid and to promote economic growth. Akiira Geothermal Limited, an electric energy generating company, operates as a **geothermal exploration** and power plant development project and is planning a major investment by setting up a geothermal power plant in Kenya's south Rift Valley.



### About the project:

- **Project:** Inclusive Growth through Decent Work in the Great Rift Valley
- **Partnership tools:** Public Private Development Partnership; Guarantee
- **Key partners:** Sida, ILO, Forum Syd, Akiira Geothermal Ltd, KenGen Ltd, Olserian Ltd and other private sector partners, Ministry of Education, Science and Technology, Ministry of Energy, Ministry of Labour and Social Protection, civil society organizations, local communities, academia, tripartite partners of ILO and unions
- **Development Objective:** Poverty reduction and improved living conditions through decent work and access to rights-based services among the rural population in the Great Rift Valley in Kenya
- **Duration:** May 2018–May 2022
- **Budget:** USD 4 870 000 (63%) in Sida funding and USD 2 890 000 (37%) in mobilized capital, aiming towards a 50/50% shared funding between Sida and other stakeholders by the end of program period
- **Thematic area:** Market Development, Employment, Human Rights, Renewable Energy

## Inclusive Growth through Decent Work in the Great Rift Valley

In 2015, a dialogue was initiated when Akiira approached Sida to discuss a guarantee for a bank loan. The partnership took form based on Akiira's commitment to make a **positive impact on the local communities** and the **demand for local workforce**.

In 2018, a Public Private Development Partnership was signed, with the objective to reduce poverty and improve living conditions through decent work and access to basic services among the rural population in Great Rift Valley. The partnership is co-implemented by ILO and Forum Syd. ILO is responsible for skills development and job creation, and Forum Syd develops capacity of the local communities to advocate for their rights and access basic services. The private sector is contributing with knowledge, resources, market absorption and employment opportunities; which ensures **ownership, sustainability** and **opportunities** to scale up.

This multi-stakeholder partnership is an example of how one program can address several areas in the development cooperation strategy – such as employment and decent working conditions; improved gender equality; democratic governance; as well as increased production of renewable energy.

Today, **more than 20 partners** – county government, central government, civil society organisations, local communities, academia and public and private technical and vocational education and training institutions (TVET) - are involved in the partnership.

### Project goal

- **Poverty reduction and improved living conditions** through decent work and access to rights-based services among the rural population in the Great Rift Valley

### Objectives

- **To create decent jobs** from better skills by **vocational training centres**
- **To develop new and improve growing businesses** resulting from new relevant skills, business development services and access to finance
- **To increase the capacity of communities** to lobby for increased access to public and social services e.g. water, education, health, sanitation and counties are better able to provide the basic services

## Reducing youth unemployment in Kenya

Kenya has a **very young population**, almost three-quarters are under the age of 30. It is estimated that around one million youth are unemployed with limited opportunities to enter the labour market. There is a mismatch between the extensive number of unemployed youths globally and employers' need for workforce around the world.

As a response to this situation, the global non-profit organisation Generation launched a global **youth employment program** in 2014. The program aims to empower young people to build sustainable careers and at the same time provide employers with the skilled labour they need. The target group is youth between the age of 18 and 30, from underprivileged urban and semi-urban areas, living in poverty.



### About the project

- **Project:** Generation Kenya
- **Partnership Tool:** Large-scale multi-stakeholder hybrid Public Private Development Partnership
- **Partners:** Sida, Generation Global and Generation Kenya, private sector (over 350 companies), the private and public TVET system, county government, central government and the youth.
- **Development Objectives:** To scale up the program to reach 45 000 marginalized youth, to work for **systemic change**, influence, capacitate and strengthen the public TVET system, incorporate **decent work** and **gender equality** aspects into the program and make it 60% self-sustainable by the end of 2023.
- **Duration:** 2018-2023
- **Budget:** USD 4 500 000 representing 22% of the total budget. Rest is from private sector, public sector, TVET institutions, students and other development partners.
- **Thematic area:** Employment

## Reducing youth unemployment in Kenya

In 2015, Generation Kenya was initiated as a public private partnership, in collaboration with the private sector; Technical and Vocational Education and Training (TVET) institutions; central and county governments; and the youth. Two years later, Generation Kenya approached the Embassy of Sweden, with a request for financial support from Sida. After assessing the first programme, Sida signed a partnership agreement in 2018 with a donation of USD 4.5 million (representing 22 percent of the total budget) for five years, expanding its reach, to over **45 000 marginalised youth**.

The programme is based on an **education-to-employment model**, in which the employers are included in the entire programme design process and take on a significant ownership role. The training consists of boot camps, where the students are provided interactive training to gain technical skill. Coaching, résumé building, interview rehearsal and ongoing support is provided during and beyond the programme period. After the completed training, the students are directly called to job interviews.

Today, the programme is active in five sectors - financial services sales, distributed sales, retail, restaurant, customer service agents and sewing machine operators - in cooperation with **350 private sector employers**.

### Results

#### Results from the programme have shown:

- Since 2015, 84% of the **13 000 graduates** were **immediately employed** through the network of more than 350 employers.
- 57% of Generation Kenya graduates were women.
- The programme had a **positive impact on average income**, with estimated increase of 370%
- The programme shows a measurable return on investment for the employers by **lowering costs for recruitment** and obtaining trained employees in line with their needs. Generation recruits perform better, are more dedicated and have higher retention rates than non-Generation recruits.

## Beyond the Grid Fund in Zambia

Zambia is often characterized as a peaceful country with a decent track-record of democratic transitions and continuous economic growth. Despite economic development, the gap between urban and rural population is vast. Over 75 percent of the rural population lives in poverty and more than **90 percent lack access to electricity**.

Sustainable energy systems are important for mobilizing external capital and investments in private sector collaboration. Off-grid energy solutions are often the quickest path for the most vulnerable and remote communities to obtain increased access to electricity.

Since 2015, Sweden has participated in the Power Africa initiative, which mobilizes private investments for electricity access in sub-Saharan Africa. **The aim is to reach USD 1 billion over 10 years** with innovative financing methods. In March 2016, the Embassy of Sweden in Zambia launched Power Africa: Beyond the Grid Fund Zambia (BGFZ) to bring off-grid energy to unprecedented scale.

The programme applies a **results-based financing and risk-sharing approach** called Social Impact Procurement, in which grant funding essentially is used to “buy” access to electricity directly from private service providers for a predefined number of people, using pro-poor business models.

### About the project:

- **Project:** Beyond the Grid Fund in Zambia
- **Partnership Tool:** Social Impact Procurement Fund
- **Partners:** Sida, Embassy of Sweden, The Nordic Environment Finance Corporation (NEFCO, an international financial institution), Renewable Energy and Energy Efficiency Partnership (REEEP, a quasi-international organisation), the Power Africa initiative
- **Development Objectives:**  
**BGF Zambia:** Increased access to electricity for 2 million people in Zambia  
**Next phase BGF Africa:** Increased access to electricity for at least 5 million people in Burkina Faso, Liberia, Mozambique and Zambia. Mobilising 2 billion SEK in private capital
- **Duration:**  
**BGF Zambia:** 2016-2021  
**Next phase BGF Africa:** 2019–
- **Budget:**  
**BGF Zambia:** EUR 10 000 000  
**Next phase BGF Africa:** EUR 50 000 000

## Beyond the Grid Fund in Zambia

By undertaking extensive **market research** and engaging **continuous dialogue** with the private sector, the Embassy of Sweden and Sida invested substantial time in the preparation of the project. After the first round of bids, four energy service companies were awarded contracts based on agreed and enforceable targets.

The fund is specifically designed to cover the gap between what the poor can afford to pay and the initial cost for companies to **expand energy services** to **new areas** and groups of customers. The bulk of the investments have been made by the private sector and each krona of Sida's grant funding currently leverages about four times in private investment.



### Results

After the first two years, results have shown:

- **720 000 people were connected** to off-grid and mini-grid systems in Zambia.
- **The goal of reaching one million Zambians** over four years is likely to be achieved.
- **The programme was honoured** with the 2019 UN Global Climate Action Awards in the category "Financing for Climate Friendly Investment", as well as the 2019 Ashden Award for Best Innovative Financing during the London Climate Action Week and has been recognised as best practice by a number of other institutions.

## Innovation Against Poverty Challenge Funds

Around 4 billion people worldwide live on less than USD 8 per day and constitute the bottom of the income pyramid (BOP), the poorest socio-economic group of the population. This group constitute a **global consumer market** with a purchasing power of five trillion dollars but are often outside of the formal economy and have limited opportunities to lift themselves out of poverty.



### About the project

- **Project:** Innovation Against Poverty Challenge Fund
- **Partnership tool:** Challenge Fund
- **Partners:** Sida, SNV, Inclusive Business Sweden, BoP Innovation Center
- **Development Objectives:** To stimulate the private sector (in the forms of entrepreneurs) to focus their efforts, innovative ability and resources to develop and **invest in products**, systems and services so they are able to bring about changes to **improve the lives of people** living in poverty
- **Duration:**  
First fund (IAP1): 2011-2016 ; Second fund (IAP2): 2016-2021
- **Budget:**  
First fund (IAP1): EUR 5 400 000 ; Second fund (IAP2): SEK 73 900 000
- **Thematic area:**  
First fund (IAP1): All ; Second fund (IAP2): Agri-food, WASH, Energy and ICT

## Innovation Against Poverty Challenge Funds

Business models that include poor people in the supply chain, while **addressing social and environmental challenges** and maximizing profitability, are often referred to as inclusive businesses. But many entrepreneurs and innovators of such business ideas lack capital, access to market and technical support. The investment required to develop and launch innovative **inclusive business ideas** and initiatives tend to be too small for traditional investments and financing.

Innovation Against Poverty Challenge Fund (IAP1) was one of Sida's first challenge funds, launched in 2011. The fund was a pioneer to test and learn from the challenge funds approach. By **engaging poor people** as consumers, producers, suppliers, employees and innovators, there is a huge opportunity to create sustainable markets and to strengthen the value chains that enable people living in poverty to both benefit and contribute to **long-term market development** and solving development challenges.

Some of many innovative inclusive business ideas that have been developed as a result of IAP2, are: A pay-as-you-go business model for clean cooking in Uganda, an innovative biogas fired injera stove in Ethiopia and a joint venture in the organic palm sugar industry in Cambodia.

### Results

The results from the fund have shown that:

- **In total, EUR 5.4 million was invested in 66 projects** that covered various sectors **across 30** developing countries in the world.
- **A new challenge fund, Innovation Against Poverty 2 (IAP2)** was launched in 2016, based on the lessons learnt from the first fund. This fund was managed by an international NGO, SNV, and focused more on the thematic and geographic outreach. The fund provided targeted companies with both financial and advisory support within the sectors of agriculture and food, WASH, energy, and ICT in four countries: Cambodia, Ethiopia, Uganda, and Zambia.
- **By July 31 2018, as much as EUR 3 120 779 had been mobilized** and co-invested by the private sector, based on EUR 1,518,536 of grant funds.
- **By July 3 2019, the portfolio impact included 7 967 jobs** for low-income earners, improved access to goods and services for 48 531 poor people, and EUR 1 113 755 increased revenue as a result of the IAP investment.

## Securing Water for Food: A Grand Challenge for Development

The world's population depends on water for basic needs such as food production, sanitation, and access to safe drinking water. According to the World Bank, some **2.2 billion people around the world do not have safely managed drinking water** services and 4.2 billion people do not have safely managed sanitation services.

**Water is an essential part of agriculture** as an estimated 70 percent of all water withdrawal globally is used for agriculture. Irrigated land is more than twice as productive as rain-fed cropland. Sustainable use of water in agriculture is, thus, essential for the whole ecosystem and water-related development challenges.

In 2013, Sida launched a new challenge fund connecting **sustainable food production** with sustainable water management, based on innovation and technology. The fund, "Securing Water for Food: A Grand Challenge for Development", was launched together with USAID, the Ministry of Foreign Affairs of the Netherlands, and the Department for Science and Technology Republic of South Africa. Since the launch, USD 35 million have been invested through the fund, which has mobilised USD 20 million in external capital.

### About the project:

- **Partnership tools:** Challenge Fund
- **Partners:** Sida, USAID, the Ministry of Foreign Affairs of the Netherlands, and the Department for Science and Technology Republic of South Africa
- **Development Objectives:** To source and scale innovations that enable the production of more food with less water in developing countries
- **Duration:** 2013-2022
- **Budget:**  
USD 35 million invested by Sida, USAID, MFA-Netherlands, DST-South Africa since 2013  
Sida's contribution: 104 MSEK
- **Thematic area:** Water, Food and Agriculture

## Securing Water for Food: A Grand Challenge for Development

The development objective of the fund is to source and scale innovations that enable production of more food with less water in developing countries, with particular focus on women and the poor. Commercially viable business ideas that focus on both scale and impact have been awarded. **The technical assistance facility** has provided each innovator with tailored support and mentoring. This has included both financial assistance and acceleration support. Impact investors have also been involved throughout the programme by participating in panels for selecting the innovators and in match-making sessions between innovators and investors.



### Results

#### As a result of the fund:

- **Innovative solutions are now in operation in 35 countries** around the world.
- **In total, 40 entrepreneurs and scientists have launched** their ground-breaking innovations.
- **Nearly 6.3 million farmers have been helped** by innovative solutions in their farming.
- **For every USD 1000 that has been spent** by the fund, innovators have **impacted more than 240 end users**, helped produce more than 400 tons of food, helped farmers reduce their water consumption by more than 1.2 million litres of water (compared to traditional practices), and generated more than USD 350 of sales.
- **A second generation challenge fund**, The Water and Energy for Food (WE4F) challenge fund, has been launched as a follow-up and it is based on the experiences of i.a. Securing Water for Food.

## Strengthening the private sector in Somalia

Somalia has suffered from over two decades of conflict and is one of the poorest countries in the world. Despite more than 20 years of war, the country has a remarkably strong private sector that plays an important role in tackling development challenges. However, the ecosystem for private sector actors is complex in Somalia, requiring that companies have different forms of support as they grow and develop over time.



Currently, the Somalia country portfolio includes four private sector collaboration projects:

**Swedish Somalia Business Programme** is a challenge fund initiated in 2013, which closed in 2019. The fund offered support to the development of new business ideas with small sums of money – mainly targeting the diaspora. The fund was implemented by Forum Syd and Business Sweden and provided grants to 53 companies. Short-term cooling containers to store fish overnight, as well as a small-scale water filter system that transforms contaminated water to safe drinking water, are two examples of the granted businesses.

**Women's Economic Empowerment and Renewable Energy** PPDP is carried out together with ILO and the private sector. Launched in 2018 and running until 2021, it focuses on vocational training within the sector of renewable energy, where there is lack of competence. The objective is to enhance **women's economic advancement**, and to foster an enabling environment for women entrepreneurship with resources, access to economic institutions and skills training in alternative sectors,

## Strengthening the private sector in Somalia

**AECF-REACT Challenge Fund** is a Sida funded project that was launched 2019 and runs until 2022. Some 8 to 10 companies are expected to be selected for grants. The challenge fund will operate within the **renewable energy sector** and will make it possible for enterprises to test the market with their existing ideas. Another fund within the AECF-REACT organization, funded by DfID, was launched in May 2019 and received as many as 34 applications from Somalia's private sector.

**Somalia Credit Guarantee Scheme** was launched in April 2018 and involves four local banks that provide loans between USD 5000 and 150,000. Through the guarantee scheme in Somalia, small companies can **access financing** that makes it possible for them to **scale up their businesses**. Around 20 companies have already been granted loans, and around 50 percent of the companies are female-owned. Sida's implementing partner is Shuraako, an NGO from the US, that has entered into agreements with each bank and provides technical assistance to banks and companies. The credit guarantee scheme is the **first of its kind in Somalia** and a good complement to some of the existing challenge funds available to support local companies to grow.



## Private Sector Networks – examples

Forming networks with private sector actors can constitute a useful forum for joint learning, dialogue, exchange, reflection, advocacy, and action in relation to **Agenda 2030 implementation**. According to Sida's vision, Sida will actively bring together existing, new and unexpected actors with the goal of stimulating new development initiatives and innovations. Sida can contribute by initiating, facilitating and strengthening networks of actors from all sectors of society.

**Swedish Leadership for Sustainable Development (SLSD)** was launched in 2013 by Sida and some of Sweden's leading companies in order to participate in the establishment of the Sustainable Development Goals (SDG). The Sida-coordinated network includes some 20+ companies and expert organisations. The network is a unique **forum for valuable learning** and a **platform for new partnerships**, concrete projects and collaborative models for poverty reduction and sustainable development. The network has generated significant interest from global stakeholders.

**Swedish Investors for Sustainable Development (SISD)** was initiated in 2016 as a partnership formed between 18 investment companies, pension companies, institutional investors and Sida. It is a platform for **sharing experience and learning**, with the mission to explore the role of investors in implementing the SDGs. This is an example of how the private sector – even competitors – can work together in partnership with Sida to contribute to the global goals, while developing their markets. Several results from the partnership have been reported, such as more investments in **green bonds**, **new funds** focusing on Agenda 2030, as well as an **extensive investment** of SEK 2.5 billion in World Bank bonds focusing on sustainable cities. In 2019, the UN launched a global network for sustainable investments, called Global Investors for Sustainable Development (GISD), which is inspired by the Swedish model.

## Examples of local networks

**In Zambia**, a local network for sustainable business was initiated by the Embassy of Sweden in 2017, within the context of the Swedish Government's priorities and commitments to the SDGs and Agenda 2030, the Paris Agreement, and the Global Deal. The network brings together **Sweden-related private sector actors** established in Zambia to enable, support and showcase their commitment towards sustainable development. The network has around 20 members representing a mix of companies with Swedish ownership or business interests, alumni students from Swedish universities, and other relevant individuals.

**In Colombia**, the Embassy of Sweden initiated the Swedish CSR network in 2014. Around 20 Sweden-related companies are participating. The purpose of the network is to **promote sustainable approaches and practices** with which the companies are working. The Embassy organises meetings and seminars around twice a year, during which network members share experience, and occasionally external experts are invited. In 2015, the network signed an anticorruption agreement with the Colombian government.



# Case index

## 1. Improving livelihood and sustainable smallholder farming in Bangladesh

Picture source: 1. UNIDO, 2. Unsplash

Further reading:

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<https://open.unido.org/api/documents/3287034/download/Project%20presentation%20oct%202014.pdf>

## 2. Invigorating business environments in Bosnia-Herzegovina

Picture source: 1. Embassy of Sweden in Sarajevo, 2. Unsplash

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Picture source: Embassy of Sweden in Phnom Penh

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## 4. Innovations for Peace in Colombia

Picture source: Embassy of Sweden in Bogotá

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## 5. Creating job opportunities in Ethiopia

Picture source: Niras

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[www.lkdfacility.org/hdecova-ethiopia/](http://www.lkdfacility.org/hdecova-ethiopia/)

## 6. Tackling Energy Poverty in Kenya

Picture source: UNICEF

## 7. Inclusive Growth through Decent Work in the Great Rift Valley

Picture source: Forum Syd

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## 8. Reducing youth unemployment in Kenya

Picture source: Generation Kenya

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## 9. Beyond the Grid Fund in Zambia

Picture source: Beyond the Grid Fund, Zambia

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## 10. Innovation Against Poverty Challenge Funds

Picture source: Innovation Against Poverty

## 11. Securing Water for Food: A Grand Challenge for Development

Picture source: Securing Water for Food

## 12. Strengthening the private sector in Somalia

Picture source: 1. Unsplash, 2. Embassy of Sweden, Nairobi

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## 13. Private Sector Networks – examples

Picture source: Sida