Catalyzing Impact through Business
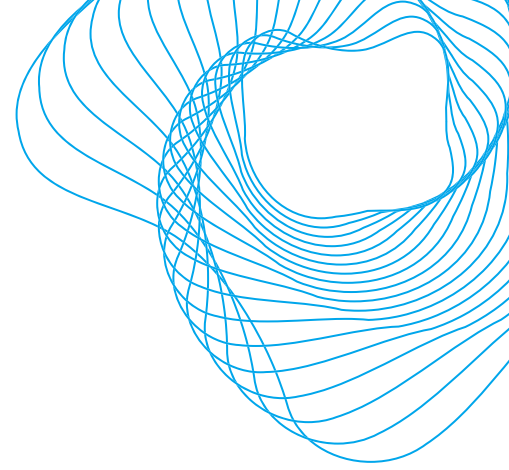
An Ecosystem Development Approach to meet the SDGs

UNDP

Making new connections – the Ecosystem Development Approach is all about collaboration.

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Preface

Amidst the global COVID-19 pandemic, the fragility of our economic systems and the interconnectedness of our actions became more obvious than ever. It made us value the need for cross-sector collaboration and integrated solutions to address complex challenges for shared goals. Achieving the Sustainable Development Goals (SDGs) by 2030 will require the same concerted effort and focused action. **This report advocates for an Ecosystem Development Approach (EDA) to catalyse business action with positive impact for people and planet.** This novel approach allows for collective action that is demand driven and locally owned, enables coherent and mutually reinforcing actions and the co-creation of integrated solutions among a diversity of players. It can be applied to any systemic challenge where the private sector plays a role, including in health, energy, food and agriculture, mobility, and post-COVID-19 recovery. It deals well with complex challenges such as informal markets and can fully leverage the potential of digitization and innovation. As such, an EDA creates value for all involved: economic profit for companies and investors, taxation for governments, social goods for the people, quality environmental services for the planet, and better coordination among various actors and synergistic results for all.

The report is based on UNDP's experience in testing the EDA methodology in three countries – Lesotho, Senegal, and Uganda. UNDP designed the Inclusive Business Ecosystem Initiatives based on the ideas developed in its 2013 report "Realizing Africa's Wealth," which advocated for this type of collective action. The methodology was tested in three pilots from 2017 to 2019: in Lesotho to improve financial inclusion through access to mobile money; in Senegal to bring renewable energy solutions to rural areas; and in Uganda to develop a competitive tourism sector that benefits marginalized communities and informal businesses. These pilots have proven that an

ecosystem approach to engage companies in achieving the SDGs can be effective. This report documents the findings and draws lessons for wider application of the methodology.

The Ecosystem Development Approach is relevant for development programs that aim to involve business in SDG delivery and promote its principles of "Leaving no One Behind" and "Cross Cutting and Sector Partnerships". These include programs focused on new ventures entrepreneurship, start-ups, impact investing, strengthening and engaging Small, Medium and Micro Enterprises (SMMEs) and informal businesses in specific sectors, as well as partnerships with large companies. It can be used all along the programming life cycle, from design to implementation and review. The approach is also interesting for development finance institutions, impact investors, non-governmental organizations (NGOs) and governments that seek to leverage the power of the private sector for inclusive and sustainable development. Most development challenges require diverse actors to collaborate to achieve a specified goal. The Ecosystem Development Approach enables just that.

UNDP is committed to using the Ecosystem Development Approach to initiate, convene and connect key players to achieve shared goals. This approach builds local ownership, strengthens synergies, and enhances sustainability. The lessons from UNDP's three pilot countries have shown its value to create tangible and lasting change.

An EDA is a veritable instrument to co-create and co-own development solutions in a more inclusive and sustainable manner We hope this report will inspire greater collaboration with the private sector and other stakeholders to achieve the SDGs. UNDP stands ready to partner and replicate our success in other countries, with other impact opportunities. We invite partners from all sectors to join us in this endeavour and to find innovative and transformative solutions for increasingly complex challenges we are facing throughout the world.

Dr. Ayodele Odulosa
Director, UNDP Africa Finance Sector Hub, and
Resident Representative, UNDP South Africa, Pretoria

Aerial view of the "intelligent ecovillage" Aga Biram, a small village 30 km outside of Mbour in Senegal.

Executive Summary

"More needs to be done to create the transformational and systemic changes that achieving the SDGs will require. We need the union among business, society, and government. The truth is we cannot succeed in isolation of each other."

Achim Steiner, UNDP Administrator, 2019 [1]

To meet the Sustainable Development Goals (SDGs) by 2030, we need to accelerate, scale, and sustain progress on a wide range of challenges. Companies have critical roles to play. But whether and to what extent they can actively contribute to solving these challenges depends on their business ecosystems. Business ecosystems are communities or networks of interconnected, interdependent players whose actions help determine what companies must do to be profitable and competitive. Do they have the right incentives, investment, information, and implementation support? **To unleash companies' full power to help achieve our shared goals, their business ecosystems must make doing the right thing for development the best thing for business. This report shows how to develop business ecosystems for impact.**

Improving business ecosystems usually requires action by different parties: government agencies, financial institutions, business associations, educational institutions, and more. Moreover, it requires coordination among those parties to align on solutions, address interdependencies, and manage trade-offs. Complexity often hinders progress, even though there might be clear gains for each stakeholder, and for society as a whole.

This is where UNDP's Ecosystem Development Approach comes in. It consists of two parts, as illustrated in Figure 1. First, an Action Platform brings stakeholders together to address specific issues in the business ecosystem that stifle impact. Second, an Innovation Challenge directly supports business solutions with positive impact. In Senegal, for example, a pilot initiative aimed to advance off-grid energy solutions in rural areas. One result of the Action Platform was that the government created tax incentives and a feed-in tariff. This, in turn, allowed companies to create a more robust business case to attract investors. The Innovation Challenge supported companies in the training of vendors and technicians, enabling them to sell and maintain solar lighting systems and electric productive use appliances in remote areas. **The Ecosystem Development Approach enables stakeholders to identify a shared opportunity and collaborate to make it a reality.**

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1   UNDP, 2019 UNDP chief calls on business leaders to scale up work toward global goals https://www.undp.org/content/undp/en/home/news-centre/news/2019/undp-chief-calls-on-business-leaders-to-scale-up-work-toward-glo.html
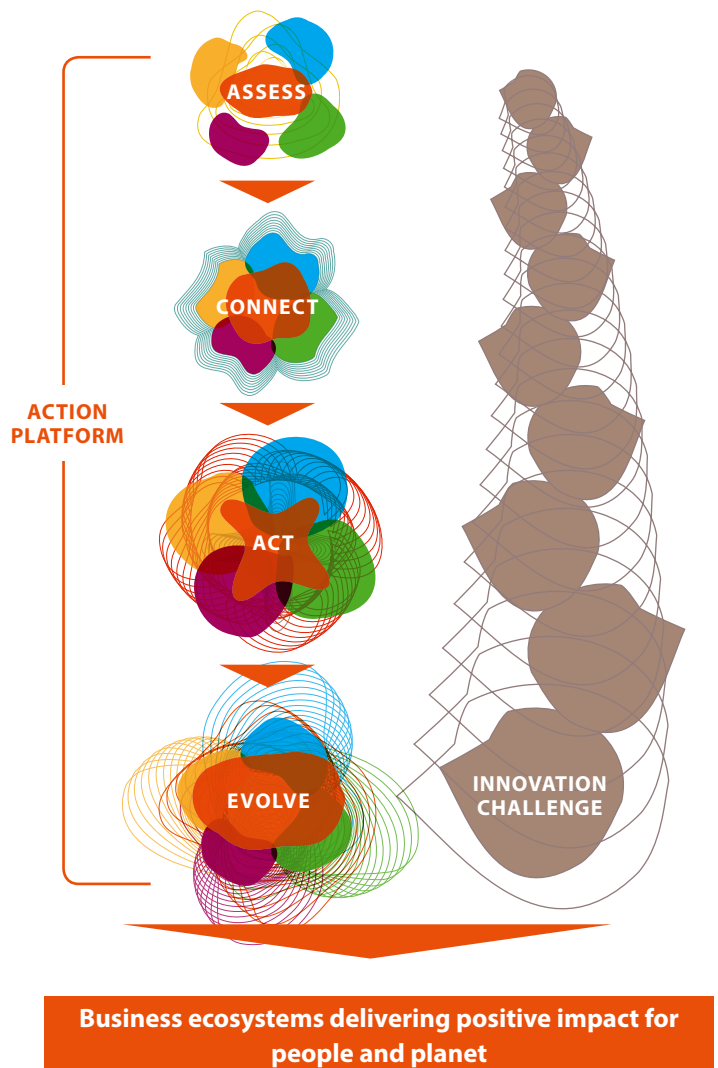
The pilots in Senegal, Lesotho and Uganda show that the Ecosystem Development Approach is effective and efficient for these four reasons:

1. **Local ownership.** The approach leverages the collective intelligence, resources, and capabilities of ecosystem members and aligns their strategies for solving challenges.

2. **Transformation.** The approach strikes at the root causes of development challenges and builds local capacity to tackle them. Innovation Challenges enable entrepreneurs to develop and test concrete business solutions, generating tangible impact quickly.

3. **Sustainability.** The approach creates the structures for local actors to continue to solve their own challenges collectively and continuously improve the business enabling environment.

4. **Track record.** The approach has a track record of success. In Lesotho, Senegal, and Uganda, Inclusive Business Ecosystem Initiatives have triggered policy changes, improved quality standards, trained workers, and helped develop and scale business model innovations and financing mechanisms.

This is the Decade of Action to achieve the SDGs. We all know: we can only achieve these goals through collaboration. But effective collaboration requires solid facilitation with a systematic, deliberate, and practical approach. The Ecosystem Development Approach provides a proven methodology for better impact through business ecosystems. Detailed training and tools for ecosystem mapping, action planning, results tracking, facilitation, and more are available, and UNDP stands ready to advise and assist.

FIGURE 1:
The Ecosystem Development Approach

ACTION PLATFORM

ASSESS

CONNECT

ACT

EVOLVE

INNOVATION CHALLENGE

Business ecosystems delivering positive impact for people and planet

Uganda

The Uganda Tourism Ecosystem Platform (UTEP) aimed to increase the competitiveness of Uganda's tourism sector for and with local communities.

Copyright: Ivan Musingo and Linda Namara and Linda Namara

UNDP's three pilots and what they achieved

The Ecosystem Development Approach has been tested successfully in three countries with a focus on inclusive business, the Inclusive Business Ecosystem Initiatives. This report shows how the methodology works and what has been learned from these experiences. In all three cases, UNDP played the role of convener and engaged a local facilitator to make sure that all relevant stakeholders could collaborate effectively and leverage synergies from mutually reinforcing actions.

The **Uganda Tourism Ecosystem Platform** (UTEP) brought together government players, tourism associations, companies, and academia to drive inclusive growth in the sector. The initiative informed the revision of the Uganda Tourism Act, formulated five regulations for promoting inclusive tourism, introduced a value added tax waiver to incentivize local sourcing by over 3,000 up-country lodges, developed four tourism products that specifically include low-income communities in the tourism value chain, trained over 1,000 tourism workers, and promoted Uganda as a responsible tourism destination abroad. Ten Innovation Challenge awards enabled tourism companies to build business relationships with local communities and informal enterprises.

FIGURE 2:

Key activities of the Uganda Tourism Ecosystem Platform

INFORMATION
INVESTMENT
IMPLEMENTATION SUPPORT
INCENTIVES

New website — Promotion in source markets

Innovation Challenge awards

Tourism generates opportunities for low-income people

Uganda Tourism Association trained 700 members — Skills training for 1000 workers

Revision of Tourism Act — Tax incentives for local sourcing

Senegal

The goal of the Senegal Ecosystem Initiative for Solar Energy Inclusive Businesses (IEEIES) was to build the ecosystem for solar energy enterprises in Senegal.

Copyright: Sylvain Cherkaou

The **Senegal Ecosystem Initiative for Solar Energy Inclusive Businesses** (IEEIES) aimed to advance off-grid solar solutions in rural Senegal, thus contributing to a green and inclusive economy. The initiative informed a new tax directive that exempts local solar energy companies from value added tax and allows them to deduct 30% of their profit from their taxable income. A feed-in tariff was adopted that allows solar system owners to sell energy to the grid, thus making off-grid energy more investable. Access to finance for users also improved through new loan products from two major retail banks. Furthermore, over 240 technicians and sales agents were trained directly via the initiative and through five Innovation Challenge awards to members. Innovation Challenge awards also enabled companies to pilot new business lines for solar-powered productive use appliances, such as mills, that are now being scaled up by the private sector.

Lesotho

Lesotho SIMM scaled financial inclusion in Lesotho through mobile money.

Copyright: Bokang Mokoma

The **Lesotho Scaling Inclusion through Mobile Money Platform** (Lesotho SIMM) improved financial inclusion in the country by convening mobile network operators, banks, government actors, and development partners to expand access to mobile money. Together, the stakeholders increased awareness of mobile money through a nationwide advocacy campaign for merchants and financial literacy trainings for women savings groups. A comprehensive geo-mapping identified current mobile money coverage and opportunities for expansion. A hackathon led to new mobile-based payment solutions that can be utilized by banks and mobile network operators.

FIGURE 3:

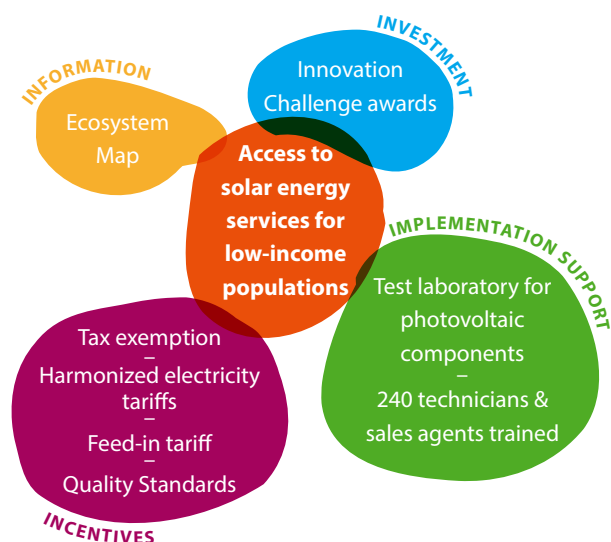*Key activities of the Senegal Ecosystem Initiative for Solar Energy Inclusive Businesses*

FIGURE 4:

Key activities of the Lesotho Scaling Inclusion through Mobile Money Platform

Businesses, like this shop in Maseru, Lesotho, require a supportive ecosystem to flourish.

Copyright: Bokang Mokoma

Accelerating impact through business ecosystems

To meet the Sustainable Development Goals by 2030 and create "the future we want," we need the power of business. The private sector is the primary provider of the products, services, and jobs people need to enjoy decent standards of living in much of the world—including food, water and sanitation, healthcare, energy, mobility, financial services, and communication technologies. And to achieve the SDGs, the private sector must deliver in ways that are socially responsible and environmentally sustainable, even regenerative. Cross-cutting goals such as gender equality, climate action, decent work, and innovation all require the private sector's active support.[2]

But companies' development impacts depend on the business ecosystems in which they are embedded. Business ecosystems are communities or networks of interconnected, interdependent players whose actions help determine what companies must do to be profitable and competitive.[3] They include companies, but also government and public sector players, civil society organizations, universities and educational institutions, financial institutions, business associations, entrepreneurs and individuals. Companies can only do what makes commercial sense, and this is determined by the conditions this network of actors creates. If we expect companies to gen-erate development impact, we need to change the incentive structures around them.

2   UNDP 2018-2022 Private Sector Strategy https://www.undp.org/content/dam/undp/library/km-qap/UNDP_Private—Sector_Strategy_2018-2022.pdf

3   Dr. James Moore, who coined the term in a 1996 Harvard Business Review article, described a business ecosystem as "an economic community supported by a foundation of interacting organizations and individuals—the organisms of the business world. The economic community produces goods and services of value to customers, who are themselves members of the ecosystem. The member organisms also include suppliers, lead producers, and other stakeholders [such as investors, trade associations, governments, civil society groups, and donors]. Over time, they co-evolve their capabilities and roles, and align themselves with the directions set by one or more central [organizations]." Moore, James F. (1996). The Death of Competition: Leadership and Strategy in the Age of Business Ecosystems. New York, NY. Page 26.

4   UNDP (2013) Realizing Africa's Wealth, p 70

Ecosystems that encourage and enable business to maximize its development impact create four conditions, as shown in the Ecosystem Diamond below.

1. Incentives provide businesses with the impetus to contribute to certain impact targets by rewarding positive externalities and reducing the cost of doing business. This dimension focuses on the role of government policy and regulation as well as private standards.

2. Information includes the awareness, knowledge, technology and know-how required to drive positive impact.

3. Investment is the financial backing that the private sector needs to explore and pursue business opportunities and practices that minimize negative impact and maximize positive impact.

4. Implementation support includes the logistics, transaction, marketing and communication, and business support services that companies often use in the course of doing business, and that need to be aligned with their impact goals.

Improving business ecosystems requires coordination. Many different players can contribute, as shown in Table 1. However, no single actor can make a significant improvement alone. Issues are interconnected and interdependent. For example, better policies may not help if businesses cannot find investment, and investment may not help if there is no implementation support available—from advertisers that know how to appeal to low-income consumers to distributors capable of reaching the last mile. In addition, members of a business ecosystem need information from one another. How should a policy or investment be structured? What kinds of product features will fit consumers' aspirations and routines? Business ecosystem members may even need to synchronize their actions to generate the desired impact. Individual improvements help, but to really unleash the power of business, coordination is needed.

FIGURE 5:
Ecosystem Diamond

Source: UNDP (2013) Realizing Africa's Wealth

With support from the Innovation Challenge, solar company Nadji.bi could install 441 solar home systems in Aga Biram, Senegal, as part of the "intelligent ecovillage" concept.
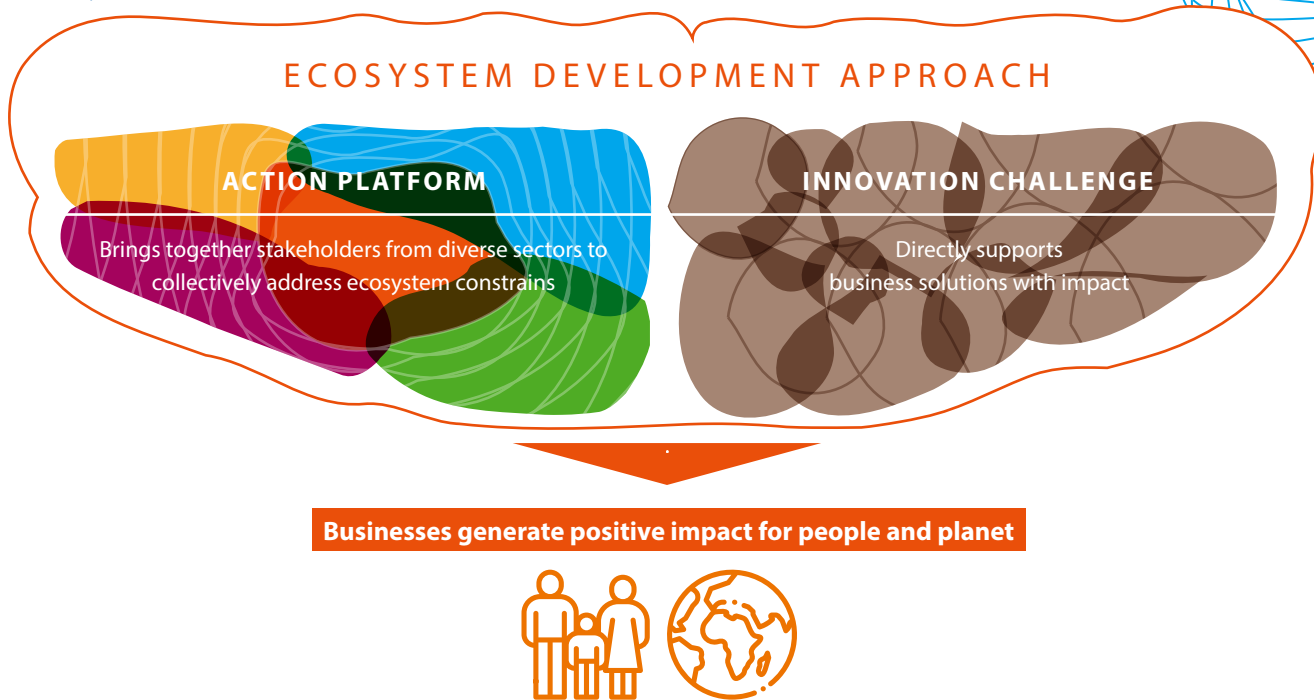
Copyright: Sylvain Cherkaou

Business ecosystem members with examples of contributions by ecosystem dimension

Type	Information	Incentives	Investment	Implementation support
Companies (MSMEs, large companies)	Conduct market research, provide market information	Design standards and certification, good corporate governance	Provide venture capital and invest in innovative businesses	Provide specialized training, logistics and marketing services
Governments (National government, public agencies)	Provide information and raise awareness	Establish conducive rules, regulations and policy incentives	Offer social impact bonds and blended finance	Strengthen capacity of local communities and of businesses
Financiers (Impact investors, banks, DFIs, MFIs)	Publish information on available finance options and market data	Coordinate with governments to design blended finance, define ESG standards, reward positive business impact	Provide debt, venture capital and private equity and reward impact	Support local communities and businesses in accessing finance
Civil society (CSOs, NGOs, NPOs)	Provide and facilitate relevant market insight	Act as watchdogs of business impact	Facilitate access to finance for low-income communities and social enterprises	Support implementation of business impact initiatives, e.g., through capacity-building
Academia (Universities, think tanks, research institutions)	Generate and disseminate market insight, analyze relevant business models and ecosystems	Inform policy design, evaluate incentive systems	Assess the effectiveness of new investment vehicles	Support capacity-building
Development partners (Bilateral and multilateral donors, foundations)	Identify relevant opportunities, conduct ecosystem mappings, facilitate market research	Advise governments on policies that enable businesss to improve its impact	Provide grants, blended finance or credit guarantees	Provide technical support, advisory services, capacity-building
Intermediaries (Associations, standard-setting bodies, media)	Facilitate integration of ecosystem elements, share information, facilitate peer learning	Set, monitor and evaluate compliance with standards, advocate for conducive policies	Pool funding	Facilitate joint business initiatives

Source: UNDP (2013) Realizing Africa's Wealth

ECOSYSTEM DEVELOPMENT APPROACH

ACTION PLATFORM

Brings together stakeholders from diverse sectors to collectively address ecosystem constrains

INNOVATION CHALLENGE

Directly supports business solutions with impact

Businesses generate positive impact for people and planet

The Ecosystem Development Approach helps to coordinate business ecosystem members and accelerate innovation. It was originally developed with a focus on enabling companies to generate greater value for low-income people as producers, consumers, employees, or entrepreneurs via inclusive business solutions. It can be applied more broadly to any impact opportunity that involves the private sector. An Action Platform brings together relevant stakeholders from business, government, civil society, the development community, and more to understand the ecosystem constraints that stifle business' impact on a particular issue and then to act collectively to address those constraints. An Innovation Challenge directly supports business solutions with impact. Together, these measures fast-track business ecosystems to deliver impact for the SDGs. A case study on the pilot project in Lesotho on pages 14-15 shows how the approach works.

The Ecosystem Development Approach creates value for all stakeholders.

▶ **Companies** have the opportunity to articulate their needs and the constraints they face, and they can benefit from better conditions for business models and practices with positive impact. Innovation Challenge awards allow them to test and scale innovative solutions.

▶ **Governments** can identify impactful policy measures and build buy-in from diverse stakeholders. They can also leverage the capabilities of business and civil society to support those measures.

▶ **Financial institutions,** including development finance institutions and impact investors, benefit from better enabling environments for their portfolio companies, which reduce the risk and heighten the potential impact of their investments. The Ecosystem Development process also generates valuable information about risks in the business ecosystem and about innovative business solutions. Finally, it connects investors with companies and creates a pipeline for investment.

▶ **Development partners** and **civil society organizations** can get the private sector on board with their missions and help create sustainable solutions for impact.

There are four reasons to use the Ecosystem Development Approach:

1. **Local ownership.** The approach engages the stakeholders that are closest to the challenge at hand, and to prospects for a solution. It leverages their collective intelligence, resources, and capabilities, and aligns their strategies for solving the challenge. In the pilot cases, actions are being implemented by a wide range of players, including, for example, tax incentives by the government in Senegal, awareness campaigns by banks in Lesotho, and skills trainings by the Uganda Tourism Association in Uganda.

2. **Transformation.** The approach strikes at the root causes of development challenges and builds local capacity to tackle them in a way that can outlast the scope and timeframe of the initiative itself. It enables stakeholders to connect the dots and identify actions that support one another, mak-

Box 2: Making digitization work for the SDGs

Digital solutions can be game changers for achieving the SDGs. The latest technologies, like artificial intelligence, remote sensing, and blockchain, create countless opportunities to innovate with impact. Mobile solutions have already changed the lives of many, for example via mobile money, mobile-based weather and agricultural information for farmers, and telehealth. However, these solutions are often hampered by challenges in the ecosystem. Barriers across the Ecosystem Diamond, such as inadequate regulation or user information, keep them small and below their potential. The Ecosystem Development Approach can unleash the full potential of these innovative solutions by bringing all relevant stakeholders together to create the conditions for success and impact.

Ecosystem Development is also becoming easier with digital solutions. Anyone nowadays can gain access to information via the Internet, and language and literacy issues can be addressed through automatic translation and voice-based interaction. In some cases, digital solutions can circumvent issues of transport and lack of infrastructure. Mobile money, specifically, unlocks access to many services for users that otherwise lack access to finance. To unleash the full impact of these convergent solutions, coordination and collaboration among multiple players is needed.
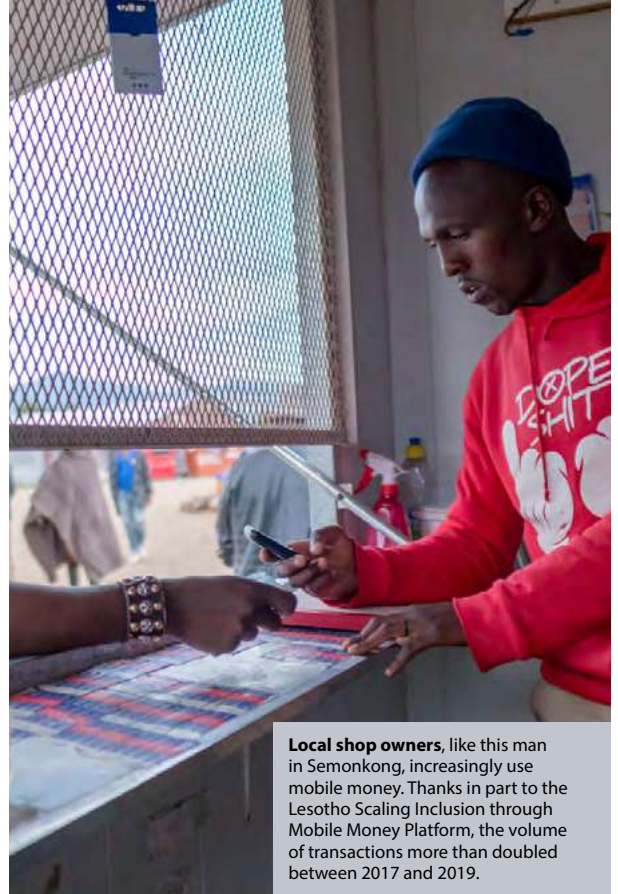
Local shop owners, like this man in Semonkong, increasingly use mobile money. Thanks in part to the Lesotho Scaling Inclusion through Mobile Money Platform, the volume of transactions more than doubled between 2017 and 2019.

Copyright: Bolang Mokoma

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ing it possible for everyone to achieve more. With the Innovation Challenge, awards and hackathons enable entrepreneurs to develop and test concrete business solutions, generating tangible impact quickly. In Senegal, for example, the combination of lower taxes, a feed-in tariff, and increased capacity among distributors makes the business of selling off-grid energy solutions much more attractive. With its Innovation Challenge award, local solar business Nadji.bi could prove the value of off-grid solutions by electrifying a whole village, including individual households, but also a mill and street lighting.

3. Sustainability. The approach creates the structures for local actors to continue to solve their own challenges. Since they own activities from the beginning, there is no sudden gap when the convener withdraws. Actors have learned to coordinate and take shared responsibility for the business ecosystem. In all three pilot initiatives, activities and coordination continue after the official end of the program. Local players step in as facilitators and the dialogue around how to improve the ecosystem remains alive among stakeholders.

TABLE 2:

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

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

Source: Authors
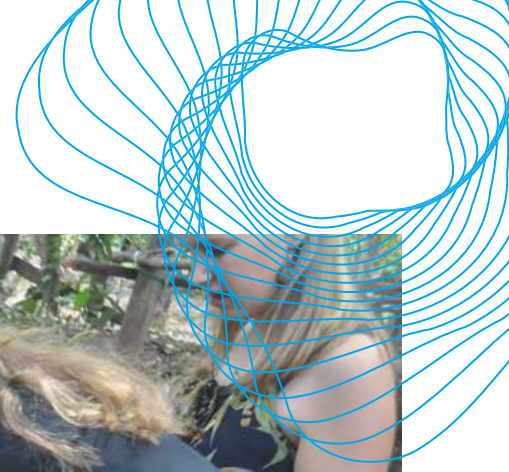
The Innovation Challenge in Uganda enabled companies to integrate local communities into new tourism products, like tasting local food at the Entanda Community Tourism Initiative.

4. Track record. Finally, the approach has a track record of success, which this report will document. Detailed tools and trainings are publicly available, and UNDP stands ready to help. From the beginning, the Ecosystem Development Approach has been designed for replication. The UNDP country offices leading the three pilots continue to use the approach in related domains, or have even adopted it as their standard approach to private sector engagement.

The Ecosystem Development Approach reflects current thinking about how development interventions can and should work. The table on page 12 contrasts, in very broad strokes, the traditional development approach of the past with the Ecosystem Development Approach. UNDP and other development partners are putting local ownership, stakeholder co-creation, systems thinking, and innovation at the heart of their programming. The Ecosystem Development Approach is a concrete and proven tool that can be used all along the programming life cycle. During program design, the approach helps to identify key stakeholders and gaps, as well as potential interventions and the capabilities needed to implement them. During program implementation, the Action Platform and the Innovation Challenge can be used within any private sector-oriented program to catalyze change with local stakeholders.

Box 3: Collective Impact for the SDGs

The Ecosystem Development Approach builds on the insights and experiences of other ecosystem-oriented approaches to development, such as "collective impact" and "Making Markets Work for the Poor" (M4P).

Collective impact was first introduced by FSG's John Kania and Mark Kramer in 2011. Since then, many projects have been implemented, and more insights have been published on how to make this ambitious model work. At its core, the collective impact model is defined by five features: a common vision, a shared agenda, mutually reinforcing activities, continuous communication, and "backbone" support. The Ecosystem Development Approach builds on this model and further specifies it for use in low-income contexts and by development actors by providing frameworks and tools. For example, the Ecosystem Diamond provides a concrete tool for mapping relevant stakeholders as well as constraints and opportunities in the ecosystem.

"Making Markets work for the Poor" or "M4P" seeks to change the way that markets work, so that poor people are included in the benefits of growth and economic development. The aim is to tackle market failures and strengthen the private sector in a way that creates large-scale, lasting benefits for the poor. The Ecosystem Development Approach builds on the insights from M4P, but takes a more co-creative approach to defining and implementing actions. Instead of developing and executing a program, the program lead invites stakeholders to build a vision and agenda jointly, and leaves room for changes along the way.

From the beginning, the Ecosystem Development Approach has been designed for replication, providing a comprehensive training document and standardized tools to use along the way.

Ms Marethabile could significantly expand her shop in Maseru, Lesotho, thanks to training she received as part of the Lesotho SIMM.

Copyright: Bokang Mokoma

Driving financial inclusion in Lesotho

The great majority of Basotho live and work in the informal economy. Even though they have little money, they still save, borrow and manage day-to-day expenses. Most, however, do not have access to formal financial services such as savings accounts, insurance, or credit. They rely on informal solutions, which are often risky, expensive, and unpredictable. The Government of Lesotho has identified financial inclusion and access to credit as top priorities in its National Strategic Development Plan.

Mobile financial services address many of the issues causing financial exclusion in Lesotho, such as limited bank penetration in its rural, mountainous terrain and high banking prices. In 2017, about 342,000 people out of the approximately 1.17 million mobile money customers registered in the country at the time actively used the service more than once a month, a usage rate of 29%.

UNDP's pilot in Lesotho aimed at creating a fully digital payment system where mobile money is a key tool for financial inclusion for low-income populations. The **Lesotho Scaling Inclusion through Mobile Money Platform (Lesotho SIMM)** was launched in May 2017.

UNDP acted as the convener, and its trusted relationships with stakeholders encouraged them to open up for collaboration. The initiative was facilitated by two people, a UNDP focal point and an independent facilitator. While the UNDP focal point managed UNDP processes, the facilitator, FinMark Trust, mobilized stakeholders and coordinated the Action Platform. With a long track record on financial inclusion, FinMark was able to leverage existing work and provide continuity.

Lesotho SIMM included 16 stakeholders relevant for providing mobile financial services, including government departments, mobile network operators, banks, academic institutions, insurers, and retailers. This large group was essential to align on a shared vision for the initiative and agree on priority intervention areas: policy and incentives, product development, financial education, and capacity-building for mobile money agents and merchants.

Working groups were set up for each of the priority intervention areas under the leadership of dedicated champions. The working groups quickly made progress on implementation. The steering group was made up of the working group champions, UNDP and FinMark Trust and played a key role in creating momentum for positive change and advancing the implementation of actions. Steering group members met on

The Lesotho SIMM hackathon supported the youth-led startup Technify, as one of seven winners, to develop an app to pay taxi fares with mobile money.

As part of Lesotho SIMM, over 2,000 people in Lesotho were trained on financial literacy and responsible usage of mobile money.

a regular basis every second month to exchange information and coordinate actions. This lean and dynamic modus operandi was a key to driving actions forward.

In a short timeframe, Lesotho SIMM created significant impact on Lesotho's financial inclusion ecosystem. For example, Lesotho SIMM produced research to inform public policy and set the stage for addressing longer-term policy issues. The platform identified market opportunities for mobile money for low-income customers, organized a hackathon that developed new mobile-based payment solutions that can be scaled by banks and MNOs, and facilitated partnerships between youth-led fintechs and established market players. The platform further increased awareness of the benefits of mobile money and expanded its acceptance in rural areas.

Lesotho SIMM formally concluded its work in July 2019 after significantly contributing to a better mobile money ecosystem. By 2020, the number of registered account holders reached 2.2 million, which amounts to 100% of the population (some users have more than one account). The number of active users of mobile money more than doubled to reach 882,000, bringing the active usage rate to 40%. Today, members of the Action Platform continue to collaborate on improving access to formal and semi-formal financial services

in the country. Meetings are now organized by the Ministry of Finance as part of its Financial Inclusion Forum. In addition, some members are pursuing bilateral partnerships and joint activities. The Ministry of Finance and Finmark Trust, for example, started an initiative with the Ministry of Home Affairs and the World Bank around digital identity and financial services. Issues around intellectual property rights that became evident in the hackathon are now being addressed as part of a UNDP Accelerator that focuses on improving the legal framework to allow the development of innovative tech solutions. UNDP, the National University of Lesotho, and Vodacom have organized two additional hackathons to identify information and communications technology innovations for development. All of this work is based on progress and connections made through Lesotho SIMM.
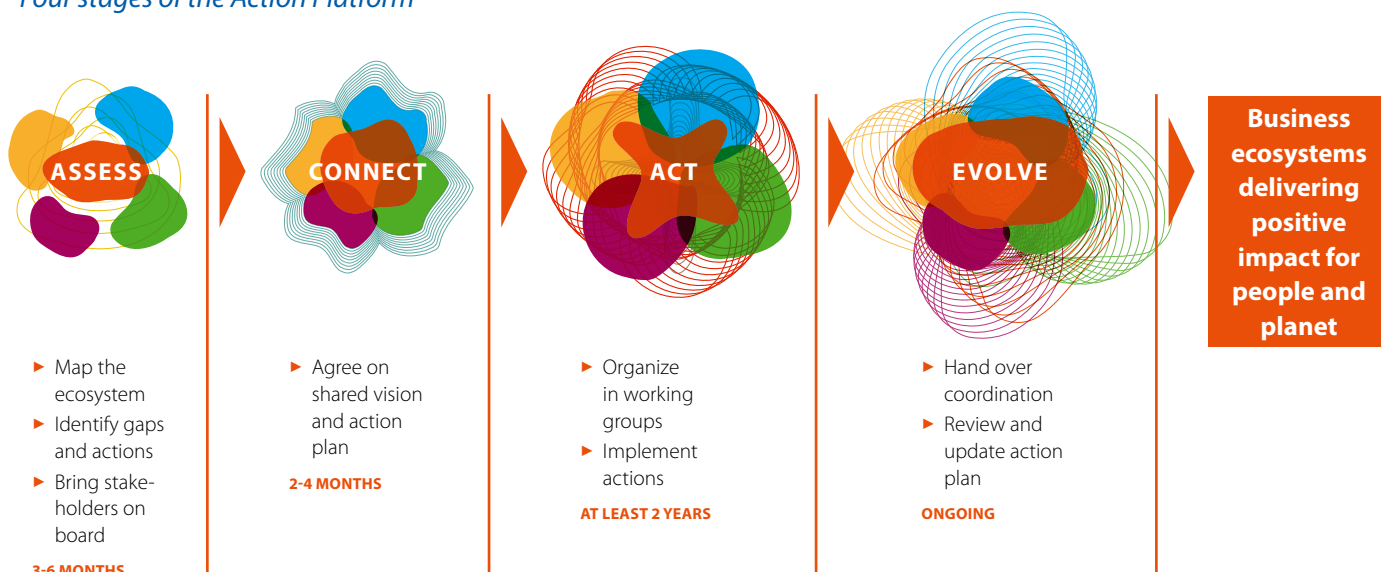
Organizing for success

The Ecosystem Development Approach is designed to catalyze and align action by diverse stakeholders. It has two components: the Action Platform and the Innovation Challenge. The Action Platform brings relevant stakeholders together to improve the business ecosystem. The complementary Innovation Challenge supports specific business solutions.

The Action Platform enables relevant stakeholders to act collectively. They set a joint vision, identify critical and mutually reinforcing actions, and implement them independently, with coordination mechanisms in place. This happens in four stages, as shown in Figure 7: assess, connect, act and evolve.

The first two stages take 5-10 months and the third stage, act, takes at least two years. For this time, a dedicated facilitator should be in place to support the collaboration. After the catalytic program funding provided by the convener, and hence the facilitation, ends, the collaboration continues to evolve.

The Innovation Challenge supports the development of new business solutions for impact. As part of the pilot initiatives in Lesotho, Senegal, and Uganda, UNDP supported over 30 business solutions through two mechanisms: awards and hackathons.

FIGURE 7:
Four stages of the Action Platform

ASSESS
- Map the ecosystem
- Identify gaps and actions
- Bring stakeholders on board

3-6 MONTHS

CONNECT
- Agree on shared vision and action plan

2-4 MONTHS

ACT
- Organize in working groups
- Implement actions

AT LEAST 2 YEARS

EVOLVE
- Hand over coordination
- Review and update action plan

ONGOING

Business ecosystems delivering positive impact for people and planet

Any market, like this one in Maseru, Lesotho, needs structure and collaboration to function effectively. The Ecosystem Development Approach enables relevant players to organize for mutual benefit.

The four steps of the Action Platform and the Innovation Challenge are explained in detail in the following chapters, including lessons learned from the three pilots.

Three success factors are critical to the Ecosystem Development Approach: appropriate scope, sufficient resources, and motivated stakeholders.

1. Appropriate scope. The approach works well when a specific target sector is selected based on a compelling need for collaboration, high government priority, interest from the private sector, and fertile ground for rapid innovation and big impact. Complex, systemic impact opportunities can benefit from this approach. It works best at:

▷ The national or sub-national level, because regulation is typically a critical element. At the regional level, progress on regulatory issues would require the committed support of multiple national governments. While this is complex, it is also possible. Activities under the Uganda Tourism Ecosystem Platform, for example, led to the creation of a single East African tourism visa.

▷ In areas that have been identified as government priorities and where there is government appetite to adjust policy. In particular, existing public-private dialogues can provide fertile ground for this approach. These dialogues already bring together key actors, for example in a specific sector. The Ecosystem Development Approach can enable these actors to zero in on specific impact opportunities and mobilize collective action.

▷ The sector or sub-sector level, where relevant actors and issues can be identified clearly and there is already some level of organization, for example via business associations.

Importantly, an initiative using the Ecosystem Development Approach should focus on an issue that is of vital concern and harbors a tangible, short-term opportunity for all key stakeholders involved. High relevance enables all stakeholders to dedicate the necessary time, attention, and resources to an overarching shared objective.

2. Sufficient resources. The Ecosystem Development Approach has high potential to leverage resources, including from philanthropic organizations and the private sector. In the case of Lesotho, for example, funding from UNDP was doubled in cash by the government and FinMark Trust. In addition, several companies contributed significant resources in kind, for example for its financial literacy campaign.

▷ The convener funds the ecosystem mapping and the facilitation through Phase 3 of the process. In its three pilots, UNDP also funded the Innovation Challenge awards and occasional grants for research or events as part of its own contribution to the collaborative action plan. UNDP's budget for each of the pilots was about US$400,000 plus in-kind contributions by the country offices to cover staff, equipment, supervision, and backstopping. One insight from the pilots was that Action Platform members should not be expected to co-fund these core expenses.

▷ To enable smooth progress, it is important for funds to be available in time and rather flexible in use, for example to conduct events or create communications materials as needed along the way. Sometimes, a separate financial vehicle can be helpful to allow this flexibility, and to enable additional contributions to be pooled in one place. In Lesotho, for example, Action Platform members decided to establish a separate fund for financial education campaigns.

▷ Working group activities are co-funded or fully funded by Action Platform members. They may tap into existing

programs or relationships with funders to unlock the required funds, or use their own. The Uganda Tourism Ecosystem Platform secured resources from Switch Africa Green, a UNEP program with an interest in greening the Tourism Act, to conduct stakeholder consultations and develop new principles for the Act. The Uganda Tourism Board (UTB) approached Trademark East Africa to fund regional product development activities, such as the creation of an East African tourism visa. It is important to manage members' expectations around funding from the beginning. With UNDP (or another development actor) as a convener, there is automatically an expectation that the whole process will be funded. Be transparent about what will be funded and what is expected from members themselves.

▷ Investors should be part of the process from the beginning. Investment is a key function in the ecosystem. Companies can find it difficult to fund business solutions with impact. The Ecosystem Development Approach improves the conditions for success, reduces risk, and thus makes these solutions more investable for private impact investors and public financial institutions, such as development finance institutions, alike.

3. Motivated stakeholders. Identifying champions and mobilizing stakeholders is at the heart of the Ecosystem Development Approach. Action Platform members themselves need to move things forward.

▷ To build a sense of local ownership and appropriate solutions, Action Platform members need to be diverse and represent all relevant groups. Good representation of intended "beneficiaries" is important. The convener needs to get a clear sense of the expectations, motivations, and constraints of each stakeholder during the "assess" phase and take those into account during the "connect" phase. The facilitator needs to listen into individual needs along the way, and make space during meetings to check in and ensure needs are being met.

▷ Champions are critical for the Ecosystem Development Approach to succeed. In addition to leading implementation, they can have a "crowding in" effect, attracting others and raising additional money from funders. When a champion leaves his or her organization or responsibilities change, it is important to find a replacement and to onboard that person properly. Ultimately, while the Ecosystem Development Approach convenes organizations, individuals within these organizations need to move things ahead.

Building the ecosystem for solar energy enterprises in Senegal

Improving access to energy, including solar energy, is one of eight key pillars of Senegal's Plan Sénégal Emergent (PSE), the country's national development plan for 2035. In 2016, the already ambitious goal of providing access to energy to the entire population by 2035 was brought forward to 2025.

This goal is especially ambitious for Senegal's rural population, more than half of whom lack access to electricity.[5] At least 4,500 population centers in rural Senegal cannot be connected to the grid in an economically viable way. With an abundance of sun across the country, off-grid solar solutions are an obvious choice.

UNDP's pilot in Senegal aimed to improve access to solar energy services for low-income populations. The **Senegal Initiative Écosystème des Entreprises Inclusives de l'Énergie Solaire (IEEIES)** launched in February 2017 with over 20 members.

The IEEIES' Action Platform followed the four-phase methodology.

Phase 1. Assess
UNDP commissioned an ecosystem mapping that identified a number of challenges within Senegal's solar energy ecosystem. These included a lack of positive incentives, quality standards, access to financing, workforce capacity, and awareness. During the mapping, UNDP identified and engaged key stakeholders. They included representatives of government (the Ministry of Environment, the Ministry of Energy, the National Agency for the Promotion of Renewable Energy (ANER), and the Agency for Rural Electrification (ASER)), Senegal's renewable energy business council COPERES, the Centre for Studies on Renewable Energy of Senegal (CERER), banks, beneficiary organizations, and companies.

5   World Bank, Sustainable Energy for All (SE4ALL) database
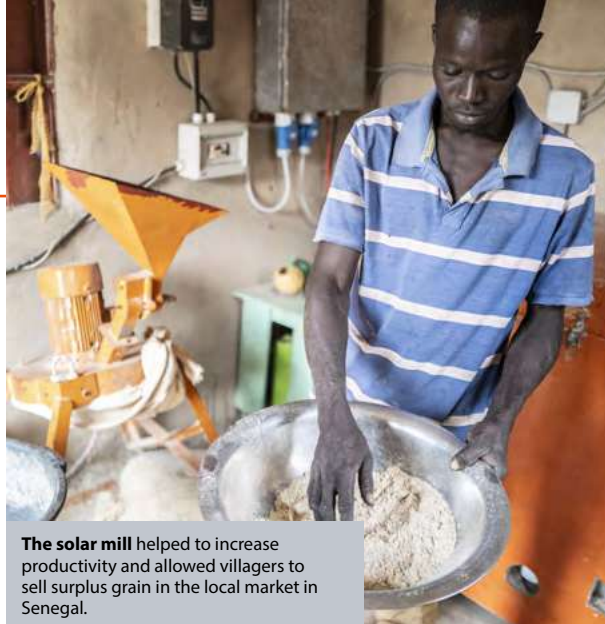
The solar mill helped to increase productivity and allowed villagers to sell surplus grain in the local market in Senegal.
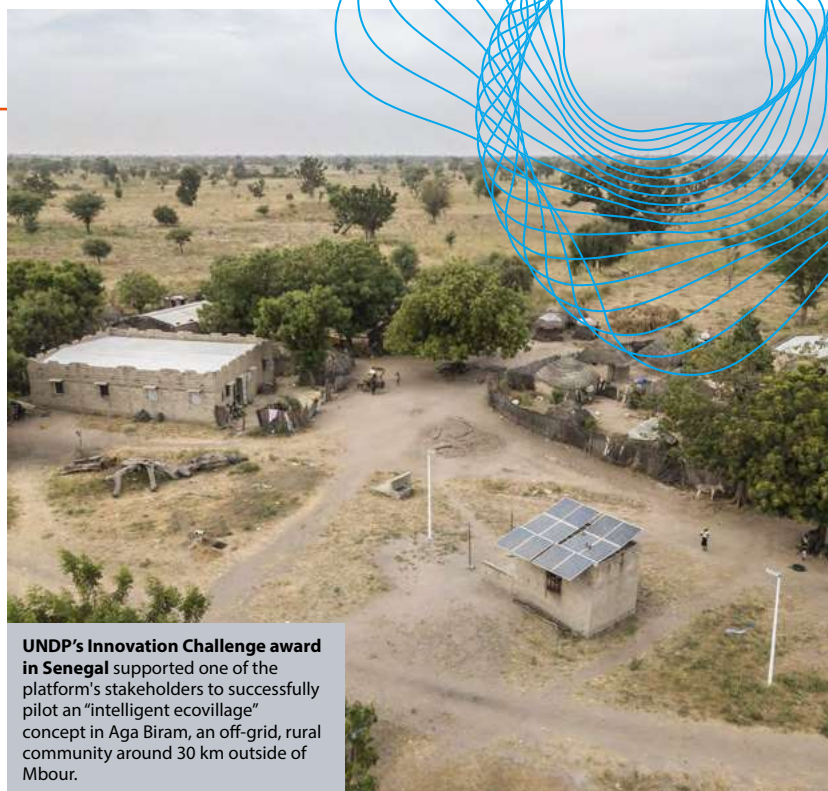

UNDP's Innovation Challenge award in Senegal supported one of the platform's stakeholders to successfully pilot an "intelligent ecovillage" concept in Aga Biram, an off-grid, rural community around 30 km outside of Mbour.

Phase 2. Connect

UNDP invited stakeholders to a launch workshop where they exchanged their objectives and ideas for the sector and built a common vision for change: "To promote access and the usage of solar energy services by the population through the creation of a conducive ecosystem supporting inclusive businesses in Senegal's solar energy sector." At a second workshop, participants defined an action plan with five priority areas: regulatory environment, equipment quality standards, access to financing, workforce training, and awareness-raising. A "champion" was appointed in each of these areas to mobilize members to take action towards specific goals.

Phase 3. Act

IEEIES members then implemented the actions outlined in the plan. For example, in 2018, a new tax directive exempted local solar energy companies from the applicable 18% Value Added Tax (VAT) under certain conditions, thus making solar equipment more affordable. Local solar companies can now deduct 30% of their profit from their taxable income. Electricity tariffs were harmonized across the country, and a feed-in tariff was adopted, allowing households and businesses to produce their own energy and get paid for any surplus they inject back into the grid. Ten new quality standards for solar products and productive use equipment were adopted and a test laboratory for photovoltaic components was established at Dakar's Polytechnic School. To accelerate access to "green finance" loan products, two of Senegal's major commercial and retail banks started offering loans to purchase solar energy products for small-scale domestic and produtcive use. Furthermore, over 240 technicians and sales agents were trained directly via UNDP and through five Innovation Challenge awards, and several events were held to promote solar energy to local households and businesses. These changes have made the solar business in rural Senegal much more attractive for companies.

Phase 4. Evolve

IEEIES formally concluded its work in June 2019, but members continue to coordinate to address challenges and drive further progress in Senegal's solar energy sector. The Ministry of Petroleum and Energy now plays the coordinating role via its Consulting Framework for Off-Grid Electrification (Cadre de concertation pour l'electrification hors réseau), which is part of a regional initiative driven by the Economic Community of West African States (ECOWAS) known as the ECOWAS Centre for Renewable Energy and Energy Efficiency (ECREE). The Senegalese Consulting Framework includes most of the original IEEIES members, and has expanded to include other key actors such as the Ministry of Agriculture, as well as additional civil society actors. Some of the latest developments include an agreement between Banque Agricole and solar company Nadji.bi to fund pay-as-you-go solar systems in early 2020. Banque Agricole has also recently become the first financial institution in the country to receive an official accreditation from the Green Climate Fund (GCF), which is expected to further increase access to low-interest loans for MSME operators in the solar sector.

Phase 1. Assess

Awareness and training events as part of Lesotho SIMM helped expand the acceptance and uptake of mobile money in Lesotho.

The first step in the Ecosystem Development Approach is for a convener to identify an impact opportunity. Often, the opportunity arises out of prior work in a sector, or in response to a government priority. The convener then explores this opportunity via a mapping exercise to answer the following questions: What barriers and disincentives are currently inhibiting business from delivering impact? What impact could be achieved through an ecosystem approach? Who needs to be involved to address these barriers and create positive incentives? What keeps them from contributing to the solution today, and what would motivate them to do so going forward? Getting a detailed understanding of stakeholder motivations is key for this mapping. The Ecosystem Diamond provides a guiding framework.

FIGURE 8:
Ecosystem Diamond

Source: adapted from UNDP (2013) Realizing Africa's Wealth

During the mapping exercise, relevant stakeholders are engaged in dialogue, including, for example, government agencies and policy-makers at the national and local levels, companies, business associations, civil society organizations, and development partners. The conversations help to uncover needs, build ownership, and identify champions for the new Ecosystem Development initiative. They start to build alignment and new connections among stakeholders. These conversations are the initiative's first contribution to strengthening the business ecosystem.

Lessons learned from pilots.

▶ **Understand the systemic nature of the challenge:** The Ecosystem Development Approach is designed for situations where multiple actors need to act in a coordinated way to unlock a specific impact opportunity. The opportunity lies in addressing interdependencies and creating synergies between individual actions.

▶ **Build on an existing program.** In all three pilots, the initiatives could build on rich experiences and existing UNDP programs. This existing work helped to reveal opportunities, and to quickly map out ecosystem players and gaps. In addition, networks of relevant actors had already been created that could be mobilized quickly.

▶ **Support a government priority.** In Uganda, the tourism initiative feeds into the government's strategy identifying

Awareness and training events as part of IEEIES helped promote solar energy and solar products in rural areas and regional urban centers in Senegal.

tourism as a key sector for growth. In Senegal, advancing access to clean energy in rural areas is a high priority for government. In Lesotho, financial inclusion and access to mobile money were key objectives of the Central Bank and the Ministry of Finance. As a result, all three governments were highly engaged in the initiatives and motivated to make policy changes as part of the process.

▶ **Invite key stakeholders (especially from government) to co-own the initiative.** Local ownership is critical for stakeholders to take action, and to continue improving after the official end of the program. In Lesotho, the mobile money initiative was co-owned by the Ministry of Finance right from the start and developed out of an existing collaboration between UNDP and the ministry.

Box 4: Choosing a suitable convener

Not every organization can play the role of the Ecosystem Development Approach convener. Some assets are required to support the process effectively.

▶ Credibility: The convener needs to be perceived as reasonably neutral and dedicated to the impact objective in order to be respected by stakeholders. A track record of and mandate to work on the issue contributes to this.

▶ Convening power: The ability to bring decision-makers together in productive dialogue comes from a clear mandate and power to move things forward, as well as neutral ground where diverse stakeholders can speak openly.

▶ Agility: An open mind is needed to co-create an agenda and new solutions, and to adapt quickly to the initiative's evolving needs. The convener needs to accept limited control over the process and outcomes.

▶ Commitment: The convener should be prepared to shepherd the initiative until players can organize in another way, and provide the catalytic funding necessary until that point.

Box 5: UNDP as a convener

The Ecosystem Development Approach can be implemented by any actor with the resources and reputation to convene key ecosystem stakeholders. Good candidates include governments, development agencies, development finance institutions, and civil society organizations.

The Ecosystem Development Approach pilots in Lesotho, Senegal, and Uganda built on some particular strengths of UNDP as a convener:

▶ Its mandate to engage with government and its close collaboration with national governments on policy development and planning

▶ Its neutral standing in the country, with no agenda of its own but a clear focus on achieving the SDGs

▶ Its strong networks, reputation and track record as a convener

with the ability to bring players from all sectors to the table, from multinational companies to informal enterprises

▶ Its experience in building local capacity

▶ Its commitment to providing catalytic funding to kick-start the initiatives

▶ Its presence in 170 countries and territories, enabling UNDP to scale initiatives to the regional level and replicate success elsewhere

▶ Its new and innovative approaches and partnerships to support private sector development and engagement, including pioneering initiatives such as Growing Inclusive Markets, Growing Sustainable Business, Business Call to Action, SDG Impact, and the Climate Promise. UNDP's work with the private sector centers on convening, coordinating and catalyzing field action.

Phase 2. Connect

Based on the insights generated in Phase 1, the convener brings stakeholders together in a series of workshops. Findings from the mapping study are presented. Stakeholders develop a shared vision for change: what do we want to accomplish together? They also prioritize possible actions and start to build an action plan, including working groups with leaders and action owners. Actions can typically be clustered into a few broad domains, such as investment, policy incentives, capacity-building, or information. The collaboration during this phase strengthens the ecosystem by aligning stakeholders around a shared vision and agenda for action.

Lessons learned from pilots:

► **Start small and gain traction.** Not everyone will be convinced from the beginning by the value of this kind of collaborative initiative. Start with the ones that are willing. Others can come on board later once the value of the work becomes more tangible. In Lesotho, for example, all the big banks and also the supermarkets were invited to join the initiative, but only a few banks were convinced. Once the initiative had started, others joined later on.

► **Prioritize a short list of key actions with some quick wins.** In Senegal, the first action plan was extremely long. Action Platform members subsequently narrowed it down, but still the plan was overly ambitious with 35 activities. Starting with a few key tasks helps everyone to focus. Ac-

tions should be achievable within the budget and resources of the members, to avoid raising expectations that the initiative cannot meet. Some of these actions should be easy to complete, to generate momentum. More actions can always be added later on.

► **Identify synergies among actions.** Spelling out how different activities feed into and reinforce one another allows Action Platform members to coordinate better and to leverage what one another are doing to achieve more. In Uganda, some Action Platform members developed new inclusive tourism products that were then included in the new national brand to market Uganda as a sustainable and inclusive tourism destination. At the same time, other Action Platform members provided capacity-building support and created market linkages between tourism business and local communities in line with the new tourism products.

► **An official launch event with media attention helps to generate strong political support and momentum for field action.** In Uganda, the UTEP was launched with an official event. Action Platform members signed the Memorandum of Understanding to express interest and commitment. Media broadcasted the news. The launch event was an important moment of celebration for UTEP members and already perceived as a joint achievement. It also attracted interest from new actors who joined the initiative later on.

► **Clear targets and indicators help to monitor and communicate progress.** These indicators need to be defined by the stakeholders who own the actions, and fit with their existing measurement systems. Measuring impact should not be perceived as a burden but as a powerful tool to showcase achievements. The facilitator needs to follow up on activities and collect the indicator data.

Just like the mobile phone connects this street vendor in Semonkong, Lesotho, to customers via mobile money, the Action Platform creates "connective tissue" between organizations.

Box 6. Structuring the Action Platform

The following structure has proven useful for Action Platforms:

FIGURE 9:

Typical Action Platform structure

GENERAL ASSEMBLY

ROLES
Define / adapt action plan and review progress

EXECUTIVE/ADVISORY COMMITTEE

ROLES
Oversight and accountability, foster partnerships, provide initial impetus and generate momentum

FACILITATOR

ROLES
Prepare and follow up meetings, promote shared vision, share information, mobilize resources and partners

WORKING GROUPS

ROLES
Design and implement interventions

▶ The **general assembly** brings together all Action Platform members to define actions, report on achievements, share lessons, and adjust planning. After the initial workshop in Phase 2, "connect," the general assembly convenes at least once a year.

▶ An **executive or advisory committee** oversees the initiative. It provides direction, identifies synergies among the working groups, generates momentum, and invites new members to join where needed. The committee should include the convener, the facilitator, and the leaders of the working groups. Ideally, it includes a balanced mix of representatives of the public and private sectors.

▶ The **facilitator** coordinates action by members, keeps them connected, and explores partnerships with new actors. She or he also leads on documentation, monitoring, learning and communication, making sure there is transparency, accountability and adaptability throughout the process. The facilitator is part of the convening organization, such as UNDP, or recruited by it. Depending on the scope of the initiative, this role can be a part-time of full-time position.

▶ **Working groups** are set up in Phase 2, "connect," to design and implement interventions. The working groups can operate relatively independently and are tied to the overall initiative via regular reports to the facilitator and the executive or advisory committee. They are led by voluntary champions who organize meetings and are responsible for reporting back to the general assembly.

With this setup, an Ecosystem Development initiative can operate efficiently and adapt to changes. The lean structure focuses on action and does not overburden individual members with general meetings and alignment. It is also very cost-effective, compared to classical platform setups with dedicated secretariats.

UTEP facilitated linkages between **Entanda and other tour operators**, guides, hotels and educational institutions to stimulate tourism development in the community.

Boosting tourism for and with local communities in Uganda

"Through UTEP, we were able to empower the poor and local communities to begin to meaningfully participate in tourism value chains. We have seen that the Ecosystem Development Approach actually works."

Nicholas Burunde, Programme Officer Uganda, UNDP

Uganda is a country of vast tourism potential, boasting diverse wildlife and natural resources, cultural diversity and warm people. The country's Vision 2040 identifies tourism as a key development opportunity. Indeed, until the outbreak of COVID-19, the sector was on a positive trajectory in terms of visitor arrivals and earnings, to the tune of US$1.4 billion in 2019.

However, tourism was not benefiting local communities. Most tourists were shipped straight into the national parks and adjacent lodges. Stakeholders operated in silos with very limited collective action to address the sector's challenges. With many small players, the sector was fragmented and coordination was difficult. The Ecosystem Development Approach fit because it allowed players to work together on interventions that would increase competitiveness and make the sector work for all.

UNDP launched the **Uganda Tourism Ecosystem Platform (UTEP)** in April 2017 with 12 key stakeholders and it began operating in February 2018. The initiative included the Government of Uganda, tourism associations, private companies, and academia. The central goal was to drive inclusive growth in the tourism sector.

During UTEP's first official meeting in February 2018, key stakeholders agreed on a joint vision: "Developing Uganda as a preferred, sustainable, and inclusive tourism destination with a tourism sector that creates opportunities for all." To achieve this, they developed a collaborative action plan for the next two years. Key priority areas included conducive policies and incentives, inclusive product development, marketing and promotion, and capacity-building and market linkages for local communities and informal businesses.

A working group was set up for each priority area under the leadership of a dedicated champion. The policy working group informed the revision of the Tourism Act of 2008 as the lead framework for tourism development in Uganda and introduced a value added tax waiver to incentivize local sourcing by over 3,000 up-country lodges. For the first time, the private sector was actively involved in designing policy to make tourism more inclusive and responsible in Uganda. UTEP also provided the impetus for building the capacity of the Uganda Tourism

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Members of Entanda explaining how the community grows food and herbal medicine in Uganda.

Copyright: Ivan Musingo and Linda Namara

Entanda community members earn additional income by selling agricultural produce to visitors and other clients in Kampala.

Association (UTA) as a key representative of the private sector. With UNDP's support, it grew from a young organization without an independent office or staff to a proper organization that attracted over US$600,000 in funding from various donors. With this support, UTA has been able to strengthen the secretariats of its member associations, train over 700 members in various tourism skills, and help over 70 hotels undertake operational audits and streamline operations. UTEP drove the revival of the Uganda Hotel and Tourism Training Institute and skills training for over 1,000 workers. The product development working group developed four tourism products that specifically include low-income communities in the tourism value chain through cultural treks, as local birding guides, or in wildlife protection. In addition, Ugandan tourism was promoted with the new website www.visituganda.com and agencies were hired to promote Uganda in key source markets.

In addition, UNDP provided 10 Innovation Challenge awards to encourage tourism companies to create opportunities for low-income communities and build bridges between the formal and informal sectors. For example, the safari company Sights and Sounds of Africa Safaris worked with Entanda, a poor rural community, to develop a new tourism offering. The company provided training to the members of the Entanda Community Tourism Association, procured tools to help in the delivery of tourism services, supported community members to start small businesses to be able to supply fruit, local chicken, honey, and food to visitors, and created linkages with tour operators, guides, hotels, and educational institutions. Six months after the intervention, the community started receiving visitors. By the end of 2019, more than 50 tour companies were promoting Entanda, and the community received visitors on a weekly basis. Community members grew large quantities of fruit, installed and colonized over 150 beehives on their farms, and reared local chickens and livestock. They earned income selling their products to visitors, neighbors, and families in Kampala. In the two years since the Innovation Challenge award, Sights and Sounds of Africa Safaris has earned more than US$10,000 and the community more than US$30,000 from these trips.

UTEP was effective in bringing the relevant stakeholders together and enabling joint action. The UTEP pilot convinced the government of Uganda to take a multi-stakeholder ecosystem approach in tourism development. Since the initiative ended, the Ministry of Tourism, Wildlife, and Antiquities (MTWA) continues to convene stakeholders as part of a new "tourism development programme working group" to discuss investments into the sector and monitor the progress of interventions. The projects triggered by the Innovation Challenge awards also continue, although most are on hold given COVID-19 limits to tourism.

FIGURE 10:
Structure of the UTEP in Uganda

EXECUTIVE COMMITTEE

WHO
Core group of working group leaders, including MTWA, UTB, UTA, UNDP

ROLES
Operational management and oversight, promotion, partnership facilitation

PLATFORM FACILITATOR

WHO
UNDP country office, with support from an external facilitator

ROLES
Promoting shared vision, information sharing, resource and stakeholder mobilization, organization and documentation of meetings

WORKING GROUPS

ROLES
Design and implement interventions, report on progress

Policy & Incentives	Marketing & Promotion	Product Development	Capacity-Building
MTWA	UTA	UTB	UTA
	UTB		UNDP

Phase 3.
Act

When the planning is done, it is time for action. To coordinate implementation, the convener can bring on board a facilitator. The facilitator coordinates collaboration by tracking and communicating progress, moderating working groups, and connecting dots across the Action Platform.

Action Platform members organize in working groups for each of the major action domains. These working groups are led by champions who volunteer for the role, based on their capacity and convening power. The working groups meet regularly and independently to drive implementation of the action plan. Participants implement the actions themselves, using their own resources and capacities. In addition, the convener should have some resources in place to fund critical actions that cannot be taken on by other stakeholders. In the pilot initiatives, UNDP funded studies and capacity-building activities. For example, along with other partners, UNDP provided FinMark Trust with funding to understand the landscape of mobile money access points in Lesotho, complementing FinMark Trust's own resources.

About once a year, all Action Platform members can be convened in the general assembly to review and discuss the working groups' progress, align on next steps and adapt initiatives' priorities to changing environments, if needed.

Lessons learned from pilots:

▶ **Engage a facilitator who is already well-connected in the ecosystem.** In the three Ecosystem Development Approach pilots, UNDP played the role of the convener, with a mandate to bring players from all sectors together behind the SDGs. Getting a local facilitator on board helps to leverage existing networks and facilitates continuity after the program ends. Ideally, facilitation is done by an organization with a track record in the subject. In Lesotho, for instance, FinMark Trust took on the facilitation. The organization had a long history working on financial inclusion in Lesotho and in the region, a deep understanding of the issues, and many connections. It also helped to keep the momentum going after the initiative officially ended.

▶ **Monitor progress.** The facilitator needs to follow up on actions, collect data from working groups, and share updates with all Action Platform members. In this way, the action plan is always current and members can coordinate better.

▶ **Communicate achievements among Action Platform members and externally to maintain support.** UNDP's Ecosystem Development Approach pilots in Lesotho, Senegal, and Uganda all had their own websites where updates were posted. These central reference points facilitated collaboration for the whole group.

In this phase, stakeholders take action to build the ecosystem, just like Mmw Marethabile is stacking the shelves in her shop in Ha Thetsane Maseru, Lesotho.

Box 7: Facilitating the ecosystem

The Ecosystem Development Approach facilitator ensures that Action Platform members are involved at the right stages, expectations are clear, and information is available. The facilitator also nudges the collaboration to ensure progress. The facilitator requires strong support from the convener to manage processes effectively.

▶ **Set realistic targets.** Focusing the action plan on a short list of the most important priorities, with targets that can realistically be achieved, is more useful than a comprehensive list that will feel daunting and make progress seem minor. Action Platform members can always add additional activities along the way.

▶ **Manage information.** A light but reliable reporting structure helps to keep track of activities and manage information. Participants and facilitators can change, and there is a risk of losing important information.

▶ **Communicate externally.** Documenting and publicizing progress helps to keep the momentum and to attract more supporters.

▶ **Leverage technology.** Transparency and communication are critical for stakeholders to collaborate effectively through the Action Platform. Restrictions related to COVID-19 have taught us all to collaborate virtually. These new skills and tools can make the Ecosystem Development Approach even more inclusive and effective. For example, virtual meeting tools that allow for co-creation and joint planning can help to make Action Platform gatherings less resource intensive and more accessible. Digital tools to document workplans and targets and track and communicate progress can enable Action Platform members to stay in sync and create incentives to report regularly. Virtual webinars or workshops and discussions on social media can invite an even wider set of stakeholders to participate and be part of the change.

▶ **Engage new allies.** As the initiative grows, new opportunities for collaboration arise. Action Platform members and the facilitator should look for new partners to engage in the initiative or selected activities. In Lesotho, new private sector players joined the initiative later on as they saw its achievements and recognized the potential benefits.

The Ecosystem Development Approach enables business with positive impact for people and planet.

Like a natural ecosystem, here with a cattler herder in Semphetenyana, Lesotho, the business ecosystem also continues to evolve.

Phase 4. Evolve

As part of the experience, visitors are always welcome to dance with the community members at Entanda, Uganda.

Copyright: Ivan Musingo and Linda Namara

Collaboration and change continue after the Ecosystem Development initiative officially ends. Because actions in an Ecosystem Development Approach are implemented by Action Platform members using largely their own resources, there needs to be no sudden end to collaboration and the momentum it creates. Rather, the initiative builds participants' capacity and structures to continue coordinating on their own. The ecosystem now has the DNA to further strengthen itself, and to evolve and adapt as challenges and objectives change. This approach ensures that efforts continue without permanent external funding.

▶ **Ensure coordination continues after the end of the initiative.** Coordination can be taken on by a local stakeholder. Alternatively, a self-sustaining structure can be created (See box 8).

▶ **Review the action plan at the end of the initiative and define next steps.** There will always be issues in the business ecosystem that require shared attention and action in order to continuously improve the development impact that the private sector can have. Towards the end of the initiative, Action Platform members should come together to take stock of what has been achieved and what hasn't, and identify and commit to actions that still need to be taken, either by individual stakeholders or in partnerships.

▶ **Learn and improve.** Every Ecosystem Development initiative will be different, with its own unique challenges and solutions. While some of them may be purely contextual, others will be broadly applicable, with potential to serve as good practice and inspiration for future initiatives. Once an initiative officially ends, the convener should take time to review the process, capture lessons learned, and integrate them into documents and tools to guide future initiatives.

Box 8: Sustainability strategy

The Ecosystem Development Approach catalyzes action by stakeholders with a light-touch, co-creative approach. This creates space for others to take responsibility and learn how to cooperate effectively. Yet facilitation and coordination are still required to maintain progress after an initiative officially ends. Planning for sustainability should be part of an Ecosystem Development initiative from the beginning. Different exit options exist, and what is appropriate will depend on the context and stakeholders involved.

▶ Facilitation can be taken on by an existing Action Platform member, such as a government entity, public agency, or development program. In the case of Lesotho, for example, the Ministry of Finance incorporated Lesotho SIMM's work into its Financial Inclusion Forum. When making such a transition, it is important to consider convening power and capacity. Does the new coordinator have its own agenda, or change Action Platform members' motivation to contribute?

▶ The initiative can become an independent entity, with its own funding to pay for facilitation. Funding can be raised through contributions from members, by offering paid services, or by attracting funding from donors. This can make sense where no existing Action Platform member can take over the facilitation role, and there is clear appetite by members or funders to support such a new entity.

▶ In some cases, it can be useful that the original convener supports facilitation for another cycle. For example, the convener can help to channel external funding into the ecosystem to achieve ambitious goals such as post-COVID-19 recovery, digitization, or carbon neutrality.

IEEIES members trained over 242 young technicians and resellers in remote, rural parts of Senegal, creating decent jobs and building critical capacity in underserved parts of the country.

Winning solutions of the hackathon in Lesotho focused on enabling access to mobile money to semi-literate and visually impaired users to increase uptake among low-income populations, like these market traders in Maseru.

Innovation Challenge

In addition to the Action Platform, the Ecosystem Development Approach includes direct support for specific business solutions through an Innovation Challenge. As part of the pilot initiatives in Lesotho, Senegal, and Uganda, UNDP supported over 30 business impact solutions through two mechanisms: Innovation Challenge awards and hackathons.

Combining support for the business ecosystem as a whole with support for specific businesses that test or scale innovative solutions improves results on both sides. Action Platform members can get direct feedback from Innovation Challenge winners about whether ecosystem actions are helping to

make their new business solutions easier or more successful to deploy, and where additional work is needed. Most importantly, the Action Platform's ecosystem work changes business behavior across the sector faster if an initial set of solutions gets an initial push, inspiring others to follow. The concrete solutions create motivation and momentum for the overall initiative.

In order to generate these synergies, the Innovation Challenge is part of the Ecosystem Development Approach from the beginning. During the "preparing ground" phase, existing companies are identified and their needs and constraints assessed.

Box 9: Piloting a solar ecovillage in Senegal

Nadji.bi is a solar solutions company based in Mbour, around 200 km southeast of Dakar. Founded in 2014, it assembles solar home systems (SHS), solar-powered agricultural devices such as mills and water pumps, public lighting devices, and equipment for public buildings such as schools.

Thanks to its US$40,000 Innovation Challenge award, Nadji.bi was able to pilot an 'intelligent ecovillage' concept in Aga Biram, an off-grid, rural community around 25 km outside of Mbour. This consisted of a solar mill, solar freezer, three public lighting installations, 10 public lighting kits, a solar video projector for the school, and 441 solar home systems for domestic light and phone charging. The primary objective was to understand how to build a distribution model for community solar energy solutions, like mills and freezers, by linking these to the distribution of solar home systems, for which the distribution channels are better established. Julien Potron, CEO of Nadji.bi states: "This pilot has further convinced us of the need to continue our endeavors to de-

velop connected technological solutions. We are now looking at replicating this model in at least five other localities in Senegal, using our own funds, and deploying our new technologies, together with improved monitoring and evaluation methods."

Nadji.bi's pilot also showed how relatively small investments in solar energy can considerably improve people's daily lives and provide income generating opportunities in off-grid areas. For instance, the physical burden of milling millet grain by hand, which traditionally fell on women, has disappeared. "Our lives are much easier, and our families love the fact that we have more free time," explains Yassine Sene, one of the members of the association running the solar mill. The mill now generates additional income for cooperative members. Health benefits from replacing paraffin lamps in homes are also significant. Last but not least, Nadji.bi estimates that around 42 tons of CO2 emissions per annum were saved as a result of households in the village switching to solar energy.

They become critical members of the Action Platform, participating in the "connect" meetings to help define the shared vision and action plan. The awards or hackathons are implemented as part of the "act" phase.

In UNDP's three pilot countries, **Innovation Challenge awards** were given through competitive calls for proposals. The winners received grants of up to US$40,000. Companies could suggest projects that would directly support the overall goal of the Ecosystem Development initiatives in their countries. They had to show why their plans could not be realized without grant funding (to prove additionality of public money) and match their grants with their own resources.

UNDP's Innovation Challenge awards have had an impact on the winners. In Uganda, for example, all of the winners are still in business (despite the challenges posed by COVID-19) and some have made significant progress with their awards. Bird Uganda, for example, generated sales of US$210,000 in one year with its US$40,000 Innovation Challenge award, much of which went to local communities. Some members of the local communities built lodges to serve guests, and others started to work as tour guides.

Box 10: Hacking financial inclusion in Lesotho

In Lesotho, UNDP organized a hackathon to develop specific mobile money applications that drive financial inclusion in the country. More than 150 young software developers gathered for three days in Maseru, the capital. At the end of the event, the teams pitched their solutions in front of an interdisciplinary jury. The jury awarded seven youth-led fintechs with the most promising ideas a total of US$29,000 in grant funding, follow-up coaching and mentorship from an experienced regional incubator, and workspace with stable Internet access in an Innovation Hub in Maseru. The winning solutions focused on reducing costs, verifying transactions, and extending access to mobile money to low-income populations that are semi-literate, aged, and visually impaired. Two out of the seven winners have managed to turn their prototypes into fully developed applications that are currently being tested in the field with the support of mobile network operators.

Hackathons can be used to develop ideas and prototypes for new business solutions with impact. Hackathons are proven mechanisms for generating progress fast, especially where digital solutions play a role. They bring together programmers, designers, domain experts, and project managers to solve specific challenges—creating functioning software or hardware by the end of the event. Often, a prize is awarded at the end for the best solution. Hackathons are a useful tool where digitization plays a role—for example to design mobile solutions to access basic services in energy, health, education, or finance. They attract youth, social entrepreneurs, and start-ups and make them part of the solution. Hackathons can also be great events to advertise the work of Ecosystem Development initiatives and attract media attention. UNDP's hackathon as part of the Ecosystem Development initiative in Lesotho is profiled above.

Children playing next to a well in Aga Biram, Senegal. They and all children deserve decisive and urgent action to meet the SDGs.

Taking action now!

How might you use the Ecosystem Development Approach? The approach is relevant wherever your development organization aims to involve the private sector in delivering the SDGs. In particular, it is effective where sustainable business solutions to development challenges are possible, but currently precluded by constraints in the business environment. By improving the business ecosystem in specific sectors or sub-sectors and creating incentives for impact, it reduces risk and increases potential financial and social returns for public and private impact investors. The Ecosystem Development Approach invites stakeholders to address these constraints collectively. It thus creates local ownership, transformation, and sustainability. Concrete opportunities include:

Copyright: Ivan Musingo and Linda Namara

If we join forces across sectors, we can advance much faster to achieve the SDGs. Here, tourists learn from women in the Entanda community how to prepare local food.

▶ **Replicating the successes achieved in off-grid solar energy, inclusive tourism, and financial inclusion** in the three pilot countries to other countries. For instance, the number of people served by off-grid renewables globally has expanded six-fold since 2011, reaching nearly 133 million people in 2016.[6] We can transform our energy systems to zero emissions, if all relevant stakeholders collaborate.

▶ **Tackling post-COVID-19 recovery** with coalitions of stakeholders, improving conditions for companies to contribute to better healthcare systems, create jobs, and support SMEs. Governments have spent more than US$12 trillion globally since March 2020 to protect firms, households, and vulnerable individuals.[7] How can these resources help to "build back better"?

▶ **Joining forces against climate change** on key topics such as regenerative agriculture, clean transport, or clean energy and managing the transition to carbon-neutral solutions. Achieving the Global Goals opens up market opportunities worth US$12 trillion in food and agriculture, cities, energy and materials, and health and well-being and could create 380 million new jobs by 2030.[8]

▶ **Driving digital transformation of vital services** such as education, healthcare, and finance by bringing stakeholders around the table to develop a shared vision and improve collaboration. Digital health, for example, can create access for many people who lack proper care today.[9]

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6 International Renewable Energy Agency (IRENA) Off-grid renewable energy solutions - Global and regional status and trends

7 OECD (2020) The territorial impact of COVID-19: Managing the crisis across levels of government

8 Business and Sustainable Development Commission (2017) Better Business Better World

9 Broadband Commission on for Sustainable Development (2018) The Promise of Digital Health

▶ **Building bridges between the formal and informal economies** in areas like retail, agriculture, and tourism by providing incentives and avenues for formal business to include local communities as producers or business partners. The informal economy accounts for more than 60% of the world's employed population, or more than two billion people.[10] Including them in broader value chains opens up massive value creation potential on both sides.

Is the Ecosystem Development Approach what you need to drive impact in your work? Excellent! We are happy to support you in setting up your own initiative. We can share access to all the material, including an extensive training document and tools for ecosystem mapping, action planning, results tracking, and more. We can also advise you on the first steps, and what to consider during the setup phase. Reach out to us!

This is the Decade of Action to achieve the SDGs. We all know: we can only achieve them through collaboration. But effective collaboration requires solid facilitation with a systematic, deliberate, practical approach. True collaboration means co-owning the agenda and not just being invited to execute someone else's. The Ecosystem Development Approach provides a proven blueprint for lean collaboration for better impact through business ecosystems. You can turn it into concrete results for a fair and sustainable future.

Mobile money transaction in a manicure shop in Pitso Ground, Lesotho.

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10 International Labour Organization (ILO)

Annex

A thunderous musical reception always breaks boundaries between visitors and the Entanda Community members.

Increasing the Competitiveness of Uganda's Tourism Sector for and with Local Communities

Executive Summary

Uganda is a country of vast tourism potential, boasting diverse wildlife and natural resources, cultural diversity and warm people. Developing the tourism sector and making it more inclusive features in the country's Vision 2040 and several national development plans. However, the sector has faced challenges including a narrow product range, weak marketing and promotion, limited skills, and an unequal distribution of benefits.

In 2017, UNDP convened the Uganda Tourism Ecosystem Platform (UTEP) to drive inclusive growth. For the first time, sector stakeholders came together to discuss and take synergistic actions to make the tourism sector more competitive, with benefits for all. UTEP contributed to new inclusive tourism regulations, developed new tourism products, intensified tourism marketing leading to an increase in visitor arrivals, and created linkages between companies and marginalized communities, generating significant earnings for both. Today, the Government of Uganda continues UTEP's multi-stakeholder ecosystem approach through a tourism development working group. UNDP remains an important partner in this collaboration and has incorporated elements of the ecosystem approach into its overall private sector engagement strategy.

COUNTRY   Uganda

FOCUS SECTOR   Tourism

SDGs ADDRESSED

Uganda is home to more than half of the remaining world population of Mountain Gorillas.
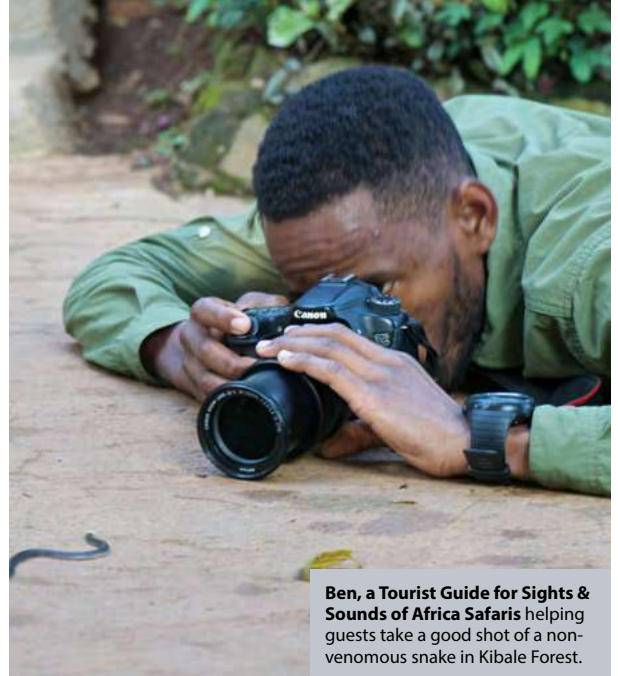
Ben, a Tourist Guide for Sights & Sounds of Africa Safaris helping guests take a good shot of a non-venomous snake in Kibale Forest.

The Ecosystem Development Approach

UNDP's Ecosystem Development Approach is a systemic and integrated approach to engaging the private sector in achieving the Sustainable Development Goals. To unleash business' full power to help reach our shared goals by 2030, "business ecosystems" must make doing the right thing for development the best thing for business. The Ecosystem Development Approach combines policy, programming and partnership in an effective way to cultivate conditions that lead business to create greater social and environmental impact.

The Ecosystem Development Approach builds local business ecosystems that enable the private sector to grow and scale its positive impact. It brings the capabilities and resources of ecosystem stakeholders together to address market barriers effectively and change incentive structures for business. An Ecosystem Development Initiative is built around an action platform where key actors from business, government, and civil society align on a shared strategic vision and coordinate and co-implement activities. Innovation Challenges enable entrepreneurs to develop and test concrete business solutions, generating tangible impact quickly.

Four features give the Ecosystem Development Approach its power to drive sustainable development.

1. **Local ownership.** The approach leverages the collective intelligence, resources, and capabilities of local stakeholders and aligns their strategies for solving challenges.
2. **Transformation.** It strikes at the root causes of development challenges and builds local capacity to tackle them.
3. **Sustainability.** It creates the structures for local actors to continue to solve their own challenges and continuously improve the local business ecosystem.
4. **Track record.** It has a track record of success. Initiatives in Lesotho, Senegal, and Uganda have triggered policy changes, improved quality standards, trained workers, and helped develop and scale business model innovations and financing mechanisms.

UNDP has applied the Ecosystem Development Approach between 2017 and 2019 in three concrete initiatives focused on inclusive business. These initiatives are called Inclusive Business Ecosystem Initiatives (IBEI). The IBEIs have been implemented in Lesotho, Senegal and Uganda under context-specific names.

This case study describes the experience of one IBEI, the Uganda Tourism Ecosystem Platform (UTEP). The Ecosystem Development Approach is described in detail in the UNDP report "Catalyzing Impact through Business: An Ecosystem Development Approach to meet the SDGs."

UNDP has developed a set of guidelines, frameworks and tools to effectively replicate and implement the Ecosystem Development Approach

UNDP's primary role in an Ecosystem Development Initiative is to initiate, convene and connect key players through an action platform. In addition, UNDP runs Innovation Challenges that support promising businesses to test and scale solutions with impact. An Ecosystem Development Approach is not a traditional donor approach where UNDP leads and funds large parts of the initiative. In contrast, most of the funding for an Ecosystem Development Initiative comes from the private sector and national governments. Local ownership of the initiative is a condition for its success.

Is the Ecosystem Development Approach what you need to drive impact in your work? Excellent! We are happy to support you in setting up your own initiative.

Reach out! (Tomas Sales, tomas.sales@undp.org)

Background and Context

Tourism development offers great opportunity for socio-economic transformation in Uganda. Uganda is a country of vast tourism potential, boasting diverse wildlife and natural resources, cultural diversity and warm people. The country's Vision 2040 identifies tourism as one of the economic opportunities that should be exploited to support the transition to a modern and prosperous upper middle-income country. In all national strategic plans—such as the national development plan, the tourism development master plan and the ruling government party manifesto—tourism features strongly as a lever for transforming Ugandan society. Indeed, until the outbreak of COVID-19, the sector was on a positive trajectory, contributing up to US$1.4 billion in 2019.

At the same time, Uganda's tourism sector has faced challenges in living up to its potential. A narrow product range focused on wildlife and excluding adjacent communities, weak tourism marketing and promotion, poor skills across the value chain and limited overall competitiveness were among the limiting factors. Poor and marginalized communities did not benefit equally from tourism development.[1] Stakeholders operated in silos with little collective action on these shared challenges.

Through two studies and a series of engagements, UNDP introduced the Ecosystem Development Approach as an effective way to overcome tourism sector challenges and make tourism work for all. The Ecosystem Development Approach allowed industry players to work together on interventions that empower micro, small, and medium enterprises (MSMEs) and local communities to participate in tourism value chains as business owners, suppliers and employees. Unlike other models of collaboration, the approach leverages synergies between sector players, giving UNDP a unique opportunity to mobilize the industry to contribute towards the SDGs.

> *"In this country we do not have collective approaches – we have either Corporate Social Responsibility or everyone doing their own thing. The Ecosystem Development Approach brings together the public sector and the private sector to work together towards a common good – improving tourism for everybody, including the bottom of the pyramid, and empowering everybody to participate and benefit. This approach is the first of its kind in the tourism sector of Uganda."*
>
> Nicholas Burunde, UNDP Programme Officer

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1   National Planning Authority (2014): Tourism Sector Issues Paper.

Visitors are given the opportunity to harvest, prepare and eat food the tradional way at Entanda Community Tourism Initiative.

A member of Entanda explaining how the community grows food and herbal medicine in their gardens.

Objectives and Stakeholders

In 2017, 12 tourism stakeholders across the public and private sectors formed the Uganda Tourism Ecosystem Platform as the first institutionalized structure to collectively take action to transform tourism development in Uganda. UTEP's central goal was to drive inclusive growth in the tourism sector by expanding the narrow product range, creating a supportive policy environment, building the capacity of key stakeholders and promoting market linkages between tourism businesses and local communities.

included Government of Uganda agencies, tourism associations, private companies and academia.

UTEP was able to bring marginalized people from the informal economy into the discussion and enable them to be part of the action. The Uganda Community Tourism Association, the apex association of local community tourism associations in Uganda, served as their voice in all UTEP activities.

Uganda Tourism Ecosystem Platform (UTEP)

▶ **Vision:** Developing Uganda as a preferred, sustainable, and inclusive tourism destination with a tourism sector that creates opportunities for all.
▶ **Mission:** To convene, facilitate, and empower all stakeholders to collectively transform the tourism sector in pursuit of a shared vision of inclusive economic growth.

"Through UTEP, we were able to get the poor and local communities to begin to meaningfully participate in tourism value chains. We have seen that the Ecosystem Development Approach actually works."

Nicholas Burunde, UNDP Programme Officer

UTEP was made up of a general assembly, working groups and a dedicated platform facilitator. UNDP hosted the platform to provide technical and facilitation support and leverage its convening power in the tourism sector. UTEP members

With input from two value chain studies commissioned by UNDP, UTEP members identified four priority areas to drive inclusive growth in the tourism sector in Uganda. Each priority area was tackled by a working group led by a UTEP champion.

FIGURE 1:

Overview of UTEP priority areas and working group participants

POLICY & INCENTIVES

PRODUCT DEVELOPMENT

MARKETING & PROMOTION

CAPACITY-BUILDING & MARKET LINKAGES

Led by the Ministry of Tourism, Wildlife and Antiquities
Key priority: review the Tourism Act of 2008, develop regulations and guidelines needed to operationalize it, design regulatory incentives and guidelines for inclusive business practices in the tourism sector

Led by the Uganda Tourism Association*
Key priority: identify and develop new inclusive tourism products with high customer demand in Uganda, share investment profiles with potential investors

*and all seven of its member associations

Led by the Uganda Tourism Board
Key priority: develop an integrated National Tourism Marketing Plan that brands Uganda as a sustainable and inclusive tourism destination

Led by UNDP
Key priority: create market linkages and strengthen the capacity of tourism businesses and community-based organizations in three Tourism Development Areas

Visitors to Entanda Community Tourism Initiative not only enjoy the traditional music but they also learn how play the instruments.

How UTEP helped platform members to mobilize financial resources to fulfill their commitments

The Ministry of Tourism committed to involving UTEP members in revising the Tourism Act of 2008 as part of the policy and incentives working group. However, the Ministry was not able to mobilize sufficient resources to organize an inclusive consultation process. UTEP members, including UNDP, backed the Ministry of Tourism to secure funding from other partners.

"UTEP was supposed to support stakeholder engagement in the review of the Tourism Act. The resources for that did not come through [as planned] but we were able to secure resources from Switch Africa Green [a program of UNEP], whose main interest was greening the Tourism Act. We utilized these resources to conduct stakeholder consultations and develop new principles for the Act," said Vivian Lyazi, Assistant Commissioner, Tourism Development, Ministry of Tourism, Wildlife and Antiquities.

Other UTEP members, such as the Uganda Tourism Board (UTB) and the Uganda Tourism Association (UTA), also approached external partners to fund their commitments under the UTEP action plan. UTB, for example, approached Trademark East Africa to fund activities under the priority area of product development. UTEP's high visibility and credibility, backed up by strong political and government support, helped make this possible.

Key Achievements

Between 2017 and 2019 – and for the first time in Ugandan history – tourism stakeholders came together to take collective action towards national tourism development. UTEP registered a number of achievements in its priority areas.

POLICY & INCENTIVES

▶ **UTEP reviewed and updated the Tourism Act of 2008 and formulated five regulations for promoting inclusive tourism in Uganda.** The Ministry of Tourism worked closely with UTEP stakeholders to come up with principles for the revised Act and the associated regulations. The Parliament of Uganda is yet to approve the revised Tourism Act; once it is approved, the new regulations will also take effect. Both the Act and the regulations are expected to promote inclusive tourism development to achieve Uganda's commitment to the Sustainable Development Goals.

▶ **UTEP successfully lobbied for a value added tax waiver to incentivize sourcing from local communities.** The Uganda Tourism Association (UTA) and the Ministry of Tourism approached the Ministry of Finance to create targeted incentives for inclusive tourism practices. As a result, over 3,000 up-country lodges now benefit from tax incentives through a value added tax waiver when procuring food and materials locally. Lodges started sourcing their inputs from local communities, thereby becoming more cost competitive and extending tourism opportunities to marginalized communities.

PRODUCT DEVELOPMENT

▶ **UTEP members profiled and developed four tourism product concepts with high potential for inclusive business practices.** Under the leadership of the UTA and the Uganda Tourism Board (UTB), and with financial support from Trademark East Africa, UTEP developed product development concept plans for the Rwenzori Mountains, the Uganda National Museum, Uganda Martyrs Son et Lumiere, and birding. Investors are now being sourced to take up the opportunities. In addition, UTB has developed a tourism investment catalog for River Nile and Lake Victoria, and three product concept plans for the Equator. All of these products have been designed with an emphasis on including communities in delivering tourism services to visitors as well as supplying produce to tourism enterprises. For instance, in the Rwenzori Mountains, the concept focuses on cultural treks that optimize local community participation in tourism, while the birding concept hinges on empowering local communities to serve as guides and provide services, including protecting bird habitats.

The endangered Shoebill Stork is Uganda's most highly sought after bird by international visitors.

How UTEP members joined forces to develop birding as a niche tourism product in Uganda

Building on UTEP's commitment to develop birding as a niche product in Uganda, the Uganda Tourism Board (UTB), the Uganda Wildlife Authority (UWA), the Uganda Safari Guides Association (USAGA), UNDP and the Uganda Bird Guides Club launched joint activities to support the training of birders, secure birding equipment and introduce the Africa Birding Expo – the first such expo – in Africa. UWA developed birding infrastructure and allowed free access for birding influencers to its national parks. UTB invested in the expo and in providing logistics for the birding influencers. USAGA provided the birding guides to ensure that the product became known. UNDP funded the training of the birding guides.

As a result of these investments by UTEP members, Uganda has become globally recognized as a key birding destination in Africa. Even in the midst of the pandemic, the Africa Birding Expo will be held in late 2021.

MARKETING & PROMOTION

▶ **UTEP members developed a national tourism brand and executed joint tourism marketing campaigns.** As part of its commitment under UTEP, UTB worked with other UTEP members to develop and implement a two-year national tourism marketing plan (2018-2020). Based on the marketing plan, UTB developed a national brand for Uganda, recruited Market Destination Representation firms that represent Uganda at international trade fairs, and strengthened online marketing. To intensify marketing activities, UTB executes joint tourism marketing campaigns in collaboration with tourism associations and private sector representatives on a cost-sharing basis.

▶ **UTEP supported the introduction of a single East African tourism visa.** Through UTEP, UTA worked with Trademark East Africa, the Ministry of Tourism, and UTB to strengthen tourism marketing in the East African region. The outcome was the creation of a single East African tourism visa which generated US$10 million for the Government of Uganda in 2019.

CAPACITY-BUILDING & MARKET LINKAGES

▶ **UTEP provided the impetus for building the capacity of the Uganda Tourism Association as a key representative of the private sector.** When UTEP started operating in 2017, UTA was a young organization without an independent office or staff, operating on an annual budget of less than US$2,500. Under UNDP's mandate to build sustainable local institutions, UTA received capacity-building support and equipment for an office space. This support made the organization more attractive for other development partners to work with. From 2017 to 2020, UTA was able to secure a total of over US$600,000 in funding from Trademark East Africa, the European Union, GIZ, the World Bank, and private sector foundations. With this support, UTA has been able to strengthen the secretariats of its member associations, train over 700 members in various tourism skills, and help over 70 hotels undertake operational audits and streamline operations. Today, the Ministry of Tourism and UTB feel that the private sector is better represented at the national level, more cooperative and easier to work with, largely because of UTA's increased capacity.

▶ **UTEP drove the revival of the Uganda Hotel and Tourism Training Institute and skills training for over 1,000 workers.** As part of its commitment to strengthen tourism capacity-building, the Ministry of Tourism undertook major renovations of the Uganda Hotel and Tourism Training Institute (UHTTI) facilities, such as hotel rooms, demonstration kitchens, and training restaurants. This was in direct response to the needs of the private sector for practical and well-trained manpower articulated under UTEP. The UHTTI has been restructured and by June 2020, 80% of the work had been completed. In addition, between 2018 and 2020, UTB, the Ministry of Tourism and UTA conducted skills training for over 1,000 workers along

How UTEP's marketing actions drove business growth

As a result of UTEP's marketing actions, business travel increased by more than 10% by the end of 2019. There were increases in arrivals of 20.8% from North America, 11.5% from South Africa, and 3% from the Middle East. According to the Ministry of Tourism, by 2019, international tourism contributed 3.1% of Uganda's GDP (over US$1 billion)[2] and at least US$300 million to the tax base[3].

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2   Ministry of Tourism Wildlife and Antiquities (2020): Statistical and Economic analysis of Uganda Tourism expenditure and motivation survey 2019, MTWA.

3   Ministry of Tourism Wildlife and Antiquities (2020): Tourism sector priority issues paper, MTWA.

the tourism value chain such as taxi drivers, tourism enterprise managers, and public health inspectors to fulfill their commitments under UTEP.

▶ **UTEP members launched an initiative to create market linkages between tourism companies and micro-enterprises.** In 2019, the Ministry of Tourism, UTB and UTA launched a joint initiative to support poverty reduction for micro-enterprises by linking tourism companies to makers of local crafts and processed food products. The project is supported by the Enhanced Integrated Framework (EIF) and the Government of Uganda with the aim of improving the quality of Uganda's handicrafts for the tourist market. Despite a successful start in 2019, the project was significantly disrupted by the outbreak of COVID-19.

▶ **UTEP successfully created market linkages between formal and informal tourism businesses through Innovation Challenge Awards.** As part of its commitment under UTEP, UNDP awarded 10 innovation challenge grants to established tourism businesses that directly engaged with the informal sector and marginalized communities to supply goods or deliver authentic experiences to visitors. The winners included safari companies, local community initiatives, accommodation facilities and cultural centers. Each winner received up to US$40,000 to test, improve or scale up business model innovations with a specific focus on building market linkages between the formal and the informal sectors. Despite the COVID-19 pandemic, a large number of innovation challenge award winners are still operational, albeit with generally lean staff attributed to a lack of business. All of them are hopeful of returning to full and even better capacity when the recovery period begins.

The While Nile in Uganda offers some of the best white water rafting opportunities in the world.

How the Innovation Challenge Award enabled Sights and Sounds of Africa Safaris to professionalize the Entanda Community Tourism Initiative

Entanda is a community tourism initiative located about 80km west of Kampala City. The initiative includes a total of 364 people. The safari company Sights and Sounds of Africa Safaris (SSA) founded Entanda in 2013 to provide an authentic eco-cultural experience to visitors to Uganda.

Despite Entanda's high potential to attract visitors, SSA and the community lacked the financial resources to invest in adequate tools, skills and capacity-building. In 2018, UNDP awarded SSA a US$40,000 Innovation Challenge Award to build Entanda members' capacity and link the initiative to the broader tourism industry.

SSA used the grant to provide training and procure tools to help in the delivery of tourism services. SSA also supported Entanda community members to start businesses to supply fruit, local chicken, honey and other foodstuffs to visitors. In addition, SSA facilitated linkages between Entanda and other tour operators, guides, hotels and educational institutions to stimulate tourism development in the community.

By 2019, 50 tour companies were promoting Entanda. The community received 425 visitors per year, earning more than US$11,000 in direct sales. In addition, community members were earning additional income by selling agricultural produce to visitors and other clients in Kampala.

"My first daughter is now at University while my other three children are also all in school. I could not have afforded to do this if it was not for the income earned and skills acquired from Entanda," said Pascal, a community member. The Chairman of Entanda emphasizes that "most members, especially our women, have used their income from visitors to buy livestock, local chicken, stock more hives and look after their families. We are really pleased with the support we got from UNDP."

SSA earned more than US$25,000 from promoting Entanda between 2018 and early 2020 and continues to invest in the community. The company built a camping site and started building a farm guesthouse (80% complete) that will be managed through a community partnership arrangement. Take a look at this ➜ video to learn more about the positive impact that SSA has created in the Entanda community with support of UNDP's Innovation Challenge Award.

Today, despite the COVID-19 pandemic, the businesses of Entanda community members are thriving. They sell fruit, honey and chickens at temporary markets in surrounding communities. This resilience has attracted others to join, and Entanda members have been selected as model farmers by the local government. Tour operators have resumed making inquiries and internal training has started again. SSA will complete the guesthouse construction in April 2021 and aims to invest an additional US$12,000 in private funds into the project.

Bird Uganda is a safari company that specializes in birding safaris. The company, like other birding companies, faced significant challenges in accessing the European and American markets, and at the same time, lacked quality, dependable local guides and enterprises to work with.

With an Innovation Challenge Award of US$40,000 from UNDP, the company represented Uganda's birding community both in Europe and the United States, and also trained women guides and other local service providers.

Within one year, the company generated US$210,000, with 80% of this revenue being spent on tour guides, local communities, attraction sites, lodges, eating houses and souvenir shops. The trained guides serve clients from other tour companies while the lodges also benefit their immediate communities, local governments and other tour operators.

Uganda's exposure to influential people in the global birding community has created business opportunities for more than 25 tour companies and guides in the area of birding. Thanks to Bird Uganda trainings and market linkages, some of these guides now serve as tour leaders for birding trips across Africa. In this ➜ video interview, the founder of Bird Uganda, Herbert Byaruhanga explains in detail how the grant funding benefitted the birding sector in Uganda.

The rare three-horned Chameleon, only found in Rwenzori Mountains.

"Give special attention to the mobilization of the platform stakeholders, including understanding their motivation for engagement."

Wilson Kwamya, Team Leader, Inclusive Green Growth Programme, UNDP Uganda

Learnings and Recommendations

LEARNING 1:
Deep sector expertise and strong networks are key to convene stakeholders

The idea for UTEP started with two empirical studies conducted by UNDP in 2013 and 2016 which identified systemic challenges in the tourism sector. UNDP spearheaded further stakeholder engagements in which the leadership of private sector associations and key government agencies committed to lead the implementation of specific activities. These meetings created room to develop a shared understanding of the sector's challenges, and the roles different stakeholders could play to address them. UNDP's experience in the tourism sector and its reputation as a trusted partner enabled it to convene sector champions.

➜ **Recommendation:** Build on a strong foundation of evidence. Two studies preceded UTEP in Uganda. These identified systemic challenges in the tourism sector and recommended an ecosystem approach to address them—involving bringing low-income communities more effectively into the tourism development process.

LEARNING 2:
Committed champions help mobilize stakeholders and resources

Committed champions from the public and private sectors were key to making UTEP succeed. UNDP began by engaging stakeholders that had both operational knowledge and the influence and willingness to move things within their organizations. In the public sector, UNDP identified the Assistant Commissioner for Tourism Development within the Ministry of Tourism and the CEO of UTB as champions. In the private sector, champions included the chairpersons of UTA and its member associations. These champions played a critical role in mobilizing others and independently lobbied for funding to fulfill their commitments under UTEP.

➜ **Recommendation:** Mobilize a diverse spectrum of stakeholders and identify champions. An Ecosystem Development Approach should always comprise a large and diverse spectrum of stakeholders spanning the public and private sectors. During the mobilization phase, it is critical to identify champions that have the convening power to attract others. If leadership within an organization changes, the facilitator should ensure that successors are briefed and onboarded into the initiative.
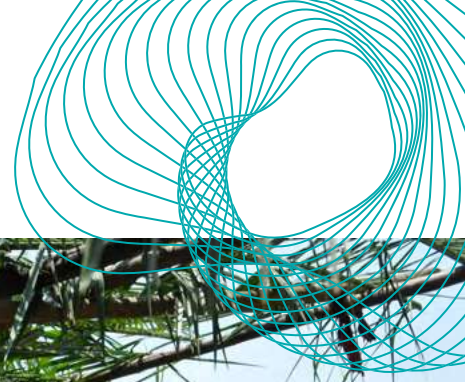
Preparing food in banana leaves is not only a traditional practice at Entanda but also offers numerous health benefits.

Entanda Community has fruits grown and served to visitors throughout the year.

LEARNING 3:
Limited financial resources can constrain private sector action

UTEP was built on the explicit expectation that private sector members would use their own financial resources to implement activities under the action plan. While many were willing to embrace those activities and contribute with in-kind resources, it was too early to expect them to contribute in cash. Uganda's tourism sector is predominantly comprised of MSMEs with limited financial resources. Some UTEP members were not able to implement activities without external financial support.

➜ **Recommendation:** Fund the initial set-up and operations of an Ecosystem Development Initiative. The convener of an Ecosystem Development Initiative should consider providing the initial funding to ensure that the platform operates. This includes the costs of a platform facilitator and meetings. In the medium term, other organizations, such as private sector associations, can be entrusted with the facilitation role if this role is funded.

LEARNING 4:
Innovation Challenge Awards are an effective tool to catalyze partnerships between the formal and informal sectors

UNDP's Innovation Challenge Awards allowed the private sector to develop and test innovative ideas for doing business with local communities and informal suppliers. The experience of the Entanda Community Tourism Initiative demonstrates the extent to which the Award allowed Sights and Sounds of Africa Safaris to build local capacity, develop linkages with other tour companies and increase incomes for everyone involved. Without such awards, such innovative ideas would take longer to materialize or would not materialize at all.

➜ **Recommendation:** Use Innovation Challenge Awards more strategically in private sector development. UNDP and other funders should draw lessons from the experiences of innovation grants awarded as part of the Ecosystem Development Initiative and use this tool more strategically to spur business innovation to address the SDGs.

Outlook

While UTEP's official activities concluded in 2019, members continue working in a collaborative manner. In the meantime, UNDP Uganda started to use elements of the Ecosystem Development Approach in its private sector engagement strategy.

The Government of Uganda now uses UTEP's multi-stakeholder ecosystem approach to help drive tourism development through a "tourism development programme working group." This working group brings stakeholders that previously collaborated under UTEP together regularly to discuss, budget and monitor the progress of interventions in the sector. The Ministry of Tourism coordinates and funds the group. UNDP remains an important actor and is partnering with the Ministry of Tourism and UTB to implement the Take on the P.E.A.R.L Innovation Challenge that aims to help tourism companies pilot or scale inclusive business solutions as a mechanism to recover from the impact of COVID-19. In December 2020, the NGO Swisscontact launched a study that confirmed the importance of the priority intervention areas UTEP had identified and expressed its interest in facilitating collaborative efforts to address them.[4]

UTEP's ecosystem approach will remain relevant for responding to the key challenges the tourism sector faces, including building back better after the COVID-19 pandemic, which has

As part of the experience, visitors are always welcome to dance with the community members at Entanda.

inflicted significant damage. For example, as soon as tourists return to Uganda, local tourism communities that switched back to subsistence farming and other activities should be trained. At the national level, issues of visitor confidence, public relations, marketing, access to affordable financing, skilling, product development and digitization will also need to be addressed. A collaborative approach to planning and implementation will be essential.

At the same time, UNDP Uganda has developed a new country program for 2021-2025 in which some elements of the Ecosystem Development Approach will be included to ensure effective engagement of the private sector. UNDP Uganda also continues utilizing Innovation Challenge Awards to support business innovation across industry sectors, especially innovations related to COVID-19 response and youth employment.

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4   Swisscontact (2021): Economic Opportunities for Young People in The Tourism and Hospitality Industry in Uganda. Kampala.

A **Nadji.bi solar light kit** in one of Aga Biram's primary school classrooms.

Building the Ecosystem for Solar Energy Enterprises in Senegal

Executive Summary

Senegal's solar energy sector is vibrant, competitive and dynamic, with great potential. Realizing that potential, and generating job-creating "green growth," is a key national development priority. However, sector stakeholders still face a series of structural barriers linked to information, incentives, investment and implementation support for their businesses. Between 2017 and 2019, UNDP helped bring these stakeholders together for the first time to develop a shared vision and take action on these barriers together through the *Initiative Ecosystème des Entreprises Inclusives de l'Énergie Solaire* (IEEIES). The IEEIES catalyzed a number of breakthroughs, including tax incentives, feed-in tariffs, new quality standards, workforce training, and improved access to financing. Today, Senegal's Ministry of Energy continues the work of fostering coordination and collaboration to develop the country's solar energy sector and drive green, inclusive growth, in particular to the benefit of women and youth.

COUNTRY **Senegal**

FOCUS SECTOR **Solar energy**

SDGs ADDRESSED

Mr. Diockel Sene, resident of Aga Biram, demonstrating his solar home system.

The Ecosystem Development Approach

UNDP's Ecosystem Development Approach is a systemic and integrated approach to engaging the private sector in achieving the Sustainable Development Goals. To unleash business' full power to help reach our shared goals by 2030, "business ecosystems" must make doing the right thing for development the best thing for business. The Ecosystem Development Approach combines policy, programming and partnership in an effective way to cultivate conditions that lead business to create greater social and environmental impact.

The Ecosystem Development Approach builds local business ecosystems that enable the private sector to grow and scale its positive impact. It brings the capabilities and resources of ecosystem stakeholders together to address market barriers effectively and change incentive structures for business. An Ecosystem Development Initiative is built around an action platform where key actors from business, government, and civil society align on a shared strategic vision and coordinate and co-implement activities. Innovation Challenges enable entrepreneurs to develop and test concrete business solutions, generating tangible impact quickly.

Four features give the Ecosystem Development Approach its power to drive sustainable development.

1. **Local ownership.** The approach leverages the collective intelligence, resources, and capabilities of local stakeholders and aligns their strategies for solving challenges.
2. **Transformation.** It strikes at the root causes of development challenges and builds local capacity to tackle them.
3. **Sustainability.** It creates the structures for local actors to continue to solve their own challenges and continuously improve the local business ecosystem.
4. **Track record.** It has a track record of success. Initiatives in Lesotho, Senegal, and Uganda have triggered policy changes, improved quality standards, trained workers, and helped develop and scale business model innovations and financing mechanisms.

UNDP has applied the Ecosystem Development Approach between 2017 and 2019 in three concrete initiatives focused on inclusive business. These initiatives are called Inclusive Business Ecosystem Initiatives (IBEI). The IBEIs have been implemented in Lesotho, Senegal and Uganda under context-specific names.
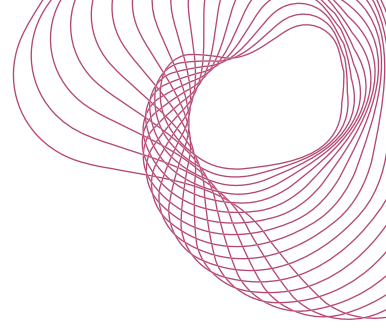
This case study describes the experience of one IBEI, the Initiative Ecosystème des Entreprises Inclusives de l'Énergie Solaire (IEEIES) in Senegal. The Ecosystem Development Approach is described in detail in the UNDP report "Catalyzing Impact through Business: An Ecosystem Development Approach to meet the SDGs."

UNDP has developed a set of guidelines, frameworks and tools to effectively replicate and implement the Ecosystem Development Approach

UNDP's primary role in an Ecosystem Development Initiative is to initiate, convene and connect key players through an action platform. In addition, UNDP runs Innovation Challenges that support promising businesses to test and scale solutions with impact. An Ecosystem Development Approach is not a traditional donor approach where UNDP leads and funds large parts of the initiative. In contrast, most of the funding for an Ecosystem Development Initiative comes from the private sector and national governments. Local ownership of the initiative is a condition for its success.

Is the Ecosystem Development Approach what you need to drive impact in your work? Excellent! We are happy to support you in setting up your own initiative.

Reach out! (Tomas Sales, tomas.sales@undp.org)

Background and Context

Solar energy offers enormous potential to drive sustainable, inclusive economic growth in Senegal. While Senegal's cities are relatively well connected to the national grid network, demand for affordable, clean energy still outstrips supply. Approximately one third of the national population, and more than half of the rural population, still has poor access or no access to electricity.[1] Affordable, clean energy for households and small businesses—especially in the informal sector, which accounts for two million jobs and an estimated 39.8% of GDP—would provide a big boost for sustainable, inclusive economic growth.

Senegal has prioritized universal access to energy, including solar, as one of eight key pillars of its national development plan for 2035, Plan Sénégal Emergent (PSE). In 2016, the deadline for this already ambitious goal was brought forward to 2025.[2] The commitment of Senegal's government and long-term fundamentals create a significant market opportunity for the private sector in solar. Despite the impact of COVID-19, the African Development Bank expects the country's GDP to grow in 2021.[3] Primary energy demand is projected to double from 4.5 million tonnes-oil equivalent (Mtoe) in 2018

to 9 million Mtoe in 2030.[4] Solar energy will be a significant component of the energy mix for households and micro, small and medium enterprises (MSMEs) in the formal and informal sectors.

To realize the solar sector's full potential, stakeholders need to overcome a number of challenges. The solar energy ecosystem is complex and fragmented, with overlapping activities and sometimes limited coordination among stakeholders. On the regulatory side, skewed tax incentives and tariffs have stifled investment and driven prices too high for consumers. Growth has also been hampered by the absence of quality standards, a lack of skilled technicians, and limited access to finance.

Through a study and a series of engagements, UNDP introduced the Ecosystem Development Approach as an effective approach to address systemic challenges in Senegal's solar energy sector. In 2016, UNDP explored the potential to initiate an Ecosystem Development Initiative in Senegal and facilitate key solar energy stakeholders to align strategies and co-create actions. Through an ecosystem mapping study and a series of workshops, UNDP introduced the approach to public and private players in the country.

1   World Bank Data, Access to electricity, rural (% of rural population) Senegal. Accessed March 2021. https://data.worldbank.org/indicator/EG.ELC.ACCS.RU.ZS?locations=SN.

2   Ministère du Pétrole et des Energies, SE4ALL Sénégal website. Accessed March 2021. https://www.acces-universel-electricite.sn.

3   African Development Bank, Macroeconomic outlook Senegal. Accessed March 2021. https://www.afdb.org/en/countries/west-africa/senegal/senegal-economic-outlook.

4   International Energy Agency (2019): Africa Energy Outlook 2019, Overview Senegal. IEA. https://iea.blob.core.windows.net/assets/1d996108-18cc-41d7-9da3-55496cec6310/AEO2019_SENEGAL.pdf

In Aga Biram grain used to be stomped by hand in large mortars - time-consuming and exhausting work.

The solar mill helped to increase productivity and allowed villagers to sell surplus grain in the local market.

Objectives and Stakeholders

The IEEIES brought Senegal's diverse solar energy stakeholders together for the first time. The IEEIES launched in February 2017 in Dakar. It was the first and only formal structure in which the entire range of stakeholders with an interest in solar energy were able to meet, get to know each other, exchange views, develop a shared agenda, and collaborate on specific actions.

The group aimed to improve access to solar energy in Senegal for all, and to unlock solar energy's potential to stimulate sustainable, inclusive economic development through the creation of "green jobs" and significant income-generating opportunities, most importantly in rural, off-grid areas.

A clear operating and governance structure allowed this diverse group to translate discussion into action. The general assembly was the main discussion and consultation forum. A steering committee, headed by a chairperson, drove the implementation of specific actions. A full-time platform facilitator—a recognized engineer, economist and renewable energy expert with links to all of Senegal's major solar sector stakeholders—was in charge of overall coordination, report-

ing, communication, logistics and operations. Meetings of the IEEIES were regularly attended by 23 key solar sector stakeholders, including representatives of the public sector, the private sector, academia, civil society, financial institutions and technical partners.

IEEIES members agreed on five priorities for strengthening the solar energy ecosystem to provide access for all and stimulate green and inclusive economic growth. In 2016, before launching the IEEIES, UNDP commissioned a mapping study of Senegal's solar energy ecosystem, in which stakeholders from all parts of the sector were consulted to identify barriers and opportunities, and to explore actions that could help strengthen the ecosystem to provide access to solar energy for all and stimulate sustainable, inclusive economic growth.

This mapping study and consultation process led to the creation of an action plan that was validated and updated by IEEIES members. 35 specific actions were clustered under five priorities, each with a dedicated working group and lead organization.

FIGURE 1:

Overview of IEEIES priority areas and working group participants

Led by Nadji.bi / included Ministry of Petroleum and Energy, Ministry of Finance, Electricity Regulatory Commission
Key priority: improve regulatory environment for solar energy products, including tax incentives and tariff harmonization

Led by ASN / included Research Centre for Renewable Energy, the Polytechnical School of UCAD, Nadji.bi, Terra Technologies, ENDA Energy
Key priority: introduce quality standards for solar energy products, formally adopt them

Led by Banque Agricole du Sénégal / included COPERES, CRSE, BHS
Key priority: improve access to finance for solar equipment purchases by households and small-scale farmers

Led by UADB / included ENERGECO, Terra Technologies, Vocational Training Centre of Diamniadio, Polytechnical School of UCAD
Key priority: train technicians, resellers and assemblers of solar energy equipment

Led by UNCS / included Universities of Bambey, Saint Louis and Ziguinchor
Key priority: raise awareness, promote the use of solar energy

Affordable solar home systems can provide clean and healthier lighting in houses across the country.

How the IEEIES encouraged the public sector to introduce tax incentives

The initial ecosystem mapping study of 2016 identified unfavorable tariffs and taxation as important barriers to the development of Senegal's solar energy sector. The IEEIES' structures and ways of working enabled stakeholders from the public and private sectors to engage with each other, both informally and formally, in a constructive and collaborative manner that was not possible before the initiative was set up. Based on their own experience and data collection, the IEEIES' MSME members built a convincing, evidence-based economic case in which they presented the benefits of a VAT exemption for certain solar devices to the initiative's government members, who reacted by introducing a VAT exemption along with income tax credits under certain conditions.

As Joan Le Fur, CEO of Little Sun, explains: "The VAT exemption reduces the production cost of each product, [which] certainly makes the acquisition of some solar equipment more affordable for end-users."

Key Achievements

IEEIES members catalyzed a number of breakthroughs in their priority areas.

REGULATORY ENVIRONMENT

▸ **IEEIES supported the solar sector by encouraging tax reforms.** Discussions driven through the IEEIES resulted in new tax directives enacted in 2018, exempting local companies from the applicable 18% Value Added Tax (VAT) under certain conditions. This made some solar equipment, such as solar panels, more affordable to suppliers and consumers. Furthermore, tax incentives were enacted to support local solar energy companies, who can now deduct 30% of profits from their taxable income under certain conditions.

▸ **IEEIES helped to harmonize rural electricity tariff structures.** Aligning tariffs across the country benefitted rural populations who, until then, paid higher fees for electricity than residents directly connected to the national grid.

▸ **IEEIES helped to establish a feed-in tariff.** The IEEIES drove the adoption of an official feed-in tariff, a major incentive for individual households and businesses, who are now, for the first time, allowed to produce their own electricity with solar panels and inject any surplus back into the grid at beneficial rates.

EQUIPMENT QUALITY STANDARDS

▸ **IEEIES proposed ten new quality standards** for solar energy products and productive use equipment (for example in agriculture or informal businesses) that have been validated and adopted by Senegal's National Standards Agency (ASN). The momentum created by the IEEIES' quality standards discussions also helped lead to the establishment of a quality test laboratory for photovoltaic components at Dakar's Polytechnic School (Ecole Supérieure Polytechnique de Dakar) in 2019.

ACCESS TO FINANCING

▸ **IEEIES accelerated the development of "green finance" loan products.** Two of Senegal's major commercial and retail banks, which participated in the IEEIES' activities, now offer loans aimed at facilitating the purchase of solar energy products for small-scale domestic and productive use.

> *The IEEIES provided the impetus for retail banks to start developing their "green finance" portfolios*

Members of the IEEIES access to financing working group collaborated to identify key barriers to access to financing for Senegal's solar sector stakeholders. These barriers include, for example, the lack of risk evaluation tools for retail banks and the lack of low-interest credit lines for solar companies to fund expansion and help end-users to purchase solar energy products. When the IEEIES started its work in 2017, financial institutions in Senegal were struggling to offer soft loans and financial products for the solar sector on a commercially viable basis. The discussions of the access to finance working group started a process of collaboration between banks and solar energy companies. Two financial institutions active in the platform, Banque Agricole and Banque de l'habitat du Sénégal, are now developing "green finance" loan products to facilitate the acquisition of solar solutions for household and agricultural use. In early 2020, Banque Agricole entered into an agreement with Nadji.bi to fund PAYGo (Pay-as-you-go) solar systems. In a further sign of recent progress, Banque Agricole became the first financial institution in the country to receive an official accreditation from the Green Climate Fund (GCF) in January 2021, which is expected to further increase access to low-interest loans for MSME operators in the solar sector.

WORKFORCE TRAINING

▶ **IEEIES members trained over 240 solar technicians and sales agents.** At least 242 young technicians and resellers in remote, rural parts of Senegal were trained, creating decent jobs and building critical capacity in unserved and underserved parts of the country. 25 of these young people were trained by the Diamniadio Professional Training Centre on the outskirts of Dakar (Centre sectoriel de formation professionelle de Diamniadio). As of 2021, these young people still operate in their respective areas installing and maintaining solar home systems and other solar devices. They keep in touch using social media to exchange information and share lessons. Thanks to the Innovation Challenge Awards, solar companies Little Sun and GIE Palette Femmes Emergentes trained a further 217 young people as solar product assemblers, technicians and sales agents.

AWARENESS-RAISING

▶ **The IEEIES launched several awareness campaigns to promote solar energy.** The IEEIES organized several campaigns to promote solar energy and solar products in rural areas and regional urban centers. In partnership with the National Union of Consumers of Senegal (Union des consommateurs du Sénégal), three major regional events were held in the towns of Saint Louis, Bambey and Ziguinchor to promote solar energy products to local households, as well as the major local economic actors in the agriculture, fishing and cattle-raising sectors. These events, which were prominently featured by the national media, helped to boost the profile of Senegal's solar energy companies.

In addition, UNDP's **Innovation Challenge Awards** provided US$40,000 each to five promising solar energy businesses that sought to integrate low-income people in their value chains as suppliers, employees, distributors and end-users, including youth and women. The awards were intended to help winners test, replicate and scale up inclusive approaches in the solar energy sector, and attract additional private investment. The five winners were Nadji.bi, Bonergie, GIE Palette Femmes Emergentes, SUNTAEG and Little Sun.

Solar public lighting and solar mill in Aga Biram.

UNDP's Innovation Challenge Award allowed Nadji.bi to sucessfully pilot an "intelligent ecovillage" concept

Nadji.bi is a solar solutions company based in Mbour, around 200 km southeast of Dakar. Founded in 2014, it assembles solar home systems, solar-powered agricultural devices such as mills and water pumps, public lighting devices, and equipment for public buildings such as schools.

Thanks to its US$40,000 Innovation Challenge Award, Nadji.bi was able to pilot an "intelligent ecovillage" concept in Aga Biram, an off-grid, rural community around 30 km outside of Mbour.

The ecovillage consists of:

- **A solar mill to process the locally cultivated millet and fonio grain**, allowing the local, woman-led farmers' cooperative to hugely increase its productivity and production capacity and sell its excess produce on the market, creating income for members' families
- **A solar freezer,** allowing villagers to conserve perishable food and drinks
- **3 public lighting installations**, increasing safety for the villagers
- **10 public lighting kits** for community use, and a solar videoprojector in the public school

- **441 solar home systems** consisting of domestic lights and a phone charger

"For Nadji.bi, the primary objective was to understand how to build a distribution model for solar energy solutions aimed at small communities (such as grain mills and public lighting solutions) by linking these to the distribution of solar devices for domestic use, for which the distribution and supply channels are already more established," explains Julien Potron, CEO of Nadji.bi.

According to Potron, one of the main challenges was to manage the extent of training and capacity-building that was needed. The Innovation Challenge Award helped Nadji.bi to train local users to operate and maintain the equipment to the benefit of local residents and small-scale farmers.

"This pilot has further convinced us of the need to continue our endeavors to develop connected technological solutions. We are now looking at replicating this model in at least five other localities in Senegal, using our own funds, and deploying our new technologies, together with improved monitoring and evaluation methods," Potron concludes. Take a look at this ➜ video to learn more about the positive impact that Nadji.bi has created in Aga Biram with the support of UNDP's Innovation Challenge Award.
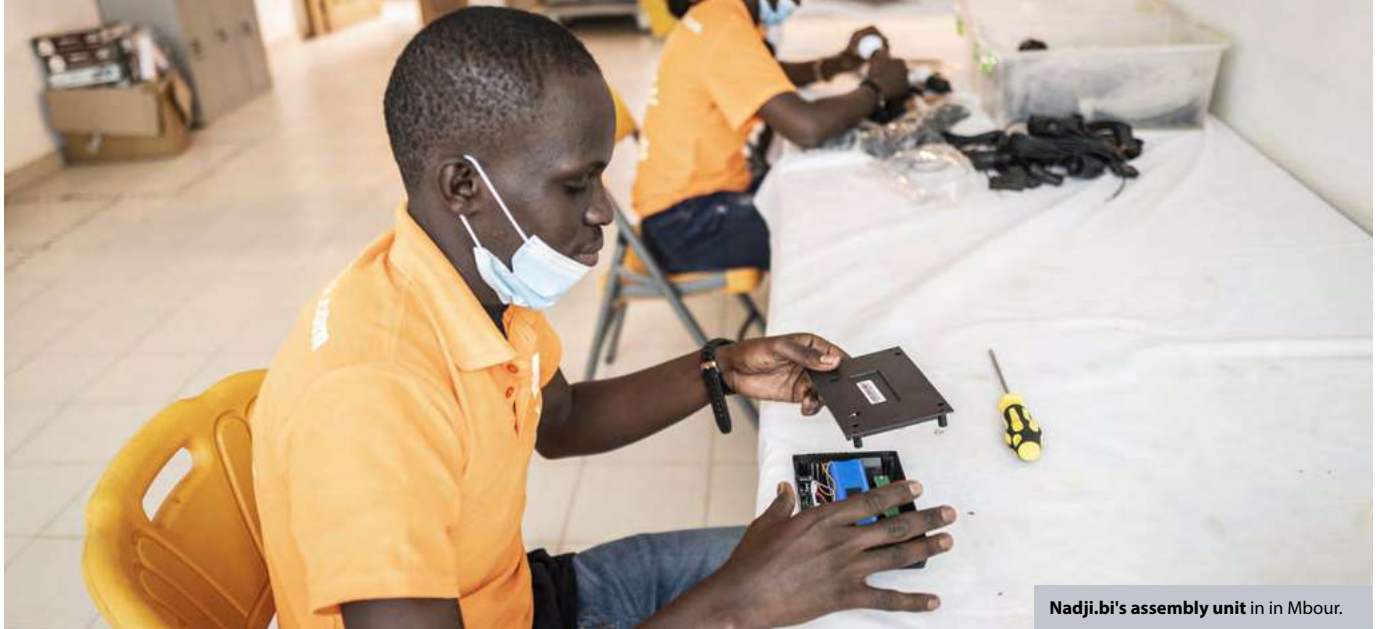
Nadji.bi's assembly unit in in Mbour.

Learnings and Recommendations

The IEEIES' experience in Senegal shows that the Ecosystem Development Approach was able to bring together the full spectrum of actors in the sector and provide a legitimate, neutral and collaborative platform for action. While it is important to have a realistic set of goals, the energy provided by "champion" actors was helpful in achieving incremental and significant wins quickly, and creating momentum for change.

"The value of the Ecosystem Development Approach for Bonergie is the promotion of collaboration over competition."

Gabriele Schwarz, Founder and Managing Director at Bonergie.

LEARNING 1:

The Ecosystem Development Approach can mobilize diverse stakeholders around a common agenda

There is clear consensus among the solar sector stakeholders in Senegal that the IEEIES provided unique value in bringing them together for the first time and catalyzing action that created benefits for all. The design of the action plan itself was a collaborative exercise that allowed stakeholders to get to know each other, gain visibility into each other's priorities, interests and expectations, and agree on a common set of goals. UNDP's reputation as a neutral party with no vested interests of its own brought credibility and legitimacy to the process. UNDP's prior support for rural electrification also helped trigger active participation from stakeholders across the solar energy sector.

➜ **Recommendation:** Build on UNDP's reputation and convening power. The convener of an Ecosystem Development Initiative should be perceived as a neutral, credible and legitimate partner. UNDP's strong networks and track record in many countries can help to unite stakeholders around a common agenda and joint action plan.

LEARNING 2:

Committed champions can turn action plans into outcomes

The IEEIES' most significant achievements were driven by a small number of "champions" who were willing and able to work together on specific parts of the action plan to achieve tangible outcomes. Their energy helped create quick wins that created momentum for more significant wins over time. For example, the VAT exemption and tax incentives were driven by a working group led by two public sector champions, the Ministry of Finance and the Electricity Regulatory Commission, and two private sector champions, Nadji.bi and Bonergie.

➜ **Recommendation:** Engage sector champions to drive action. In the initial phases of an Ecosystem Development Initiative, the convener should identify and engage public and private sector champions who can mobilize their peers and drive specific actions. The initiative facilitator can play a key role in coordinating the process and providing guidance.

Mr Pape Faye, a grain farmer, in front of Aga Biram's solar mill.

Fonio grain is one of Aga Biram's main crops.

LEARNING 3:

Clear timelines, intermediary checkpoints and a transition mechanism help sustain participation, interest and momentum

The IEEIES' experience has shown that clear, visible work-streams and timelines are important success factors — as is a handover mechanism to anchor the process in a permanent institution once the initiative comes to an end. By the time the IEEIES concluded in June 2019, the Ministry of Petroleum and Energy had set up a Consulting Framework for Off-Grid Electrification (Cadre de concertation pour l'électrification hors réseau). This framework brings together many of the original IEEIES members and continues the work that it began, including improving the regulatory environment and increasing access to finance.

➜ **Recommendation:** Focus on a smaller number of goals in the action plan and design a clear sustainability strategy from the start. The ecosystem mapping study that UNDP conducted prior to launching the IEEIES was critical to identifying the systemic challenges in sector. It also produced an ambitious "wishlist" of recommendations, not all of which could realistically be pursued. It has proven helpful to focus on a small number of very specific, strategic action points that have the most catalytic effect. A sustainability strategy helps to ensure that the activities begun by the initiative can be sustained after it ends. Depending on the context, a public or private sector organization could take over convening and facilitation.

LEARNING 4:

Innovation Challenge Awards signal strong commitment, and generate real impact on the ground

The Innovation Challenge Awards sent a strong signal to SMEs in the solar sector that UNDP was committed to supporting innovative approaches, and to creating impact in underserved and unserved communities. Award winners used the grants to expand their activities, improve their research and development capacity, create income-generating activities in remote rural communities, and strengthen their business models. Indeed, the awards made it possible for winners to try things they could not otherwise invest in, allowing them to test ideas, generate lessons and increase their confidence and ability to invest their own resources going forward.

➜ **Recommendation:** Signal commitment by contributing financial resources. Stakeholder energy and commitment can be sustained if contributions and expectations are clear and considered fair, and if clarity on resources to be mobilized is provided to participants early in the process. UNDP can signal a strong financial commitment though its Innovation Challenge Awards, and encourage other stakeholders to engage their own resources.

A solar home system (SHS) kit being prepared for shipment.
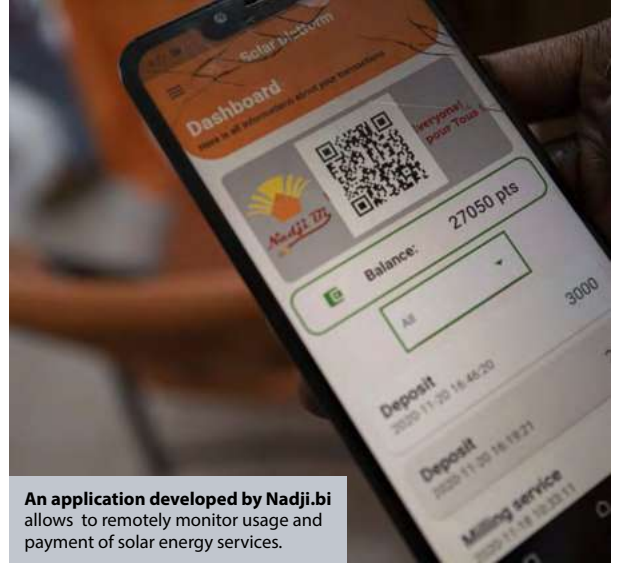
An application developed by Nadji.bi allows to remotely monitor usage and payment of solar energy services.

Outlook

While the IEEIES concluded in June 2019, the momentum for collaborative action to develop Senegal's solar energy sector remains. Indeed, some of the IEEIES' activities are now being pursued through the Ministry of Petroleum and Energy's Consulting Framework for Off-Grid Electrification (Cadre de concertation pour l'électrification hors réseau), which is part of a regional initiative driven by the Economic Community of West African States (ECOWAS), known as the ECOWAS Centre for Renewable Energy and Energy Efficiency (ECREE). The Consulting Framework has subcomittees working on access to finance, improving the regulatory framework, and synergies and collaboration. Committee members include most of the original private sector IEEIES members and new members, such as the Ministry of Agriculture and additional civil society groups.

There are several areas of the IEEIES action plan, first drafted in 2016, where further work can be carried out. These include:
▶ The development and roll-out of financial incentives and innovative financial instruments to further encourage the uptake of solar energy by households, as well as all other economic stakeholders such as farmers, savings groups, municipalities, schools, and more.
▶ The strengthening of inclusive approaches that create jobs and increase incomes across Senegal, with a special focus on rural and underserved communities.
▶ Scaling up the training and upskilling of solar energy technicians, resellers and assemblers.

Solar energy can play a key role in Senegal's vision to provide universal access to electricity by 2025. Despite the disruption caused by COVID-19, Senegal's solar energy sector is dynamic, energized and committed to playing its part in achieving this vision.

Lesotho SIMM aimed to increase financial inclusion through digital finance solutions such as mobile money.

Scaling Financial Inclusion in Lesotho through Mobile Money

Executive Summary

Increasing financial inclusion is major national priority in Lesotho, where an estimated 55% of the population still has limited or no access to formal financial services.[1] With over 70% of the population living in rural, often mountainous terrain where traditional "brick and mortar" banking solutions are not viable, there is a strong business case for digital finance solutions such as mobile money.[2] However, the mobile money sector in Lesotho faces a number of structural barriers linked to policies and regulations, merchant and agent capacity, and financial literacy and awareness among end users. These barriers make it more difficult to unlock the full potential of mobile money to increase financial inclusion in the way that happened in countries like Kenya and Uganda. To address this, UNDP brought key stakeholders in the financial services sector together in the Lesotho Scaling Inclusion through Mobile Money Platform (Lesotho SIMM) between 2017 and 2019, to accelerate the development of collaborative solutions to common market challenges faced by the mobile financial services industry in Lesotho.

Lesotho SIMM led to a number of breakthroughs. The initiative supported members to develop a shared vision and overcome several market barriers, including by promoting the revision of legal frameworks, incentivizing the development of new mobile money products with a focus on financial inclusion, and launching a nationwide financial literacy campaign. Between 2017 and 2020, the number of active mobile money users in Lesotho more than doubled, and the value of person-to-person transactions grew more than threefold from 1.14 billion maloti to 3.7 billion maloti (US$256 million).[3] Today, the Ministry of Finance continues the work of fostering coordination and collaboration to develop the country's financial services sector and transform Lesotho into the first African nation with a fully digital payment system.

COUNTRY — Lesotho

FOCUS SECTOR — Financial services

SDGs ADDRESSED

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1   World Bank data, Indicator: Account ownership at a financial institution or with a mobile-money-service provider (% of population ages 15+). Accessed March 2021. https://data.worldbank.org/indicator/FX.OWN.TOTL.ZS?locations=LS

2   World Bank data, Indicator: Rural population (% of total population). Accessed March 2021. https://data.worldbank.org/indicator/SP.RUR.TOTL.ZS?locations=LS

3   Central Bank of Lesotho

Making new connections – the Ecosystem Development Approach is all about collaboration.

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4. **Track record.** It has a track record of success. Initiatives in Lesotho, Senegal, and Uganda have triggered policy changes, improved quality standards, trained workers, and helped develop and scale business model innovations and financing mechanisms.

UNDP has applied the Ecosystem Development Approach between 2017 and 2019 in three concrete initiatives focused on inclusive business. These initiatives are called Inclusive Business Ecosystem Initiatives (IBEI). The IBEIs have been implemented in Lesotho, Senegal and Uganda under context-specific names.

This case study describes the experience of one IBEI, the **Lesotho Scaling Inclusion through Mobile Money project (Lesotho SIMM)**. The Ecosystem Development Approach is described in detail in the UNDP report "Catalyzing Impact through Business: An Ecosystem Development Approach to meet the SDGs."

> *UNDP has developed a set of guidelines, frameworks and tools to effectively replicate and implement the Ecosystem Development Approach*
>
> UNDP's primary role in an Ecosystem Development Initiative is to initiate, convene and connect key players through an action platform. In addition, UNDP runs Innovation Challenges that support promising businesses to test and scale solutions with impact. An Ecosystem Development Approach is not a traditional donor approach where UNDP leads and funds large parts of the initiative. In contrast, most of the funding for an Ecosystem Development Initiative comes from the private sector and national governments. Local ownership of the initiative is a condition for its success.
>
> Is the Ecosystem Development Approach what you need to drive impact in your work? Excellent! We are happy to support you in setting up your own initiative.
>
> **Reach out!** (Tomas Sales, tomas.sales@undp.org)

Background and Context

Financial inclusion is a key driver of economic development and plays an important role in reducing poverty. By increasing financial inclusion, more people could gain access to tools and services enabling them to conduct everyday transactions, hold savings and build up working capital for income-generating activities. At macro-economic level, this could fuel employment creation, GDP growth and resilience to economic shocks.

Access to formal financial services in Lesotho remains limited, especially for low-income and rural populations. Mountainous terrain, a limited network of ATMs and bank branches, and high prices for conventional banking products have left 54% of the adult population without a bank account.[4] To address these challenges, the Government of Lesotho has prioritized financial inclusion and access to credit, as outlined by the National Strategic Development Plan (NSDP), the Financial Inclusion Roadmap 2020 and the Financial Sector Development Strategy (FSDS). These policy documents all form part of Lesotho's drive to foster inclusive economic growth and create jobs.

As a component of mobile financial services, mobile money, is a unique tool to scale financial inclusion in a cost-effective way. Mobile financial services enable customers to transfer funds, transact, save, borrow and even acquire insurance coverage through their mobile phones. Mobile money can be used as a channel to offer a wider range of financial services, such as low-cost credit, savings and insurance products. In addition, thanks to low-cost credit and pay-as-you-go models, mobile financial services allow people to access goods and services on credit, from health care to solar energy systems.

In 2016, the preconditions existed for mobile money to take off in Lesotho, but active usage remained low. Mobile network coverage only reached 70% of the country, leaving many rural people out of network range. Only a quarter of registered mobile money users, about 280,000 people, actively used the service more than once a month. Barriers to usage included low financial and technical literacy, lack of awareness of mobile money, as well as a relatively low density of agents and merchants, many of whom also lacked training and business skills.

Through a mapping study conducted in 2016 and a series of engagements with stakeholders, UNDP introduced the IBEI approach as an effective way to overcome these barriers. In 2016, UNDP supported the creation of the Lesotho Scaling Inclusion through Mobile Money Platform (Lesotho SIMM) with the vision to engage, facilitate and empower all stakeholders to collectively transform the mobile money sector in pursuit of inclusive economic growth. This initiative enabled stakeholders in Lesotho's financial service sector to combine resources and agree on joint activities.

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4   World Bank data, Indicator: Account ownership at a financial institution or with a mobile-money-service provider (% of population ages 15+). Accessed March 2021. https://data.worldbank.org/indicator/FX.OWN.TOTL.ZS?locations=LS

FIGURE 1:
Conditions for a thriving and inclusive mobile financial services sector

→ **Mobile Network Operators and financial service providers** that offer value adding products and services at prices that are affordable and meet the needs of all, including low-income people.

→ **Regulators** that provide supportive policies and a regulatory environment that allows for innovation and healthy competition and protects consumers.

→ **Investors** that invest in mobile financial services infrastructure and innovative digital solutions.

→ **Agents** that provide cash in/cash out services reliably in even the most remote locations and super-agents that ensure the financial liquidity of agents.

→ **Merchants, utilities and a public sector** that utilize and accept mobile financial services as a regular medium for financial transactions.

→ **Customers** that are financially educated and familiar with mobile money and mobile banking technology.

Source: Lesotho SIMM Primer

Lesotho SIMM aimed to financially educate and familiarize local shop owners with the use of mobile money.
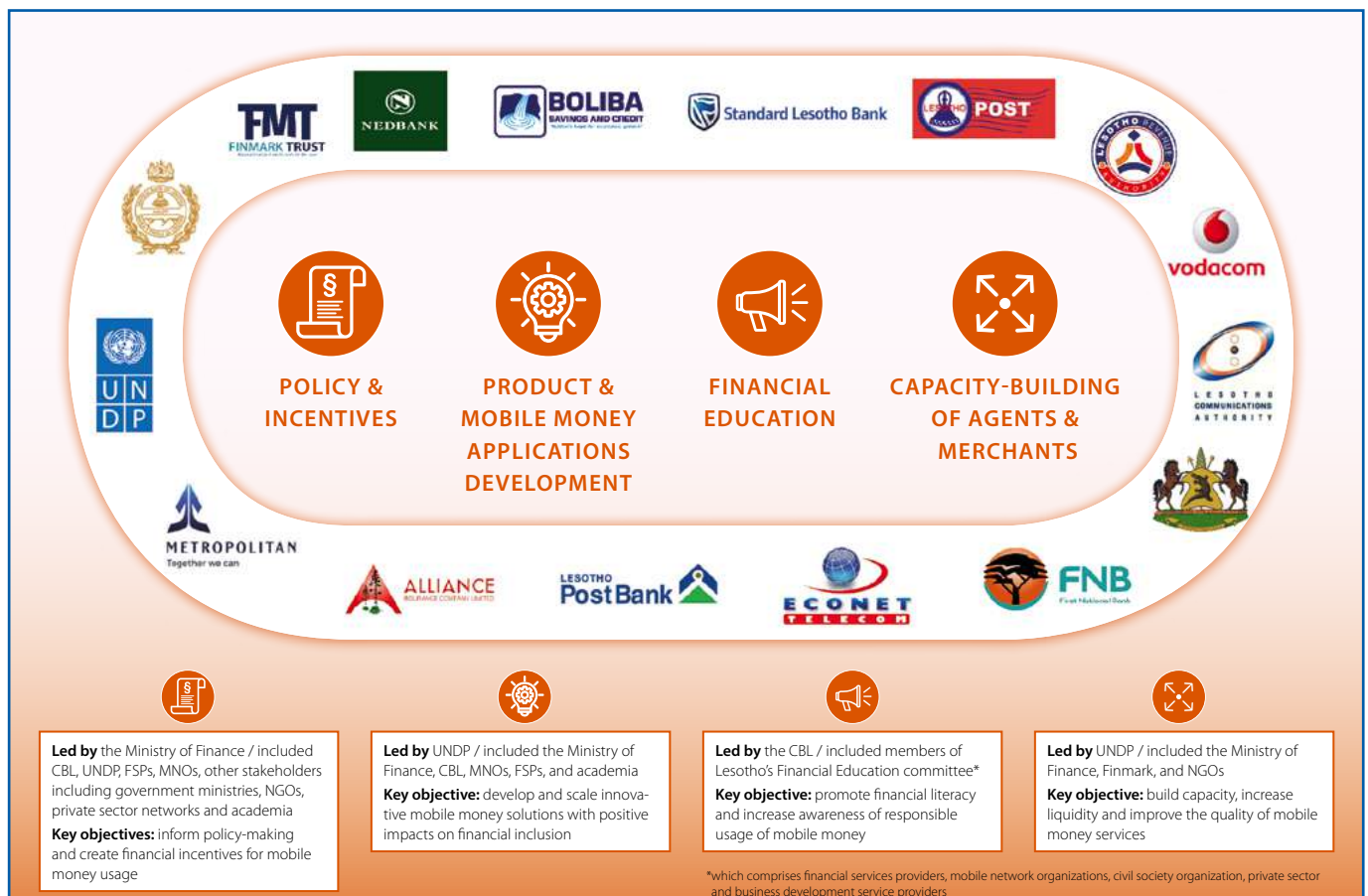
Objectives and Stakeholders

Lesotho SIMM was the first institutionalized collaboration forum for key stakeholders in the financial services sector in Lesotho. Launched in May 2017, Lesotho SIMM comprised 16 key stakeholders including the Government of Lesotho, mobile network operators (MNOs), banks, insurance companies, and civil society. Its key objective was to drive inclusive growth in the sector by increasing awareness, acceptance, availability and affordability of mobile financial services, thereby increasing the use of formal financial services in Lesotho.

Vision of the Lesotho Scaling Inclusion through Mobile Money Platform

To turn Lesotho into the first African nation with a fully digital payment system where mobile money is a key tool for financial inclusion for low-income populations.

A dedicated facilitator and technical working groups ensured that Lesotho SIMM's activities were effectively implemented. While UNDP's country office was in charge of overall project management, Finmark Trust, a regional financial inclusion research organization, facilitated Lesotho SIMM's activities and interactions among stakeholders. Platform members designed a collaborative action plan with four priority areas and established technical working groups to implement activities.

FIGURE 2:
Overview of Lesotho SIMM priority areas and working group participants

Led by the Ministry of Finance / included CBL, UNDP, FSPs, MNOs, other stakeholders including government ministries, NGOs, private sector networks and academia
Key objectives: inform policy-making and create financial incentives for mobile money usage

Led by UNDP / included the Ministry of Finance, CBL, MNOs, FSPs, and academia
Key objective: develop and scale innovative mobile money solutions with positive impacts on financial inclusion

Led by the CBL / included members of Lesotho's Financial Education committee*
Key objective: promote financial literacy and increase awareness of responsible usage of mobile money

Led by UNDP / included the Ministry of Finance, Finmark, and NGOs
Key objective: build capacity, increase liquidity and improve the quality of mobile money services

*which comprises financial services providers, mobile network organizations, civil society organization, private sector and business development service providers

As part of Lesotho SIMM's activities, options were explored for how to leverage commercial incentives to deepen the use of mobile money.

How Lesotho SIMM helped to convince the Ministry of Finance to take a policy position on government digitization drive

Lesotho SIMM commissioned and completed a cost-benefit analysis of digitizing government payments. Based on the findings, the Ministry of Finance initiated a long-term project to digitize its social grant disbursements, and began engagements with other Ministries, including the Ministry of Social Development, to see how pilot projects could be implemented. The Ministry of Social Development has already begun disbursing grants through mobile money payments on a pilot basis. Plans are afoot to ultimately extend mobile money payments to all social grants, including child support grants. The long-term goal is for 70% of grant recipients to receive their grants through a mobile money channel. This strong impulse from the public sector is having a knock-on effect on the private sector, because onboarding grant beneficiaries increases awareness, encourages higher usage of mobile money, and creates demand for a wider variety of digital finance and mobile money solutions. As a result MNOs, banks and fintech operators can have more confidence in investing in new product development, including savings and investment products, as well as credit and insurance.

Key Achievements

Between 2017 and 2019, Lesotho SIMM generated significant momentum towards financial inclusion through mobile money, achieving a number of breakthroughs in each of the four priority areas. These breakthroughs contributed to significant growth in mobile money usage: By 2020, the number of registered account holders reached 2.2 million, or 100% of the population (some users have more than one account). The number of active users rose by 157% from 342,295 to 882,212 (40% of the total).[5] The volume of person-to-person (P2P) transactions more than doubled from 4.8 million to 10 million between 2017 and 2019, while the volume of merchant payments with mobile money increased from 229,640 to 459,300 in the space of one year between 2018 and 2019.[6] The network of mobile money agents grew by 58% between 2018 and 2019, from 345 to 526 per 100,000, significantly improving access to mobile money for end-users.[7]

POLICY & INCENTIVES

▶ **Lesotho SIMM produced research to inform public policy.** Several reports produced through the Lesotho SIMM initiative helped the Government of Lesotho to accelerate existing plans to deepen financial inclusion, for instance the

planned digitization of social grant payments (see spotlight above). This research included a Financial Access Points Mapping project, which located 5,597 financial access points in 2018 including mobile money agents, commercial bank branches, ATMs, POS terminals, MFI branches, insurance providers, post offices, post agencies and moneylenders to form a baseline of spatially representable information. Further research to inform public policy included a cost-benefit study to inform the roadmap for digitizing government payments, and a demand side study to understand rural and low-income consumers, which contributed to product development, another key pillar of the Lesotho SIMM initiative.

▶ **Lesotho SIMM set the stage for addressing longer-term policy issues,** such as the need to make payment systems interoperable, and to ease the registration and licensing process for informal merchants and agents. The initiative also investigated how best to entrench and deepen the use of mobile money through commercial incentives, for example through more attractive interest payments on mobile money deposits. Lesotho SIMM provided the first opportunity in Lesotho for stakeholders across the mobile money ecosystem to meet and debate these policies and incentives. The policy work that was started by Lesotho SIMM is now continuing in the Financial Inclusion Forum, spearheaded by the Ministry of Finance, working very closely with the Central Bank of Lesotho.

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5 Central Bank of Lesotho

6 Finmark Trust, "Measuring Progress – Financial Inclusion in selected SADC Countries 2019". Accessed March 2021, pp13 & 14. https://finmark.org.za/system/documents/files/000/000/266/original/Measuring_Progress_Financial_Inclusion_in_selected_SADC_countries_-_2019_Report.pdf?1603091586

7 Finmark Trust, "Measuring Progress – Financial Inclusion in selected SADC Countries 2019". Accessed March 2021, pp13 & 14. https://finmark.org.za/system/documents/files/000/000/266/original/Measuring_Progress_Financial_Inclusion_in_selected_SADC_countries_-_2019_Report.pdf?1603091586

UNDP's Innovation Challenge awards were used for capacity-building activities aimed at mobile money agents, merchants and other small business owners.

PRODUCT & MOBILE MONEY APPLICATIONS DEVELOPMENT

▶ **Lesotho SIMM identified market opportunities for mobile money for low-income customers.** The previously mentioned comprehensive market demand study conducted through Lesotho SIMM to identify the needs of low-income and rural populations provided MNOs and banks with highly valuable data points and insights into the areas of growth that they should pursue, as well as the feasibility of future mobile payment solutions. It encouraged at least one bank, Lesotho Post Bank, to develop a new mobile money savings product, known as Khetsi.

▶ **Lesotho SIMM organized a hackathon that developed new mobile-based payment solutions that can be scaled by banks and MNOs.** More than 100 young software developers from all over Lesotho applied to participate in the hackathon, and half of them were selected to ideate, develop, and pitch their mobile money application prototypes. Seven youth-led fintechs were awarded a total of US$29,000 in grant funding, follow-up coaching and mentorship support by MEST (an Africa-wide technology entrepreneur training program based in Ghana). The mobile-based payment solutions focused on reducing costs, improving transaction verification, and extending access to low-income populations that are semi-literate, aged, and visually impaired.

How the Lesotho SIMM hackathon supported the youth-led startup Technify to develop an app to pay taxi fares with mobile money

Technify, based in Maseru, is a start-up offering application and software development, IT support, and data analysis services. It was one of seven prize winners at the Lesotho SIMM hackathon. "Winning at the hackathon was a fantastic boost for us, not least because it solved our short-term cash flow challenges and enabled us to focus more on long-term development," says Thato Rammoko, founder and managing director of Technify. "We also benefited greatly from the mentorship offered by MEST in Ghana, which provided us with business and technical training." The hackathon also opened doors closer to home, to large local stakeholders such as Vodacom, which provided Technify with workspace through their innovation hub.

Technify identified **public transport** in Lesotho, dominated by independent minibus taxi operators, as a springboard to test the potential of mobile money payment systems, and developed an application to pay for taxi fares from a mobile device. An industry that churns very large amounts of cash on a daily basis could benefit from digitization in several ways: convenience for end users, but also efficiency, functionality, and ease of record-keeping for taxi operators. "For us, the taxi industry is strategic because if we can incentivize taxi operators to digitize payments, other parts of the informal economy like street vendors are much more likely to follow," Rammoko points out.

At this stage, Technify's app is still in a pilot phase. "We need to overcome a number of additional barriers, including license fees and regulations. Actually, we need another platform, such as Lesotho SIMM, to specifically engage with the large market players and the key public sector stakeholders," he explains. As exemplified by other countries on the continent such as Kenya, facilitating mobile money transactions in the public transport sector could indeed provide a major boost to the growth of mobile money.

▶ **Lesotho SIMM facilitated partnerships between youth-led fintechs and established market players.** The initiative engaged with Lesotho's small fintech start-up scene, and helped build links with large, established private sector players. For example, Vodacom provided working space to several start-ups in an innovation hub, to help them develop minimum viable products aimed at end users who are currently excluded from formal financial services—for instance, semi-literate people and people with disabilities.

FINANCIAL EDUCATION

▶ **Lesotho SIMM increased awareness of the benefits of mobile money and expanded its acceptance in rural areas.** Under the initiative's auspices, the Ministry of Finance teamed up with the Ministry of Small Business Development, Cooperatives, and Marketing and held several events around the country to promote the use of mobile money among consumers, merchants and agents, especially in rural areas. The awareness campaigns and training of Small, Medium and Micro Enterprise was done using innovative educational videos developed by the SMME Support Network, a Maseru-based business consultancy from a grant provided by the project. The two MNOs Vodacom and Econet provided the initial technical training for this component to ensure quality education and messaging. In addition, the SMME support network trained over 2,000 marginalized people on financial literacy and responsible usage of mobile money with an Innovation Challenge award from UNDP. These awareness and training events helped expand the acceptance and uptake of mobile money in Lesotho. By 2020, an estimated 100% of the population had a mobile money account (some users have more than one account). Furthermore, the number of active mobile money accounts grew by 157% between 2017 and 2020.[8]

CAPACITY-BUILDING OF AGENTS AND MERCHANTS

▶ **Lesotho SIMM accelerated the use of mobile money in some of Lesotho's largest supply chains.** For example, Maluti Mountain Brewery, one of Lesotho's biggest enterprises with annual sales of US$60 million, now routinely pays its suppliers (including farmers) through mobile money, using both main MNO networks. Entire supply chains have, in this way, become more integrated, as the transaction flows have been greatly facilitated.

▶ **Lesotho SIMM strengthened the capacity of mobile money agents and merchants and improved the quality of service they provide.** World Vision used its UNDP Innovation Challenge award funding to develop a training module on mobile money, business education, enterprise selection and financial literacy and trained 40 mobile money agents in rural areas. The SMME Support Network used Innovation Challenge award funding to train over 1,300 SMEs and mobile money agents across the country.

How World Vision used UNDP's Innovation Challenge award to promote financial literacy in low-income communities

World Vision International, a global NGO that has been active in Lesotho since 1987, carries out extensive work on improving household livelihoods and resilience in the country. As part of Lesotho SIMM, it received a UNDP Innovation Challenge award grant of US$40,000 to promote financial literacy in low-income communities in urban and rural Lesotho.

The grant enabled World Vision to establish 147 new savings groups comprising 2,058 people, including 1,700 women. A total of 132 of these groups were enrolled in financial literacy programs, including modules on mobile money and business education, and trained up to start income-generating activities in fishery, poultry and vegetable farming field schools. These activities increased participants' average annual savings.

How the SMME Support Network used a UNDP Innovation Challenge award to scale up the financial inclusion of SMMEs through business training

The SMME Support Network is a business development services (BDS) provider based in Maseru. Through Lesotho SIMM, the SMME Support Network received a US$40,000 Innovation Challenge award from UNDP to build the capacity of mobile money agents, merchants and other small business owners. SMME Support Network produced training videos on mobile money in Sesotho, which were used to train a total of 1,157 SMMEs around the country. A further 187 businesses, including informal businesses and income-generation groups in the districts of Semonkong, Ha Letsoela, Bela Bela and Maseru, received specific business training and capacity-building on topics such as record-keeping and registering with MNOs.

"The resources provided through Lesotho SIMM helped to significantly increase the visibility of mobile money and its benefits to ordinary people—and many more people came to understand the benefits of becoming mobile money agents. This was a major achievement," explains Mme. Makama Masitha, founder and director of the SMME Support Network.

According to survey data collected by the SMME Support Network after the intervention, 65.8% of beneficiaries now do regular record-keeping, while 34.2% have registered with mobile network operators as mobile money agents and merchants. While these are significant milestones, Mme. Makama sees a lot of room for further progress: "Much more can be done to increase the uptake of mobile money," she contends. This includes further efforts on financial education, as well as more movement to remove regulatory barriers around interoperability, business registration and licenses and to establish commercial incentives such as rewarding mobile money depositors with interest payments and targeted credit offers.

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8   Central Bank of Lesotho

Local shop owners, like this man in Semonkong, increasingly use mobile money for their business transactions.

Learnings and Recommendations

Lesotho SIMM brought together the full spectrum of actors in the financial services sector and provided a legitimate, neutral, and collaborative platform for action. The momentum it created firmly entrenched mobile money as the main tool to increase financial inclusion in the country.

"What makes projects successful is not just the results that are achieved in the project period but the ability to hold the stakeholders together beyond the project period."

Mabulara Tsuene, UNDP Lesotho

LEARNING 1:
An IBEI approach can be embedded into existing local initiatives

Before launching Lesotho SIMM, UNDP Lesotho had already conducted extensive research identifying mobile money and financial digitization as critical tools to drive financial inclusion, one of the country's national development priorities. Lesotho SIMM was able to build on the momentum of a pre-existing consultative process known as the Financial Inclusion Forum, guided by the Ministry of Finance, to mobilize and engage stakeholders.

➜ **Recommendation:** The convener of an IBEI initiative should select a national development priority sector and engage with pre-existing institutional arrangements, if they exist. It is also important to conduct research and build the case for an IBEI approach by identifying and consulting all key stakeholders to build an evidence-based action plan.

LEARNING 2:
Small working groups help an IBEI initiative move fast and grow organically

Once Lesotho SIMM stakeholders had agreed on a shared vision and primary intervention areas, smaller working groups proved to be effective in focusing on specific action points, as stakeholders naturally gravitated towards their main areas of competency or expertise.

➜ **Recommendation:** It is important to identify champions for each working group, together with a reporting mechanism in which the groups account at regular intervals to the rest of the initiative on progress and milestones reached, and align with upcoming priorities. The IBEI initiative's activities should be linked to other strategic events and processes to enhance buy-in and outreach among stakeholders.
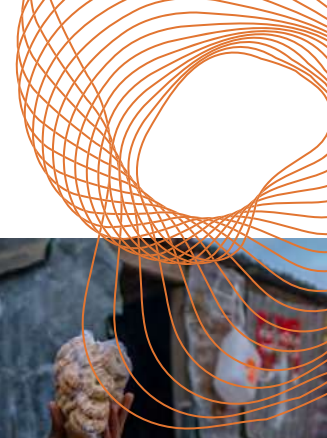
Thanks to the training she received as part of the Lesotho SIMM, Ms. Marethabile could significantly expand her shop in Maseru, Lesotho.

Mobile money allows Katleho Lesaoana, owner of a shop in in Semonkong, to better monitor his balance and savings.

LEARNING 3:
Strong leadership is critical to keep an IBEI initiative's momentum and partners on track

Unlike other IBEI initiatives, Lesotho SIMM had a dual leadership structure in the form of a dedicated platform facilitator (Finmark Trust) and a project manager (UNDP). Members have highlighted this leadership structure as a key success factor. Indeed, the UNDP project manager could handle UNDP processes, which left the platform facilitator to fully focus on mobilizing stakeholders and facilitating platform activities.

➜ **Recommendation:** It is critical for an IBEI initiative to build an efficient institutional architecture that is adapted to the context in which the initiative has been created. This architecture should enable operational efficiency to achieve tangible outcomes.

LEARNING 4:
Resources to implement activities under the action plan don't need to be exclusively financial

UNDP, the Ministry of Finance, and Finmark Trust jointly provided the financial resources to fund Lesotho SIMM's core structure. The initiative's private sector members provided Lesotho SIMM with in-kind resources and focused their financial contributions on implementing activities in line with its action plan. For example, Econet and Vodacom facilitated financial literacy and mobile money awareness events by providing staff, equipment and logistics.

➜ **Recommendation:** Large private sector stakeholders should be engaged prior to the launch of an IBEI initiative in order to mobilize financial resources and align action plan points with available resources. Such outreach should be backed up with clear business case and cost-benefit analyses. The core structure of an IBEI initiative (approximately US$100,000 annually) is best co-funded by the convener of the initiative and public as well as private sector partners, potentially through a "basket fund" structure that pools funds from all stakeholders. Compared to the private sector, it is easier for the public sector to justify investing in coordinating and aligning sector stakeholders.

Even after the formal activities had been concluded, the spirit remains and the key stakeholders of Lesotho SIMM continue to work on transforming Lesotho into the first African nation with a fully digital payment system.

Outlook

Lesotho SIMM concluded its formal activities in July 2019. The impetus it provided to Lesotho's mobile money sector continues, and key stakeholders continue to work on improving access to formal and semi-formal financial services in the country.

An important outcome of Lesotho SIMM was the emergence of essential relationships and a spirit of collaboration in Lesotho's mobile money sector. This spirit remains. Key meetings of relevant sector stakeholders are now organized by the Ministry of Finance as part of its Financial Inclusion Forum.

In addition to participating in these regular meetings that help to maintain momentum and keep the strategic vision for the sector aligned, some Lesotho SIMM members continue driving the space by way of bilateral partnerships and joint activities. The Ministry of Finance, the Central Bank of Lesotho and Finmark Trust, for example, are piloting a Digital Financial Identity (DFI) project, an initiative launched during the closing session of the Lesotho SIMM Project. This pilot, a collaboration between the Ministry of Finance, the Central Bank of Lesotho and Finmark Trust, makes use of Lesotho's national identity system, run by the Ministry of Home Affairs, to facilitate "Know Your Customer" (KYC) verifications.

UNDP, the National University of Lesotho and Vodacom have also organized two additional hackathons to identify ICT innovations for development. All this work is based on Lesotho SIMM activities and connections made.

Further progress and breakthroughs are needed, including achieving full interoperability between payment systems, and further integrating informal traders and agents into the national payments network. Key stakeholders expressed high interest that collaborative activities continue to transform the financial sector in Lesotho and improve access to formal and semi-formal financial services in marginalized and rural communities. The UNDP Country Office in Lesotho is currently looking for new funding opportunities to continue supporting Lesotho SIMM's work.

Available resources

These resources are available upon request. Please contact tomas.sales@undp.org.

▶ UNDP Ecosystem Development Approach Tool 1:
  Concept Note

▶ UNDP Ecosystem Development Approach Tool 2:
  ToRs for Mapping Study

▶ UNDP Ecosystem Development Approach Tool 3:
  Outline for Mapping Report

▶ UNDP Ecosystem Development Approach Tool 4:
  ToRs for Initiative Facilitator

▶ UNDP Ecosystem Development Approach Tool 5:
  Template for Collaboration Agreement of Initiative

▶ UNDP Ecosystem Development Approach Tool 6:
  Template for Collaborative Action Plan of Initiative

▶ UNDP Ecosystem Development Approach Tool 7:
  Generic Call for Proposal

▶ UNDP Ecosystem Development Approach Tool 8:
  Guidelines on the Role of the UNDP CO in the Ecosystem Development Approach Implementation

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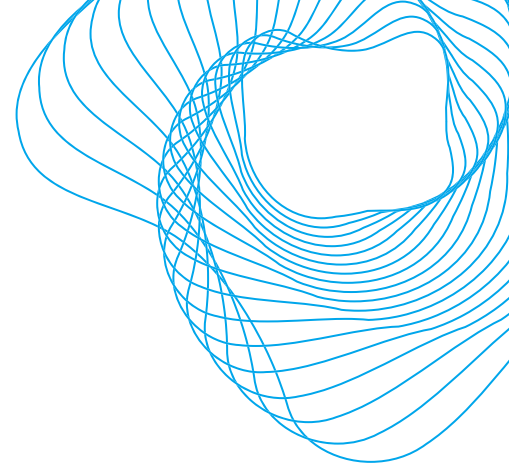
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