

# *Sustainable Livelihoods* and the *Private Sector*:

How Development Agencies Can Strengthen  
Sustainable Local Enterprise Networks



## *Executive Summary*

February 5, 2003

**Dr. David Wheeler**

*Chair, Erivan K. Haub Program in Business and Sustainability  
Schulich School of Business, York University*

**Kevin McKague, MBA**

*Schulich School of Business, York University*

**Jane Thomson, PEng**

*Faculty of Environmental Studies, York University*



**Schulich**  
School of Business  
York University

With contributions from Jacqueline Medalye, Andrew Horsnell and Coro Strandberg

## *Context & Framework*

In the decade between the Rio Earth Summit and the World Summit on Sustainable Development in Johannesburg, the influence of the private sector in developing economies has deepened as markets continue to open. In a growing number of developing countries, Foreign Direct Investment (FDI) has eclipsed Official Development Assistance (ODA) and many societies are increasingly looking towards private sector efficiency and creativity to help address significant current and future socio-economic challenges. As a result, processes of global governance have shifted, redefining the role of governments and development agencies and encompassing a greater role for business.

In the last decade, key sustainable development indicators such as poverty, inequality and the loss of biodiversity have continued to cause concern amongst many sectors of society. The international development community has responded to these concerns in many ways – for example by developing the ‘sustainable livelihoods’ approach. At the same time, forward-thinking leaders in the business community have become increasingly engaged with the sustainable development agenda and the concept of ‘sustainability’. Both notions – sustainable livelihoods and sustainability – imply the integration of social and environmental factors with economic activities. Both also recognize the importance of multi-stakeholder and multi-sectoral partnerships and Networks to accelerate the pace of sustainable development through building social capital and economic wealth at the same time as preserving ecosystems.

Building on these developments, significant opportunities present themselves for development agencies to take a leadership role in enabling businesses (large and small, North and South) and their partner organizations to play an effective role in contributing to sustainable livelihoods, poverty alleviation and the transition to a sustainable world.

We assert that in many cases, poverty alleviation is best addressed by the establishment of sustainable livelihoods for the poor. Sustainable livelihoods may (in turn) best be created through support for ‘Sustainable Local Enterprise’ (SLE) Networks. Typically, Sustainable Local Enterprise Networks are

comprised of a synergistic grouping of for-profit businesses, communities, not-for-profit organizations and other actors that work to simultaneously create value in social, ecological and economic terms, including sustainable livelihoods for the poor. Because SLE Networks require an economically sustaining business driver to be financially sustainable and grow, Sustainable Local Businesses (SLBs) are usually an integral part of SLE Networks. The value-creating activities of SLE Networks support local self-reliance and ownership, and the markets for the products and services of SLE Networks can be local, regional or international. The unique contribution of the SLE Network approach is that it emphasizes the spatial and systemic aspects of development – business ventures, processes and products that are based in and for recipient countries (or communities) and that draw on networks of relationships and network ‘assets’ at all levels to promote value in economic, social and ecological terms.

SLE Networks contribute to sustainable livelihoods in a number of ways, as illustrated in the mini-case studies at the end of this summary and in the companion document “Case Studies of Sustainable Local Enterprise Networks.” Because of their often innovative business models and novel partnership arrangements, SLE Networks are able to generate income for the poor as employees or microentrepreneurs. SLE Networks can also extend markets, products and services to poor consumers. In addition to income and jobs, sustainable livelihoods help build assets – human, physical, natural, social. By definition, SLE Networks create social, economic and ecological assets thus building these assets in areas where SLE Networks operate. Because sustainable local enterprise typically includes a network of for-profit and not-for-profit organizations, SLE approaches are multi-sectoral and take a more holistic approach to the creation of sustainable livelihoods than other private sector approaches. Because SLE Networks are inherently premised on a local self-reliance approach, local capacity is built, contributing to the resilience of poor communities to withstand shocks and stresses. And because of the competitive and innovative nature of SLBs, SLE Networks often integrate local capacity with international markets and incorporate contemporary knowledge and technologies.

Businesses involved in SLE Networks can be small, medium, or large business or co-ops or some combination of these. They may also include international businesses in a direct way. Local SLE Networks can overlap with and include Canadian businesses (or networks of Canadian businesses such as industry associations) or other international business networks.

We believe that Canadian or other international businesses can support sustainable livelihoods through SLE Networks in a number of important ways including:

- A “Team Canada” approach to Strategic Dialogues involving Canadian Business sectors
- Provision of Supply Chain Opportunities to form new Networks and Linkages
- New Business Models, Technologies, and Partnerships to Meet the Needs of the Poor
- Foreign Direct Investment for Sustainable Development

Robust SLE Networks depend on simultaneous and

synergistic support for mobilizing four key assets: social capital, human capital, financial capital and ecological (natural) capital. These assets may be nurtured with the support of bilateral and multilateral development agencies or large companies, but their ultimate manifestation should be within a self-reliant, self-reinforcing virtuous cycle of local economic development – the only really effective remedy for poverty.

We believe there is a case for development agencies to make strategic investments in these assets (and leverage investments from partner companies and organizations) that will lead to the development of sustainable, self-reliant SLE Networks in developing countries and thereby alleviate poverty.

SLE Networks provide a compelling integrating opportunity for achieving common purpose between businesses, communities, individuals, governmental development agencies and civil society actors in the context of sustainable development. The *common purpose* relates to the construction of a virtuous cycle of asset growth and sustainable livelihoods such as we depict in Figure 1.

**Figure 1: Sustainable Local Enterprise Network**



Sustainable Local Enterprise Networks create different but complementary *outcomes* for these stakeholders, for example:

- Trade and other profitable business outcomes for business
- Self-reliant development and income for communities
- Livelihoods for individuals

- Preservation and enhancement of the natural environment
- Alleviation of poverty

Provided these outcomes do not conflict (i.e. require trade offs), and provided they remain valuable to network members, then the possibility of self-reinforcing, generative cycles of sustainable development becomes real.

# Recommendations for Development Agencies

## 1. Mobilize Social Capital...

**...by initiating a series of Strategic Dialogues and network-to-network linkages that would variously engage Canadian businesses, SLE Networks (large and small), civil society organizations, other development agencies, developing country governments and communities.**

Organizations in the development sector have a key role to play in developing a truly “Canadian” approach to involving the private sector in development that builds on Canadian values of collaboration, environmental protection, global social justice, and inclusion. Development agencies could initiate a series of strategic dialogues between Canadian (and other international) businesses, government departments and local communities. These dialogues can be initiated in Canada (with partners such as Industry Canada, DFAIT, CIDA, Natural Resources Canada, etc.) with specific sectors of Canadian industry. Dialogues can also be initiated at the developing country or regional level, bringing together Sustainable Local Enterprise Networks and entrepreneurs, Canadian and other international firms, development agencies and local governments.

Given the nature of the Canadian business community, the main thrust of these dialogues should be developing approaches that would maximize linkages between sectors of the Canadian economy with sister sectors in developing country regions (i.e. nascent SLE Networks). Local industry sectors and SLE Networks could benefit from mentoring, technology transfer and the sustainable practices of leading Canadian companies while Canadian business would benefit from potential partnership or supply chain opportunities.

These dialogues can also address a number of other important ways that Canadian business can contribute towards sustainable livelihoods and sustainable development:

- Brokering supply chain or other business partnership arrangements between Sustainable

Local Enterprise Networks and Canadian and other international businesses

- Encouraging and supporting innovation in new business models, technologies, partnerships and network arrangements that benefit the poorest and contribute to sustainable livelihoods
- Identifying opportunities for synergy between ODA and FDI
- Ensuring investments by Canadian companies in developing countries are oriented towards the creation of triple bottom line value
- Catalyze strategic alliances within Canadian government departments (i.e. between CIDA, Industry Canada, NRCan, DFAIT, etc.)
- Improving the legal, regulatory, and governance environment for private enterprise in developing countries
- Catalyze more exports of sustainable products to Canadian and international markets; possibly including “reverse trade missions”
- Facilitating linkages within developing country SLE Networks

### Key steps to bring this about:

- 1) Determine geographic and sectoral scope/priorities with particular reference to other development agency investments in human, social and financial capital
- 2) Identify national and international business, government, civil society, development agency and intermediary organization partners
- 3) Launch a strategic dialogue with industry sector associations in Canada and at the developing country level with aggressive targets aimed at achieving poverty reduction and sustainable livelihoods through leveraging private sector networks, management expertise and investment
- 4) Actively share findings with broad constituencies and incorporate learning into policy development and other investments

## **2. Mobilize Human Capital...**

**...through a global network of strategic education and training initiatives for “triple bottom line” entrepreneurship and management of SLB/SLE Networks.**

Capacity building is often a main thrust for many development agencies. Sustainable Local Businesses are most often a key component of SLE Networks, providing economic sustainability and opportunity for growth. SLB entrepreneurs and managers need education and skill development in the areas identified as key success factors for Sustainable Local Businesses: triple bottom line mindset; entrepreneurship, management, and technical skills; ability to participate in networks and partnerships; financing; and legal and regulatory context. Creating alternative business models for sustainable livelihoods is also a key skill. The core focus of this network of partnerships between Canadian and developing country educational institutions would be capacity building and skill development in these areas.

Many current models of business training do not address sustainability issues and are often steeped in a traditional competitive paradigm as opposed to collaborating to create value-based networks. Courses could be tailored to meet the needs of businesses but could also benefit civil society organizations, managers of government departments and development agencies and others participating in SLE Networks. Course development could be complemented by scholarships for business school professors from developing countries and opportunities for student exchanges. Where feasible, this work could be supported by an e-learning platform for broader learning exchange and distribution.

### **Key steps to bring this about:**

- 1) Determine geographic scope/priorities with particular reference to other development agency investments in human, social and financial capital
- 2) Identify partner business schools and management training institutions in targeted countries and in Canada
- 3) Develop co-funding arrangements (to include UN bodies, bilateral and multilateral agencies and corporate partners)
- 4) Develop courses, exchange programs for faculty and students, e-learning options, and other program options to build the capabilities of sustainable local enterprises

## **3. Mobilize Financial Capital...**

**...through novel approaches to venture and growth financing and microfinance that involves Canadian and international financial institutions.**

Many innovative new approaches are emerging to finance SLBs as part of SLE Networks. Development agencies can distill current best practice and engage Canadian financial institutions to develop innovative approaches to financing SLB/SLE Networks. Examples include growth or venture capital funds to strengthen SLBs and social investment funds to support microfinance institutions and SLE Networks.

### **Key Steps to Bring this About:**

- 1) Determine geographic scope/priorities with particular reference to other development agency investments
- 2) Identify opportunities for pilot projects/joint ventures with existing micro- and growth finance intermediaries to build on their experience and test-drive the models.
- 3) Support the creation of a significant growth finance fund e.g. \$50 – 100 million for Sustainable Local Enterprise/Business
- 4) Work to convene a meeting of the CEOs of Canada's major banks and other financial institutions (e.g. credit unions, mutual funds, etc.) to explore their interest in participating in growth and micro- finance strategies on a commercial basis.

## **4. Contribute...**

**...to the creation of *International Network for Innovation* in new business models, technologies and partnerships for Sustainable Local Enterprise**

The sustainable livelihoods approach stresses the need for integrated, macro-level policy and program development informed by lessons learned and insights gained on the ground at the local level. The role and key success factors of SLB/SLE Networks will need to be better understood if the full value of this approach is to be realized. Fostering an internal organizational culture of continuous learning to capture the successes and failures of experiments is essential for developing innovative new approaches to the involvement of private sector actors in supporting sustainable livelihoods. These lessons learned can have an even greater value if also shared externally through an international learning network.

## ***Roles for Development Agencies***

The model we propose for integrating these interventions is depicted in Figure 2. This model is a self-reinforcing system where development agency strategy for strengthening SLE Networks focuses on supporting SLE capabilities and enabling conditions. These in turn build human, financial and social capital. The creation of ecological or natural capital is an outcome of SLE Network activity and is thus supported by strengthening SLE Networks through investments in social, human and financial capital. Lessons from these experiments and actions are fed back into the development agency's strategy in a cycle of continuous learning and innovation.

**Figure 2: Development Agency Strategy for Continuous Learning and Strengthening SLE Networks**



This strategy of continuous learning and strengthening of Sustainable Local Enterprise Networks casts development agencies in the following roles:


- 1) **Network Builder:** By initiating (with partners) a strategic dialogue between businesses (large and small, local and international), development agencies, government departments and local communities to develop approaches that would maximize business contribution (SLE Networks, Canadian and international business) to sustainable livelihoods.
- 2) **Capacity Builder:** Through the creation of a global educational and learning network focused on triple bottom line education, new business models and entrepreneurship for sustainable enterprise.
- 3) **SLE Incubator:** Through working with Canadian financial institutions to explore opportunities for the creation of a venture capital fund and social investment fund for SLB/SLE Network as well as exploring options for commercial involvement in strengthening of microfinance initiatives.
- 4) **Innovator, Leader and Disseminator of Good Practice and Lessons Learned:** By becoming a learning organization, capturing the results of experiments and feeding information into policy and programming as well as sharing best practice and lessons learned with a wide international audience.

For development agencies to successfully make interventions to support sustainable livelihoods through Sustainable Local Enterprise Networks, risks will need to be taken, many experiments will need to be conducted and flexibility of roles will be required.

This process could enable development agencies to learn and adapt their own thinking to become significant catalysts for profound change and for strengthening the role of the private sector in contributing to sustainable livelihoods for the poor.

# *Case Studies of Sustainable Local Enterprise Networks*

These brief descriptions have been selected from the companion document "Case Studies of Sustainable Local Enterprise Networks", a collection of 30 examples.

CIDA-supported initiatives are indicated with a  symbol.

---

## ***African Rural Energy Enterprise Development Initiative***

### ***Ghana, Mali, Senegal, Tanzania, Zambia***

The United Nations Environment Program initiated the African Rural Energy Enterprise Development (AREED) initiative in April 2000. CIDA's multilateral branch is one of the many sponsors of this initiative. AREED seeks to develop new sustainable energy businesses that use clean, efficient, and renewable energy technologies to meet the energy needs of under-served populations, thereby reducing the environmental and health consequences of existing energy sources. AREED's approach offers rural energy entrepreneurs a combination of enterprise development services and start-up financing. This integrated financial and technical support allows entrepreneurs to plan and structure their companies in a manner that prepares them for growth and makes eventual investments by mainstream financial partners less risky.

## ***ForesTrade International***

ForesTrade is a company dedicated to forest conservation and cultural preservation through the distribution and sale of organic forest products. ForesTrade was launched as a for-profit enterprise in 1996 after the founders had experimented with donor-financed projects that were not effective or sustainable in the long term. ForesTrade's business model works by building networks between NGOs, producers and international agencies to facilitate the marketing and sale of organic spices, essential oils, fragrances and coffee. ForesTrade operates as an environmentally and socially responsible international business, and supports sustainable agriculture, natural resource conservation and socio-economic development. ForesTrade organizes processing, warehousing, and distribution networks in the United States and the Netherlands, and has established over 100 active field partnerships involving over 4,000 farmers in Indonesia and Guatemala. Currently plans are underway to expand operations to Sri Lanka, Madagascar, Grenada, and India. In 2002, ForesTrade won the World Summit Business Award for "Sustainable Development Partnerships" demonstrating that business can be a positive force for social progress and environmental protection.

## ***Grand Turk Greenhouse***

### ***Turks and Caicos Islands***

The Grand Turk Greenhouse is a proposed project for the small arid Caribbean island of Grand Turk that would generate jobs and much-needed water for drinking and irrigation. The greenhouse design uses simple technology to dehumidify coastal air without producing environmentally harmful high-salt residues. The key partners in this project include: Canadian scientists, Batavia Greenhouse Builders (Aldergrove B.C.), Columbus Foods Limited (Grand Turk wholesale food processor) and CIDA INC. The water produced by the dehumidification process would be used to grow hydroponic crops in the greenhouse for local consumption and export. The remaining water would be purified and piped for local household use and field-crop irrigation. At an anticipated price of \$0.03 per litre of water, the project would pay for itself in less than four years and would provide much needed affordable water, produce and income for the local community.



### ***Bolsa Amazônia Brazil***

Bolsa Amazônia is a regional partnership dedicated to developing sustainable production in rural forest communities. The organization was founded in 1998, as a partnership between Brazilian NGOs, the public and private sector, and international donors. Bolsa Amazônia works to assess the market demand for locally produced, sustainable, non-timber forest products. For example, in partnership with Daimler Chrysler, Bolsa Amazônia discovered that coconut husks could be successfully used in the production of luxury car seats. Consequently, 50 jobs were created in 8 communities to manufacture car seat components from coconut husks. In total, Daimler Chrysler's sourcing of coconut-based seat components has provided income for 1,000 families in Brazil. Bolsa Amazônia has also supported the development of sustainable, locally-produced goods, including coconut fibre gardening items, banana flour, hand-made paper and handicrafts. The income generated through these projects is reinvested into local housing, water treatment and energy generation programs. Overall, the initiative has provided thousands of families with employment and income in all Amazonian countries. Moreover, the organization has helped communities express more bargaining power over resources and has assisted in establishing independent profitable businesses. Bolsa Amazônia is a model of how successful interaction of private enterprise and rural communities can conserve biodiversity and reduce rural poverty.

### ***Honey Care Africa Kenya***

Honey Care Africa is a private company established in 2000 by Kenyan entrepreneur Farouk Jiwa. It features an explicit sustainability agenda and a tripartite implementation model that embraces business, local and international development agencies, NGOs and small producers. In less than 3 years, Honey Care Africa has become the largest supplier of high quality honey in East Africa and is set to become one of the largest honey suppliers in Africa as a whole. By summer of 2002, Honey Care had helped establish 12,000 hives across Kenya, providing income for 2,500 rural households, and producing 65 metric tones of honey per year. Honey Care was one of several developing country businesses that won an Equator Initiative Award at WSSD for community development that best embodies the principles of sustainable development and poverty alleviation.

### ***Jamaica Enterprise Project Jamaica 🇯🇲***

Micro Enterprise Financing Limited (MEFL) is an independent, self-sustaining microfinance institution currently being established in Jamaica. MEFL aims to strongly support entrepreneurial development, innovation and risk-taking behaviour, leading to long-term growth towards a vibrant local economy. MEFL aims to do this by providing access to financial services to low-income urban entrepreneurs without collateral. The Jamaica Enterprise Project involves a partnership between the Bank of Nova Scotia Jamaica Ltd., the Kingston Restoration Company, and CIDA. Each party brings unique skills and capabilities to the partnership. Loans are issued to people through 'solidarity' groups of four or five people initially. When an individual has successfully repaid two loans within a solidarity group, they become eligible for an individual loan. MEFL administered their first loans in November 2002 and have been successfully collected from thirty clients.

### ***Biodiversity Business Financing Africa and Latin America***

The ***Kijani Fund*** (a partnership between the International Finance Corporation and the World Conservation Union) and the ***EcoEnterprise Fund*** (a joint initiative of The Nature Conservancy and the Inter-American Development Bank) are examples of venture capital funds that invest in and develop biodiversity businesses. These businesses conserve and sustainably use biodiversity by creating economic alternatives for local people. Each fund has a geographic focus (Kijani in Africa and EcoEnterprise in Latin America) and also provides technical and business advisory assistance to their clients. These funds often support economically sound enterprises in sectors such as sustainable forestry, aquaculture, ecotourism and organic agriculture.



### ***Tiviski Dairy Mauritania***

Opened in 1989, Tiviski is a small dairy that processes camel, goat and cow's milk into high-quality products. It was the first camel dairy in Africa, and second in the world, to pasteurize camel milk. The dairy purchases various forms of milk from semi-nomadic livestock owners and processes the fresh milk into various marketable products including pasteurized milk, sour milk, cream, yoghurt and cottage cheese. Since inception, Tiviski has reversed Mauritania's dependence on imported milk, and created a new, thriving market for domestic milk and milk products. Tiviski now employs approximately 100 workers, buys milk from over 450 nomadic suppliers, and sells a comprehensive range of dairy products through 1,800 retail outlets. Although Tiviski has not exported its products yet, it has undertaken research to develop cheese from camel's milk for export to European markets. Tiviski has enabled nomadic people to earn a living from previously non-productive livestock. Also, the availability of camel milk, a staple food for desert people, has improved nutrition among the population of Mauritania. Through improving incomes and nutrition among the population and increasing self-reliance in dairy products, Tiviski has helped improved the quality of life in Mauritania.

### ***Treetap (Couro Vegetal da Amazônia Project) Brazil***

The Couro Vegetal da Amazônia Project was established in 1991 to improve the international product competitiveness of traditional handicrafts made by Amazon rubber trappers. The Project is the result of an alliance formed by the private sector (Couro Vegetal da Amazônia S.A), the development sector (Nawa Institute for the Development of Sustainable Extraction in the Amazon) and three producer associations. Through innovative technologies, the Project developed a vegetal leather, "Treetap", giving natural rubber high quality standards for use in the manufacturing of bags, backpacks, briefcases, garments, footwear, bookbinding and coatings. In its first year of production Treetap products were so successful that inventory could not meet demand by year end. Now the production of Treetap provides an economic alternative for rubber trapper populations, while valuing their traditional cultures and encouraging the preservation and sustainable use of the biodiversity on their Indian lands and reserves.

### ***Café de la Selva Mexico***

In Chiapas, a low-income region of Mexico where less than 1% of farmers receive a fair price for their products, a group of businesses and social organizations has improved individual farmer income and self-sufficiency in an innovative way. A group of business-oriented social entrepreneurs, Vinculo y Dessarrollo, in partnership with a producer organization, Union de Ejidos de la Selva, opened a chain of organic coffee shops, Café de la Selva, which sell organic coffee grown by communities in Chiapas. Café de la Selva is a unique partnership, linking a farmer organization, with more than 50 small investors, in a scheme based on trust, respect, environmental values and professionalism. Collaborative fieldwork and producer control of the vertical production chain, allow small coffee producers to obtain a fair and profitable price for their coffee while commercially successful and financially self-sufficient coffee shops operate in cities. The brand image of Café de la Selva has resulted in unprecedented growth to 18 shops in the last 7 years and expected expansion to 40 shops over the next 5 years. Collaboration also resulted in the adoption of organic techniques, facilitating better soil management, limited pollution and environmentally friendly practices. As well, a portion of profits is reinvested into community development projects and the union lobbies for better health, education and infrastructure for the people of Chiapas. In the words of Jose Juarez Varela, of Union de Ejidos de la Selva "Vinculo y Dessarrollo is not a buyer, it is a partner and together we are making this work. It is not a buy and sell relationship; but together we give a service to the public. This relationship is a new concept."