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Policy Anticipation, Response and Evaluation

What is Business and Development? An Annotated Bibliography

Mahsa Yeganeh, Paola Velasco Herrejon, Noshua Watson, Stephen Spratt and Xavier Cirera

May 2013

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1. Introduction

Byiers, B. and Rosengren, A. (2012) Common or Conflicting Interests? Reflections on the Private Sector Development Agenda, ECDPM Discussion Paper 131, July 2012.

The idea of leveraging private sector activity and finance has emerged as key for improving the business environment in developing countries. This paper defines the difference between 'private sector development' and 'private sector for development', with the first focusing more on domestic economies and helping governments grow their private sector, and the second referring to donor engagement with international business activities and finance.

Ashley, C. (2009) 'Harnessing Core Business for Development Impact: Evolving Ideas and Issues for Action', ODI Overseas Development Institute: London. Available at: http://www.odi.org.uk/sites/odi.org.uk/files/odi-assets/publications-opinion-files/3566.pdf

This paper focuses specifically on inclusive business approaches related to corporate businesses. It also covers the array of approaches, from multi-nationals adapting supply chains and technology companies innovating for poor consumers, to local non-governmental organisations (NGOs) using market channels to deliver services needed by the poor.

Inclusive Business – 4 types as defined by Ashley (2009)

- Commercial business selling good and service that are needed by the poor and have high development impact
- Large companies that have significant impact on poverty in their daily operations and that attempt to increase their developmental impact through supply and distribution chains, or through research and development
- Commercial domestic small and medium sized companies, that through their embeddedness in local economy, have local economic development as an explicit driving force
- Social enterprises that use market mechanism and commercial models of delivery, rather than traditional non-profit model of delivery

UNDP (2004) *Unleashing Entrepreneurship: Making Business Work for the Poor*, New York: UNDP. Available at: http://www.undp.org/cpsd/documents/report/english/fullreport.pdf

In light of the Millennium Development Goals of ending poverty, this report offers recommendations on how the major actors – governments, public development institutions, the private sector and civil society organisations – can modify their actions and approaches to significantly enhance the ability of the private sector to advance the development process.

Nelson, J. (2003) 'Economic Multipliers: Revisiting the Core Responsibility and Contribution of Business to Development', IBLF Policy Paper, Number 4, London: International Business Leaders Forum.

As corporate social responsibility in the private sector evolves into mainstream business practice, this paper examines eight 'core business multipliers' that contribute to responsible, efficient and profitable investments.

Adam Smith International (2009) ‘Support to “Business for development (B4D)”: A Review of New Approaches and Donor Agency Experiences’, Draft Report. Available at:
http://www.sida.se/Global/Partners/Procurements/Adam%20Smith,%20B4D,%20May%202009.pdf

An exploration (for Swedish government) of business for development and donor policies towards international or national companies that can scale up initiatives cost-effectively for long term impact on country development and poverty alleviation. The initiatives must be aligned with the company’s core business model.

Yunus, M. (2008) ‘Creating a World without Poverty: Social Business and the Future of Capitalism’, *Global Urban Development*, Volume 4, Issue 2 (Nov).

Not for free access

A well known paper that addresses many of the ideas of the same-titled popular book by Yunus. The exploration of the idea that globalisation and private investment may bring more benefits to the poor in developing countries than any alternative, with proper oversight.

2. Private Sector Investment for Development (encouraging business investment in developing countries)

Private Sector Investment for Development refers to donor engagement with *international* business activities and finance to achieve development objectives. This focus is differentiated from private sector development, related to assistance for developing countries in designing and implementing policies to encourage economic transformation and business expansion focusing on the *domestic* economy (Byers and Rosengren 2012: 6).

This chapter attempts to look at the determinants of foreign direct investment (FDI) and ways in which developing countries can attract private participation while ensuring an equitable distribution of the benefits among investors, taxpayers, and service users. FDI is disaggregated by types (Greenfield/Brownfield, Banking and Lending) and by sectoral destination (Infrastructure, Agriculture, Climate related, Manufacturing and Services) that may help identify associations between private investment, economic growth and poverty reduction. Finally, this section attempts to look at different donor approaches and programmes and draw on general lessons from different case studies.

Sayer, J. (2007) 'Guest editor's introduction: Do more good, do less harm: development and the private sector', *Development in Practice*, 15:3–4, 251–268.

Not for free access

This issue of Development in Practice examines some of the debates concerning the role of private business in the development process. This editorial introduction opens with an exploration of the nature of the private sector and its role in relation to economic growth and the distribution of benefits. The second section examines the detrimental impacts that corporate activity can have on development, followed by a brief look at new forms of opposition to such activities. Section three outlines the business case for corporate social responsibility (CSR), followed by a section describing various ways in which some private companies have sought either to mitigate the harmful effects and/or to enhance the impact of their activities on development. The fifth section looks at the role of the private sector in achieving the MDGs, and the essay concludes with some reflections on the need to redirect the dynamism and resources of the private sector to the benefit of humanity.

Figini, P. and Santarelli, E. (2006) 'Openness, Economic Reforms, and Poverty: Globalization in Developing Countries', *The Journal of Developing Areas* 39.2: 129–151.

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This paper addresses a key issue in the current debate on economic development: the impact of globalisation on poverty. After having discussed the problems related to the definition and measurement of both poverty and globalisation, we perform a panel analysis which adds to recent literature by explicitly considering relative poverty and by conducting robustness analysis with respect to data, sources and dimensions of globalisation. As far as absolute poverty is concerned, both trade openness and the 'size of the government' seem to be associated with lower poverty levels. Conversely, financial openness is not linked to more poverty. With respect to relative poverty, trade openness does not affect it significantly, while weak evidence suggests that financial openness and policies aimed at reducing the size of the public intervention in the economy are linked to higher relative poverty.

Anyanwu, J. (2006) 'Promoting of Investment in Africa', *Revue Africaine de Developpement* 18.2: 42.

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This paper examines the trend, constraints, promotion, and prospects of investment – domestic investment, foreign direct investment, and private portfolio investment – in Africa. It concludes that all forms of investment are low in Africa and hence inadequate for the attainment of the MDGs and poverty reduction in the continent; it lists the constraining factors, and presents recommendations for actions and measures to successfully promote investment the African continent.

Garforth, C.; Phillips, C. and Bahtia-panthaki, S. (2007) *The Private Sector, Poverty Reduction and International Development*, University of Reading, Reading, Berkshire, UK. Available at:
http://onlinelibrary.wiley.com/store/10.1002/jid.1407/asset/1407_ftp.pdf;jsessionid=C180C1C51F389F5D2B94081434076AF9.d04t04?v=1&t=hekd7avk&s=92bf151455c08586a8fc91f9428725b611f54ea2

The private sector, after shifting fortunes in development theory and practice over the years, is now widely recognised as the key to economic growth, which itself is indispensable for poverty reduction. The Development Studies Association (DSA) Annual Conference in 2006 brought together academics, private sector actors, NGOs and policymakers to share insights and experiences on how this vital contribution to growth, development and poverty reduction can be realised. This paper summarises the main themes and discussions of the conference and introduces the papers selected for inclusion in this conference issue.

Nelson, J. and Prescott, D. (2008) *Business and the Millennium Development Goals: A Framework for Action (2nd edition)* International Business Leaders Forum, United Nations Development Programme (UNDP). Available at:
http://business.un.org/en/documents/449 (accessed 18 March 2013).

This briefing, published by The International Business Leaders Forum in collaboration with UNDP, provides a framework on how companies and business coalitions can work with the UN system, governments, and civil society organisations to help achieve the Millennium Development Goals (MDGs), aimed at making globalisation a more positive force for more of the world's people. All companies and business associations can play a role, from small and medium enterprises to large national and multinational companies, and from local chambers of commerce to international business organisations. Their impacts and contributions may vary in scale and scope, but the following Framework for Action has relevance to all of them, as well as to people in the development community with an interest in working with the private sector. It aims to provide a basic overview with some illustrative examples, rather than an exhaustive analysis, and will hopefully generate ideas for practical action.

O'Boyle, E. (1998) 'The Duty of the Firm in Selling to the Poor: A Question of the Person, Justice, and Subsidiarity', *Forum for Social Economics* 28.1: 7.

Not for free access

Mainstream economists do not address the question of the duty of the firm in selling to the poor. To them the issue is normative, and they have taken pains to delimit economics as a positive discipline. Social economists view the firm as having several constituencies – shareholders, managers, workers, customers, suppliers, neighbours, partners – and duties associated with each one. Those duties are grounded in the virtue of justice: to render to another that which is owed. This article argues that the firm has a special duty in selling to the poor which is grounded in the person of the one who is poor, the three principles of economic justice, and the principle of subsidiarity. Mainstream economists address poverty apart from consumer behaviour as if the two were unrelated. This article brings the two

together and in so doing helps throw light on the question of the duty of the firm in selling to the poor.

2.1 Foreign Direct Investment

Kapuria-Foreman, V. (2007) 'Economic Freedom and Foreign Direct Investment in Developing Countries', *The Journal of Developing Areas* 41.1:143–154.

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This paper employs cross-country growth regressions for a sample of developing countries to examine the determinants of FDI. In addition to economic factors affecting foreign direct investment, the analysis also tests for the role of institutional quality (enforcement of property rights, corruption, etc.) and policy orientation factors (openness). The paper evaluates whether foreign investment responds to changes in levels of economic freedom. Finally, it disaggregates the data on economic freedom and re-estimates the relationship between FDI and components of economic freedom. Foreign direct investment is found to vary positively with increases in certain components of economic freedom.

Hecock, R. and Jepsen, E. (2012) 'Should Countries Engage in a Race to the Bottom? The Effect of Social Spending on FDI', *World Development* Volume 20, Issue 10.

Not for free access

This paper examines the effect of social spending in developing countries on Foreign Direct Investment (FDI). Existing studies on the race to the bottom in social services attempt to discern the extent to which FDI affects social expenditure. However, it remains an open question whether FDI is actually attracted to lower spending levels. We find no indication that FDI is repelled by social spending; indeed there is strong evidence that investment is associated with greater programmatic emphases on health and education. These findings have important implications for leaders seeking to attract investment and for those attempting to expand social programmes.

Globerman, S. and Shapirto, D. (2002) 'Global Foreign Direct Investment Flows: The Role of Governance Infrastructure', *World Development* 30.11: 1899–1919.

Not for free access

It is widely argued that a country's economic performance over time is determined to a great extent by its political, institutional and legal environment. We refer to these institutions and policies as the governance infrastructure of a country. We utilise newly developed indices to examine the effects of governance infrastructure on both foreign direct investment (FDI) inflows and outflows for a broad sample of developed and developing countries over 1995–97. In addition, we examine the role of other forms of infrastructure including human capital and the environment. The results clearly indicate that governance infrastructure is an important determinant of both FDI inflows and outflows. Investments in governance infrastructure not only attract capital, but also create the conditions under which domestic multinational corporations emerge and invest abroad.

Balasubramanyan, VN.; Salisu, M. and Sapsford, D. (2006) 'Foreign Direct Investment as an Engine of Growth', *The Journal of International Trade & Economic Development* 8.I: 27–40.

Not for free access

This paper presents, within a new growth theory framework, an analysis of the role of Foreign Direct Investment (FDI) in promoting economic growth. Evidence reported suggests that an important role is exerted by both the size of the domestic market and the competitive climate in relation to local producers. In addition, evidence is reported to indicate that

interactions between FDI and human capital exert an especially important influence upon growth performance.

Ramírez, M. (2006) 'Does Foreign Direct Investment Enhance Private Capital Formation in Latin America? A Pooled Analysis for the 1981–2000 Period', *The Journal of Developing Areas* 40.1: 81–97.

Not for free access

This paper analyses the theoretical and empirical links between key economic variables such as foreign direct investment (FDI) and private investment spending in Latin America during the 1981–2000 period. The pooled model tests the complementarity hypothesis which suggests that increases in FDI raise the marginal productivity of private capital via the transfer of more advanced technology and managerial knowhow, thereby inducing higher rates of private investment spending. The findings suggest that (lagged) FDI, public investment spending, and real credit to the private sector have a positive and significant effect on private capital formation, while lagged changes in the real exchange rate, particularly its volatility, have a negative effect.

Kinda, T. (2010) 'Investment Climate and FDI in Developing Countries: Firm-Level Evidence', *World Development* 38.4: 498–513.

Not for free access

This paper uses firm-level data across 77 developing countries to show that constraints related to investment climate hamper FDI. The main results show that physical infrastructure problems, financing constraints, and institutional problems discourage FDI. These results are robust to an alternative definition of FDI, introduction of additional explanatory variables, and some breakdown analyses (different sectors of activity and comparison between Sub-Saharan Africa and other developing countries). The results also highlight that exporter foreign firms are more constrained in their activity by physical infrastructure hurdles and the lack of skilled workers compared to firms supplying the domestic market.

Ndikumana, L. and Verick, S. (2008) 'The Linkages Between FDI and Domestic Investment: Unravelling the Developmental Impact of Foreign Investment in Sub-Saharan Africa', *Development Policy Review* 26.6: 713–726.

Not for free access

While the recent increase in foreign direct investment (FDI) to African countries is a welcome development, the impact of these resource inflows on economic development remains in doubt. This article argues that a key channel is its effects on domestic factor markets, especially domestic investment, and analyses the two-way linkages between FDI and domestic investment in Sub-Saharan Africa. The results suggest, first, that FDI crowds in domestic investment and, secondly, that private investment is a driver of FDI, implying that African countries will gain much from improving the domestic climate. Moreover, there are alternatives to resource endowments as a means of attracting foreign investment to non-resource-rich countries.

Gelb, A.; Ramachadran, V. and Turner, G. (2007) 'Stimulating Growth and Investment in Africa: From Macro to Micro Reforms', *Revue Africaine de Developpement* 19.1: 26.

Not for free access

How do we stimulate investment and growth in Africa? This paper focuses on low-income countries that are 'good performers' and not especially endowed with natural resources. Many of these countries have undertaken a set of economic reforms, and have recorded growth rates in per capita GDP of around 5 per cent over the past 10 years. But some constraints to growth persist. We look at three things – how business environments create

‘external costs’ for firms and inhibit performance, how investors perceive the constraints to doing business, and the role of political economy factors especially in those countries with lagging indigenous business sectors. Our analysis of investment climate and other data leads us to several recommendations for governments, donors and the private sector itself.

Salahuddin, M. and Islam, R. (2008) ‘Factors Affecting Investment in Developing Countries: A Panel Data Study’, *The Journal of Developing Areas*, 42.1: 21–37.

Not for free access

This paper investigates the gross investment behaviour in a panel of 97 developing countries spanning a period between 1973 and 2002. Fixed Effect Model is employed to analyse data. Variance Inflation Factor (VIF) test is conducted to ensure that the data are free from multicollinearity. Also, Granger Causality test is conducted to see if reverse causality exists. The results suggest that investment decisions still seem to be significantly affected by traditional determinants such as growth, domestic savings, trade openness etc. The variable aid appeared to potentially affect investment which calls for developing country's measures to ensure proper utilization of it. However, we failed to highlight the effect of real interest rate and uncertainty on investment attributing the former to macroeconomic volatility and latter to lack of data on corruption index.

Sumner, A. (2005) ‘Is Foreign Direct Investment Good for the Poor? A Review and Stocktake’, *Development in Practice* 15:3–4, 269–285.

Not for free access

Few issues in the development process raise as much heat as the role of the international private sector in the form of transnational corporations (TNCs) and foreign direct investment (FDI). This article reviews the most recent research on the impact of FDI on economic growth and poverty reduction in developing countries. A brief history of FDI is given. This is followed by discussion of the conceptual transmission mechanisms linking FDI, growth, and poverty. The available empirical evidence is then discussed. It is argued that it is not a question of whether FDI is good or bad for social and economic development, but that its impact is determined by the terms upon which FDI is accepted.

Robertson, C. and Watson, A. (2004) ‘Corruption and Change: the Impact of Foreign Direct Investment’, *Strategic Management Journal* 25.4:385.

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This study examines influences on the level of corruption in countries from a strategic perspective. Corruption is one of the country-level influences on market entry, investment, and other decisions fundamental to strategic management at the international level. The study examines the impact on corruption of change in levels of foreign direct investment (FDI). It uses the Corruption Perceptions Index (CPI) scores computed by Transparency International for 1999 and 2000. Results indicate that the more rapid the rate of change in FDI, the higher the level of corruption. Higher levels of perceived corruption areas associated with each of two dimensions of national culture: uncertainty avoidance and masculinity. Research and managerial implications are also discussed.

Glass, A. and Saggi, K. (2005) ‘Exporting versus Direct Investment under Local Sourcing’, *Review of World Economics* 141.4: 627–647.

Not for free access

This paper examines a setting where foreign direct investment (FDI) shifts demand for an intermediate good from the source to the host country. A domestic and a foreign firm choose between exports or FDI, always sourcing the intermediate locally. We show that by increasing the price of the intermediate, outward FDI can act as a cost-raising strategy for a

firm and that attracting FDI can raise host country welfare. Two-way FDI is the equilibrium when the countries have similar market sizes. However, such FDI reduces global welfare relative to two-way exporting since it eliminates indirect competition between suppliers.

Lessmann, C. (2013) 'Foreign Direct Investment and Regional Inequality: A Panel Data Analysis', *China Economic Review* 24: 129–149.

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Foreign direct investments (FDI) are an important determinant of economic growth. Countries try to attract mobile capital in order to foster economic development, albeit FDI might increase regional inequality since the many different regions of a country usually do not receive FDI in equal measure. A conflict emerges between efficiency and redistribution. The aim of this paper is to investigate the impact of foreign direct investment on regional inequalities. It is based on a unique panel data set of regional inequalities covering 55 countries at different stages of development.

Tarzi, S. (2005) 'Foreign Direct Investment Flows into Developing Countries: Impact of Location and Government Policy', *The Journal of Social, Political, and Economic Studies*, 30. 4: 497–515.

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This study addresses vital questions. First, why a select group of developing countries receives the lion's share of Foreign Direct Investment (FDI), while the overwhelming majority of less developed countries are left behind? Second, whether and to what extent FDI inflow is a function of a country's FDI policy regime? The study identifies market size, the rate of growth in market size, economic competitiveness, infrastructure, and worker productivity as key location factors. Further, several specific FDI and trade policies are germane to attracting a significant volume of FDI. These include lowering the ratio between the volume of FDI that is approved, as against the FDI actually undertaken by streamlining the approval process and removing arbitrary foreign ownership ceilings in sectors open for FDI deter foreign investment. In addition, the ability of foreign direct investors to repatriate capital and remit profits, setting up special economic zones to facilitate FDI, lowering regulatory burdens, and flexible labour policies are desirable vehicles for attracting FDI.

Cleeve, E. (2008) 'How Effective Are Fiscal Incentives to Attract FDI to Sub-Saharan Africa?', *The Journal of Developing Areas* 42.2: 135–153.

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Given the role of foreign direct investment in the development process, one of the most important challenges facing Africa is how to attract foreign direct investment. A number of attempts have been made, but most have been unsuccessful because of various factors that work against the business environment for foreign investment. This paper analyses the impact of fiscal incentives, the most popular instrument for attracting foreign investment to Sub-Saharan Africa. It uses cross-sectional time series data on 16 Sub-Saharan African countries, and an econometric model of three proxies of fiscal incentive, after controlling for traditional and other policy variables.

Shamsuddin, A. (1994) 'Economic Determinants of Foreign Direct Investment in Less Developed Countries', *The Pakistan Development Review* 33.1:41–51.

Not for free access

This study examines the economic determinants of private foreign direct investment (FDI) by using a single-equation econometric model for 36 LDCs for the year 1983. The market size of the host country as measured by per capita GDP is found to be the most important factor in attracting FDI. The other important variables which influence FDI are found to be the cost

factor (such as wage cost) and the investment climate in the host country. The inflow of per capita public aid and economic instability, proxied by the volatility of prices, are other important factors affecting the flow of FDI. While larger market size and increased inflow of public aid attract FDI, the higher wage cost, poor investment climate, and economic instability in the host countries reduce the inflow of FDI.

Harms, P. and Lutz, M. (2006) 'Aid, Governance and Private Foreign Investment: Some Puzzling Findings for the 1990', *The Economic Journal* 116.513: 773–790.

Not for free access

Does official aid pave the road for private foreign investment or does it suffocate private initiative by diverting resources towards unproductive activities? We explore this question using panel data covering a large number of developing and emerging economies during the 1990s. Controlling for countries' institutional environment, we find that, evaluated at the mean, the marginal effect of aid on private foreign investment is close to zero. Surprisingly, however, the effect is strictly positive for countries in which private agents face a substantial regulatory burden. This result is robust across a wide range of specifications, samples and estimation methods.

Kinoshita, Y. and Mody, A. (2001) 'Private Information for Foreign Investment in Emerging Economies', *The Canadian Journal of Economics / Revue canadienne d'Economique* 34.2: 448–464.

Not for free access

In previous studies it has been found that new foreign investment is significantly related to the stock of existing investment in the country/region. This paper's contribution is the finding that a Japanese firm's new investment in an emerging economy is positively correlated with its own previous investment in that economy and also with the current/planned investments by competitors. These two channels are primarily substitutes; that is, investment by competitors becomes less salient when the firm has experience in the market. The correlated behaviour is not explained by industrial agglomerations but appears to reflect the value of private information to investment in emerging economies.

Sparkes, R. and Cowton, C. (2004) 'The Maturing of Socially Responsible Investment: A Review of the Developing Link with Corporate Social Responsibility', *Journal of Business Ethics* 52.1: 45–57.

Not for free access

This paper reviews the development of socially responsible investment (SRI) over recent years and highlights the prospects for an increasingly strong connection with the practice of corporate social responsibility. The paper argues that not only has SRI grown significantly, it has also matured. In particular, it has become an investment philosophy adopted by a growing proportion of large investment institutions. This shift in SRI from margin to mainstream and the position in which institutional investors find themselves is leading to a new form of SRI shareholder pressure. Although this bears some resemblance to lobbying campaigns, which might take advantage of shareholder rights, we seek to distinguish it as an important phenomenon in its own right. We further argue that this approach potentially meets some of the earlier ethical criticisms of certain forms of SRI but, ironically, probably owes its existence to those pioneering approaches.

Haaland, J. and Wooton, I. (1999) 'International Competition for Multinational Investment', *The Scandinavian Journal of Economics* 101.4: 631–649.

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We examine the economic justification for providing investment subsidies to foreign-owned multinationals. These provide employment opportunities and generate demand for domestic intermediate inputs, produced by domestic workers with increasing returns to scale. Offering subsidies to multinationals may be in the national interest if the investment raises the net value of domestic production. When agglomerative forces are sufficiently strong, a subsidy that attracts the first foreign firm may induce several to enter, establishing a thriving modern sector. With a limited number of foreign enterprises, countries may compete to attract investment. This subsidy competition transfers much of the rents to the multinationals.

Jaffee, D. and Stokes, R. (1986) 'Foreign Investment and Trade Dependence', *The Sociological Quarterly* 27.4: 533–546.

Not for free access

This article explores the relationship between foreign capital investment and trade dependence in less developed economies. Dependency and world system theorists have argued that foreign investment from the advanced capitalist states promotes export and import dependent forms of development. Using cross-national data for 65 less developed nations between 1960 and 1977, the analysis supports this general claim. Total direct foreign investment has a significant positive impact on the measures of export, import and total trade dependence. However, when the total foreign investment measure is disaggregated by sectoral destination (agriculture, manufacturing, petroleum/extraction) only investment in petroleum/extraction has the expected effect on trade dependence. This finding suggests that a large part of the effect of foreign investment may be due to the structuring influence of investment in mineral/ extractive forms of production.

Sethi, D.; Guisinger; Phelan and Berg (2003) 'Trends in Foreign Direct Investment Flows: A Theoretical and Empirical Analysis', *Journal of International Business Studies* 34.4: 315–326.

Not for free access

This paper seeks to provide a rationale for changing trends in the flow and determinants of foreign direct investment (FDI) as a result of macro-economic and firm strategy considerations. We identify several factors that impact on such trends, and develop propositions that could explain the phenomenon generically. The study then provides preliminary empirical support for the propositions presented, and outlines the path for further research needed to investigate more causal links.

Hornberger, K.; Battat, J. and Kusek, P. (2011) *Attractive FDI: How Much Does Investment Climate Matter?* Washington, DC: World Bank. Available at: https://openknowledge.worldbank.org/handle/10986/11060

Business opportunities – as reflected in the size and growth potential of markets – are the most powerful drivers of foreign direct investment. But investment climate features such as strong institutions and investor friendly regulations also matter and may even boost the development impact of the investment. Moreover, many elements of the investment climate can be reformed in the short run and at comparatively low cost. Improving the investment climate therefore offers an excellent opportunity for countries seeking to attract foreign direct investment.

Mehta, P. (2003) *Investment for Development Project (IFD) – Civil Society Perceptions*, Washington DC: World Bank. Available at: https://openknowledge.worldbank.org/handle/10986/9149

The Investment for Development Project conducted a survey of civil society's views on foreign direct investment in seven countries with a goal of identifying the factors encouraging or hindering FDI. The results showed that civil society is positive about FDI and perceives technology, management and capital as key contributions. There are significant concerns about negative aspects of FDI, the greatest being that foreign investors do not care about the impact of their investments on the local community. The strengthening of domestic businesses and adoption of effective competition policies are seen as the most desired policies to increase FDI benefits.

Dikova, D. and van Witteloostuijn, A. (2007) 'Foreign Direct Investment Mode Choice: Entry and Establishment Modes in Transition Economies', *Journal of International Business Studies* 38:1013–1033.

Not for free access

In this study, we bridge two streams of foreign direct investment literature, specifically studies on establishment mode choice and studies on entry mode choice. We arrive at a conceptual synthesis for an examination of the effects of the same predictors on the dual entryestablishment mode choice made in the context of a single foreign investment. We demonstrate that a parent firm's technological intensity, international strategy and experience determine both establishment and entry mode choices. We conclude that the degree of the host country's institutional advancement moderates the effect of both technological intensity and international strategy on the establishment and entry mode choice.

2.1.1 Greenfield/Brownfield

Neto, P.; Bradao, A. and Cequeira, A. 'The Impact of FDI, Cross-Border Mergers and Acquisitions, and Greenfield Investments on Economic Growth', *IUP Journal of Business Strategy* 7.4:24–44.

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This paper investigates whether aggregate Foreign Direct Investment (FDI), cross-border Mergers and Acquisitions (M&A), and greenfield investments affect economic growth, based on a panel data of 53 countries over the period 1996–2006. Both causality tests and single growth equations are applied to examine this relationship. The evidence suggests that there is bidirectional causality between FDI, M&A and growth. It also suggests that economic growth Granger causes greenfields, but the reverse is not true. The estimation of the growth equation leads us to conclude that FDI through greenfield investments exerts a positive impact on economic growth in both developed and developing countries. Conversely, M&A have a negative effect on the economic growth of developing countries, but an insignificant one on developed countries.

Meyer, K. and Estrin, E. (2001) 'Brownfield Entry in Emerging Markets', *Journal of International Business Studies* 32.3: 575–584.

Not for free access

This paper focuses on the brownfield entry mode, as a special case of acquisition in which the resources transferred by the investor dominate over those provided by the acquired firm. We see this mode as having particular relevance for entry strategies in emerging markets. The choice of entry mode is analysed on the basis of a framework utilising both resource-based and transaction-cost theories. The resource requirements have to be matched with

resources available to the investor through an acquired firm, and the decision has to account for the costs of acquiring and integrating the resources.

Cheng, Y. (2006) 'Determinants of FDI Mode Choice: Acquisition, Brownfield, and Greenfield Entry in Foreign Markets', *Canadian Journal of Administrative Sciences* 23.3: 202–220.

Not for free access

This study incorporates brownfield with conventional greenfield and acquisition into an analysis of the determinants of foreign direct investment (FDI) mode choice. The investigation was conducted through a mail survey of Taiwanese manufacturing firms investing in China (including Hong Kong), ASEAN, Japan, NAFTA and EU. The results showed that firms with higher relocation costs and greater post-acquisition restructuring experience will prefer acquisition to greenfield. If it is imperative for these firms to transfer their specific technological resources to the host market and to avoid competition within their own industries in the foreign market, a brownfield strategy seems to be a good compromise between acquisition and greenfield.

Auer, M.; Reuveny, R. and Adler, L. (2001) 'Environmental Liability and Foreign Direct Investment in Central and Eastern Europe', *The Journal of Environment Development* 10.1: 5–34.

Not for free access

Ten years ago, observers warned that foreign direct investment in the new democracies of Central and Eastern Europe (CEE) would be stymied by the problem of environmental liability for past pollution. CEE governments responded by granting some investors exemptions from liability for past pollution. Nevertheless, during the 1990s, many investors steered away from contaminated properties, opting to construct new facilities in more pristine areas. Increasingly, in Western Europe and the United States, governments view liability for past pollution as one aspect of the broader problem of attracting wary investors to old, industrial properties or 'brownfields'. CEE governments can gain by considering the applicability of Western-style brownfields revitalisation policies and programmes to the CEE context. But, the financial demands of brownfields cleanup are insurmountable in CEE without stepped-up economic assistance from external actors.

Bertrand, O.; Nilsson Hakkala, K; Norback, P. and Persson, L. (2012) 'Should Countries Block Foreign Takeovers of R&D Champions and Promote Greenfield Entry?' *Canadian Journal of Economics/Revue canadienne d'économique* 45.3:1083–1124.

Not for free access

In R&D intensive industries, governments promote greenfield foreign investments, while being sceptical towards foreign acquisitions of domestic high-quality firms. We develop a theoretical model that shows that foreign acquisitions are conducive to high-quality targets because of strategic effects on the sales price. However, foreign firms 'cherry pick' high-quality targets to expand R&D rather than to downsize. Otherwise, rivals expand R&D, making the acquisition unprofitable. Thus, our model predicts that acquired affiliates invest more in R&D than greenfield affiliates. Using affiliate data, we find evidence that acquired affiliates have a higher level of sequential R&D intensity than greenfield affiliates.

Laura Solitare & Karen Lowrie (2012) 'Increasing the Capacity of Community Development Corporations for Brownfield Redevelopment: An Inside-Out Approach, Local Environment', *The International Journal of Justice and Sustainability*, 17.4: 461–479.

Not for free access

While the redevelopment of brownfield sites has been the mainstay of public agencies and private developers, this paper argues that in order to promote just redevelopment that encourages participation and targets weak market sites, a community-based approach to brownfield redevelopment should be encouraged. Furthermore, this paper maintains that community development corporations (CDCs) could be the ideal agents to spur community development and address environmental justice concerns through their increased involvement in brownfield redevelopment projects.

Holger Görg, (2000) 'Analysing Foreign Market Entry – The Choice Between Greenfield Investment and Acquisitions', *Journal of Economic Studies* 27:165–181.

Not for free access

This paper formalises the choice a firm has to face when entering a foreign market via FDI as between setting up an entirely new plant (greenfield investment) or acquiring an existing indigenous firm. We assume the existence of an asymmetric duopoly in the host country, and these duopolists face the entry of a technologically advanced foreign firm in the market. The analysis shows how different constellations of entry costs and the post-entry competition affect the foreign firm's entry mode choice. Simulation results show that the foreign entrant will in most cases be best off by acquiring an existing indigenous high-technology firm, thus, forming a duopoly with an indigenous low-technology firm.

Nocke, V. and Yeaple, S. (2008) 'An Assignment Theory of Foreign Direct Investment', *Review of Economic Studies* 75.2: 529–557.

Not for free access

In equilibrium, greenfield FDI and cross-border acquisitions coexist within the same industry, but the composition of FDI between these modes varies with firm and country characteristics. Firms engaging in greenfield investment are systematically more efficient than those engaging in cross-border acquisitions. Furthermore, most FDI takes the form of cross-border acquisitions when production-cost differences between countries are small, while greenfield investment plays a more important role for FDI from high-cost into low-cost countries. These results capture important features of the data.

Fatica, S. (2010) 'Investment Liberalization and Cross-Border Acquisitions: The Effect of Partial Foreign Ownership', *Review of International Economics* 18.2: 320–333.

Not for free access

This paper investigates the optimal strategy for a multinational to conduct FDI. We find that the incentives to use acquisition rather than greenfield investment change significantly if the multinational is allowed to have already an ownership interest in the target local firm before the market is fully liberalised. Interestingly, when investment costs are sufficiently high, the multinational prefers not entering the market at all with partial ownership in place, whereas a cross-border takeover would be the optimal entry mode otherwise. For intermediate levels of entry costs, holding a stake in the local producer reverses positively the profitability of a full acquisition compared to greenfield investment.

Mueller, T. (2007) 'Analyzing Modes of Foreign Entry: Greenfield Investment versus Acquisition', *Review of International Economics* 15.1: 93–111.

Not for free access

This paper studies the entry decision of a multinational enterprise into a foreign market. Two alternative entry modes for a foreign direct investment are considered: greenfield investment versus acquisition. In contrast to existing approaches, the acquisition price and the profits under both entry modes are endogenously determined. Interestingly, we find that the optimal entry mode decision is affected by the competition intensity in the market in a no monotonic way. When markets are very much or very little competitive, greenfield investment is the optimal entry mode, while for intermediate values it is acquisition.

Young-Han, K. (2009) 'Cross-Border M&A vs. Greenfield FDI: Economic Integration and its Welfare Impact', *Journal of Policy Modelling* 31:87–101.

Not for free access

This paper examines the impacts of regional economic integration on the FDI entry mode of multinational firm and the welfare implications focusing on two entry modes, greenfield investment and cross-border M&A. Based on a oligopoly model where each representative firm competing in Cournot fashion, we demonstrate that the preferential trade arrangement increases the multinational firms' incentives to shift its entry mode from greenfield investment to cross-border M&A. Finally, it is shown that there exists a unique equilibrium policy intervention to induce the choice of greenfield investment when the multinational firm's marginal cost is lower than the critical value.

Qiu, L. and Wang S. (2011) 'FDI Policy, Greenfield Investment and Cross-border Mergers', *Review of International Economics* 19.5: 836–851.

Not for free access

This paper examines a multinational's choice between greenfield investment and cross-border merger when it enters another country via foreign direct investment (FDI) and faces the host country's FDI policy. Greenfield investment incurs a fixed plant setup cost, whereas the foreign firm obtains only a share of the joint profit from a cross-border merger under the restriction of the FDI policy. This trade-off is affected by market demand, cost differential, and market competition, among other things. The host country's government chooses its FDI policy to affect (or alter) the multinational's entry mode to achieve the maximum social welfare for the domestic country. We characterise the conditions shaping the optimal FDI policy and offer intuitions on FDI patterns in developing and developed countries.

2.1.2 Equity

Asiedu, E. and Esfahani, S. (2001) 'Ownership Structure in Foreign Direct Investment Projects', *Review of Economics and Statistics* 83.4: 647–662.

Not for free access

This paper theoretically and empirically examines ownership structure in foreign direct investment (FDI) projects. We show that in choosing an ownership structure, foreign investors, local entrepreneurs and government consider the specific, costly-to-market assets that the participants and the country bring to the project. In equilibrium, the foreign equity share rises with the importance of foreign investor assets and declines with the contribution of local assets towards the amount of surplus generated in the project. Government policies and the institutional structure of the country also affect ownership structure.

Cumming, D. and Johan, S. (2007) 'Socially Responsible Institutional Investment in Private Equity', *Journal of Business Ethics* 75.4: 395–416.

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This article studies institutional investor allocations to the socially responsible asset class. It proposes two elements influence socially responsible institutional investment in private equity: internal organisational structure, and internationalisation. It studies socially responsible investments from Dutch institutional investments into private equity funds, and compares socially responsible investment across different asset classes and different types of institutional investors (banks, insurance companies, and pension funds).

Agmon, T. and Messica, A. (2009) 'Financial Foreign Direct Investment: The Role of Private Equity', *Management International Review*, 49.1.

Not for free access

In little more than four years, since 2003, the money raised by international – primarily American – private equity funds for investment in emerging markets went up about ten times, from $3.5bn to $35bn. This paper provides a multidimensional analysis and discussion of the role of private equity funds in the globalisation process of firms from emerging markets. The multidimensional character of the research is congruent with the nature of globalisation and international business. Investment of private equity funds in emerging markets is shown as a new form of foreign direct investment dubbed FFDI.

Dickinson, T. (2008) *Private Equity: An Eye for Investment under African Skies?* OECD Development Centre, *Policy Insights* No. 60.

Not for free access

Private equity is not a new phenomenon in Africa but it is drawing increasing attention as a nimble and innovative vehicle for private-sector development on the continent. Improvements in African investment environments and a series of spectacular African business successes have fuelled an unprecedented boom in the size and breadth of African private equity funds. African countries have made serious efforts to attract foreign investment. Global downturn may yet put successes at risk.

Chakrabarti, A. and Heywood, J. (2004) 'Foreign Investment, Vertical Integration and Local Equity Requirements', *Economica* 71: 559–574.

Not for free access

The paper presents a spatial model in which a foreign firm and local government behave strategically in setting a local equity requirement (LER). Contrary to simple intuition, larger equity requirements may increase economic efficiency, but this conclusion is highly sensitive to the vertical structure of the foreign firm. When the foreign firm has monopoly power in both foreign (upstream) and domestic (downstream) markets, the optimal equity requirement is zero. Surprisingly, the introduction of domestic competition upstream causes the government to adopt a LER which lowers economic efficiency.

Mani, S,; Antia, K. and Rindfleisch, A. (2007) 'Entry Mode and Equity Level: A Multilevel Examination of Foreign Direct Investment Ownership Structure', *Strategic Management Journal* 28: 857–866.

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Over the last two decades, strategy researchers have sought to understand the ownership structure of firms' foreign direct investments (FDI) as reflected in entry mode and equity level. However, prior FDI research has ignored the interrelated nature of these key FDI decisions. In addition, prior research does not fully account for the fact that individual ownership

structure decisions occur within the context of a firm's broader FDI portfolio, and thus reflect a wide and frequently unobserved range of parent firm and host nation effects. Our research seeks to address both of these limitations. Using a rich dataset of 4,459 subsidiaries established by 858 Japanese firms across 38 countries over a 9-year period, we specify a conditional bivariate, cross-classified multilevel model of FDI ownership structure.

Poshakwale, S. and Thapa, C. (2009) 'The Impact of Foreign Equity Investment Flows on Global Linkages of the Asian Emerging Equity Markets', *Applied Financial Economics* 19.22: 1787–1802.

Not for free access

Evidence of the impact of foreign equity investment flows on the global linkages of the Asian emerging equity markets is provided. Findings confirm that there is a general trend towards greater integration and this process appears to be influenced by the increasing volumes of foreign equity portfolio investment flows. The results support the widely-held view that foreign investors are return chasers and their trading behaviour is based on information drawn from recent returns available in the emerging markets. The results also confirm the price-pressure hypothesis which suggests that foreign equity investors are mainly responsible for the increases in the stock market valuations in the Asian emerging markets. In view of the findings, the Asian emerging markets may become more vulnerable to the changes in foreign investment flows and turn more volatile in future.

Goldstein, I. and Razin, A. (2006) 'An Information-Based Trade Off Between Foreign Direct Investment and Foreign Portfolio Investment', *Journal of International Economics* 70: 271–295.

Not for free access

The paper develops a model of foreign direct investments (FDI) and foreign portfolio investments (FPI). FDI enables the owner to obtain refined information about the firm. This superiority, relative to FPI, comes with a cost: a firm owned by the FDI investor has a low resale price because of asymmetric information between the owner and potential buyers. The model can explain several stylised facts regarding foreign equity flows, such as the larger ratio of FDI to FPI inflows in developing countries relative to developed countries, and the greater volatility of FDI net inflows relative to FPI net inflows.

Singer, D. (2010) 'Migrant Remittances and Exchange Rate Regimes in the Developing World', *American Political Science Review* 104: 307–323.

Not for free access

This article argues that the international financial consequences of immigration exert a substantial influence on the choice of exchange rate regimes in the developing world. Over the past two decades, migrant remittances have emerged as a significant source of external finance for developing countries, often exceeding conventional sources of capital such as foreign direct investment and bank lending. Remittances are unlike nearly all other capital flows in that they are stable and move counter-cyclically relative to the recipient country's economy. As a result, they mitigate the costs of forgone domestic monetary policy autonomy and also serve as an international risk-sharing mechanism for developing countries. An analysis of data on de facto exchange rate regimes and a newly available data set on remittances for up to 74 developing countries from 1982 to 2006 provides strong support for these arguments.

Folta, T. and Janney, J. (2004) 'Strategic Benefits to Firms Issuing Private Equity Placements', *Strategic Management Journal* 25.3: 223–242.

Not for free access

For young technology firms, acquiring resources can often be costly due to the information asymmetry and uncertainty that exist surrounding the new technology. We contend that firms able to issue private equity can better manage their ability to mobilise three kinds of resources: capital, research partners, and commercial partners. We investigate the existence of long-term, strategic benefits to private placements, and a number of factors may determine the long-term effectiveness of this governance form. Overall, the empirical analysis demonstrates that private placements provide long-term benefits to firms by reducing hazards associated with information asymmetry.

Robertson, J. (2010) 'Private Equity and Asian Political Economy: "Domestic" Private Equity Funds as New Actor', *Asian Survey* 50.2: 356–377.

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Private equity funds, particularly those headquartered in the U.S., have come under heavy attack internationally from civil society and regulators. At the same time, locally owned private equity funds have unexpectedly appeared in significant numbers across emerging markets. The analysis in this paper illustrates how actors that are only notionally domestic are introducing the neoliberal private equity model into Asian countries, particularly China and Korea.

2.1.3 Banking

Pastor, M. and Maxfield, S. (1999) 'Central Bank Independence and Private Investment in the Developing World', *Economics and Politics* 11.3.

Not for free access

This paper argues that central bank independence (CBI) can raise private investment through signalling commitment to reform and suggest that such an effect might be larger in democracies where CBI can also limit populist access to economic policymaking. Random effects regressions on private investment behaviour in a sample of 20 developing countries support these hypotheses.

Fryer, D. (1987) 'The Political Geography of International Lending by Private Banks', *Transactions of the Institute of British Geographers* 12.4: 413–432.

Not for free access

Bank lending to foreign governments has long been an agent of foreign policy, and for a Less Developed Country (LDC) a private bank loan confers international respectability. After 1970 private bank loans became the largest source of financial inflows into all such countries, except the very poorest. This growth in bank lending was in part a recycling of the large surpluses of oil-exporting developing countries through the sharp increases in oil prices during the decade. More importantly, it arose from the economic and political exigencies of the United States in maintaining leadership of the non-communist world. The geographical distribution of private bank loans closely reflects the economic and geopolitical interests of their domestic governments.

Clarke, G. Martinez Peria, M. and Sánchez, S. (2005) 'Bank Lending to Small Businesses in Latin America: Does Bank Origin Matter?', *Journal of Money, Credit and Banking* 37.1: 83–118.

Not for free access

Recently, foreign bank participation has increased significantly in developing countries, fuelling concerns that foreign banks might extend credit only to certain sectors, leaving customers like small businesses unattended. Using bank-level data for four Latin American countries during the mid-1990s, we investigate whether bank origin affects the share and growth of lending to small businesses. While, on average, foreign banks seem to lend less to small businesses, regression results reveal significant differences between small and large foreign banks. In general, we find that the latter surpass large domestic banks in their share and growth of lending to small businesses.

Narayana, D. (1992) 'Institutional Credit for Rural Development: Proper Risk-Management or Group Lending?', *Economic and Political Weekly* 27.39: A122–A127.

Not for free access

One of the major achievements of commercial banking in general and the directed credit programme in particular has been the extension of the outreach of the banking sector to the small and marginal farmers and the weaker sections of society. The Narasimham Committee on the Financial System has however suggested a restructuring of rural banking on the ground that priority sector lending has led to falling profitability of banks. This article examines the performance of institutional credit programmes for rural development and the attempts to improve poor loan recoveries, especially the Group Lending Programme, and suggests that the problem lies with poor risk-management concepts.

Cull, R.; Senbet, L. and Sorge, M. (2005) 'Deposit Insurance and Financial Development', *Journal of Money, Credit and Banking* 37.1: 43–82.

Not for free access

This paper provides empirical evidence on the impact of deposit insurance on financial development and stability, broadly defined to include the level of banking activity and the stability of the banking sector. We use a unique dataset capturing a variety of deposit insurance features across countries, such as coverage, premium structure, etc., and synthesise available information by means of principal component indices. The overall empirical evidence is consistent with the likelihood that generous government-funded deposit insurance might have a negative impact on financial development and growth in the long run, except in countries where the rule of law is well established and bank supervisors are granted sufficient discretion and independence from legal reprisals. Insurance premium requirements on member banks, even when risk-adjusted, are instead found to have little effect in restraining banks' risk-taking behaviour.

2.1.4 Lending

Jensen, N. (2004) 'Crisis, Conditions, and Capital: The Effect of International Monetary Fund Agreements on Foreign Direct Investment Inflows', *The Journal of Conflict Resolution* 48.2: 194–210.

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A selection model for 68 countries between 1970 and 1998 is used to test the impact of International Monetary Fund (IMF) programmes on international capital markets and examine how agreements are perceived by multinational investors. Results reveal that even after controlling for the factors that lead countries to seek IMF support, IMF agreements lead to

lower levels of foreign direct investment (FDI). Countries that sign IMF agreements, ceteris paribus, attract 25 per cent less FDI inflows than countries not under IMF agreements.

Barboza and Trejos (2009) 'Micro Credit in Chiapas, México: Poverty Reduction through Group Lending', ***Journal of Business Ethics*** **88.2: 283–299.**

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Micro Credit (MC) programmes lend money to poor borrowers using innovative mechanisms such as group lending under joint liability while successfully accounting for the presence of asymmetric information in underdeveloped financial markets. MC programmes have achieved what the conventional financial institutions and the government have not been able to: lend to the poor, impressive loan recuperation, and a positive impact in poverty reduction. This article analyses the performance of ALSOL, an MC programme in Chiapas, México, for 2151 participants in urban and rural areas for the time period between July 2000 and July 2001.

Boucher and Girkinger (2007) 'Risk, Wealth, and Sectoral Choice in Rural Credit Markets', ***American Journal of Agricultural Economics*** **89.4: 991–1004.**

Not for free access

We model the role of the informal credit sector in developing countries. The informational advantage of informal lenders is portrayed as the ability to monitor borrowers. Monitoring reduces the incentive problem and allows for contracts with lower collateral. This enables informal lenders to serve both individuals who cannot post the collateral required by the formal sector and those who are able but do not want to post collateral. The model is consistent with the conventional view of the informal sector as recipient of spill over demand from the formal sector. It also shows that the informal sector may provide partial insurance as the lower collateral requirement implies greater consumption smoothing for borrowers.

Gan, J. (2007) 'The Real Effects of Asset Market Bubbles: Loan- and Firm-Level Evidence of a Lending Channel', ***The Review of Financial Studies*** **20.6: 1941–1973.**

Not for free access

This article studies how a shock to the financial health of banks, caused by a decline in the asset markets, affects the real economy. The land market collapse in Japan provides an ideal testing field in separating the impact of a loan supply shock from demand shocks. It finds that banks with greater real estate exposure have to reduce lending. Firms' investment and market valuation are negatively associated with their top lender's real estate exposure. The lending channel is economically important: it accounts for one-third of lending contraction, one-fifth of the decline in investment, and a quarter of value loss.

Shajahan, K.M. (1998) 'Priority Sector Bank Lending: Some Important Issues', ***Economic and Political Weekly*** **33.42/43: 2749–2756.**

Not for free access

Priority sector bank lending was an active instrument of our financial policy with an aim to restore sectoral balance within credit disbursement and to channel credit to the weaker sections within these sectors. But banking sector reforms initiated as part of the liberalisation programme, since the beginning of the 1990s, has almost brought the priority sector lending policy to a halt. Moreover, the position of the poorer states in regard to priority sector bank credit seems to have worsened because of the manner in which priority sector targeting has been done by linking it to total bank credit rather than to bank deposits.

Cheong Tang, T. (2005) 'An Examination of the Causal Relationship between Bank Lending and Economic Growth: Evidence from ASEAN', *Savings and Development* 29.3: 313–343.

Not for free access

The concern of this paper is to investigate the direction of causality relationship between bank lending and economic growth for the five ASEAN founding economies, namely, Malaysia, Singapore, Indonesia, Thailand and the Philippines. The study has adopted time series approach, Granger causality test to examine the demand-following hypothesis (economic growth causes bank lending), and supply-leading hypothesis (bank lending causes economic growth). The empirical results show that the supply-leading hypothesis is supported by Thailand data, and the demand-following hypothesis is evidenced by Singapore. Other countries (Malaysia, Indonesia, and the Philippines) fail to support neither supply-leading hypothesis nor demand-following hypothesis.

Mian, A. (2006) 'Distance Constraints: The Limits of Foreign Lending in Poor Economies', *The Journal of Finance* 61.3: 1465–1505.

Not for free access

How far does mobility of multinational banks solve problems of financial development? Using a panel of 80,000 loans over 7 years, this paper shows that greater cultural and geographical distance between a foreign bank's headquarters and local branches leads it to further avoid lending to 'informationally difficult' yet fundamentally sound firms requiring relational contracting. Greater distance also makes them less likely to bilaterally renegotiate, and less successful at recovering defaults. Differences in bank size, legal institutions, risk preferences, or unobserved borrower heterogeneity cannot explain these results. These distance constraints can be large enough to permanently exclude certain sectors of the economy from financing by foreign banks.

Dasguota, R. (2002) 'Priority Sector Lending: Yesterday, Today and Tomorrow', *Economic and Political Weekly* 37.41: 4239–4245.

Not for free access

It was in 1972 that a definition of the priority sector for lending was first made. Following the Narasimham Committee recommendations, there have been moves made to dilute this definition. However, the priority sector appears as nothing more than several diverse items clubbed together. This paper advocates a new approach to priority sector lending, suggesting among other things the reduction of mandatory credit to a larger number of sectors and sections, including marginal farmers, cottage industries, small trade and services and low income housing; incentives to improve credit flow to small-scale industries and food crop agriculture as well as temporary credit to assure credit to new industries and new professions by the non-poor section.

Bottomley, A. (1975) 'Interest Rate Determination in Underdeveloped Rural Areas', *American Journal of Agricultural Economics* 57.2: 279–291.

Not for free access

Interest rates for rural and unorganised money markets in third world societies have not been extensively studied. This paper uses a comprehensive review of agricultural credit literature to explore the relationships between the costs of extending credit, amounts loaned, and the borrower's ability to absorb further capital. High costs in administering small loans and resistance to repay suggest the convenience of linkages between lending agencies and marketing boards for the crops upon which loans are made. Village moneylenders-cum-traders may be able to operate more efficiently than public agencies, particularly when trained staff are in short supply.

Degryse, H. and Ongena St. (2005) 'Distance, Lending Relationships, and Competition', *The Journal of Finance* 60.1: 231–266.

Not for free access

We study the effect on loan conditions of geographical distance between firms, the lending bank, and all other banks in the vicinity. For our study, we employ detailed contract information from more than 15,000 bank loans to small firms comprising the entire loan portfolio of a large Belgian bank. We report the first comprehensive evidence on the occurrence of spatial price discrimination in bank lending. Loan rates decrease with the distance between the firm and the lending bank and increase with the distance between the firm and competing banks. Transportation costs cause the spatial price discrimination we observe.

Bajpai, N. (1990) 'World Bank's Structural Adjustment Lending: Conflicting Objectives', *Economic and Political Weekly* 25.15: 791–794.

Not for free access

With the introduction of Structural Adjustment Loans the World Bank took over a new role, that of policy-based programme lending. In addition, to address sector-specific issues, the Bank introduced sector adjustment loans. An attempt has been made in this paper to identify and analyse the basic issues relating to the Bank's adjustment lending and to highlight some of the conflicting objectives of such lending.

2.2 Sectors

2.2.1 Infrastructure

Dalleau, M. (2012) 'Unlocking Private Finance for Africa's Infrastructure Development: Tips and Traps', *GREAT Insights*, Volume 1, Issue 3. Available at: www.ecdpm.org/GREAT (accessed 8 February 2013).

Addressing Africa's infrastructure deficit has gradually become a national, regional and continental priority. For proof, one just has to look at the recent approval of the Programme for Infrastructure Development in Africa (PIDA) during the January 2012 Session of the African Union Summit to be convinced. This is not surprising. Research has shown that catching up on infrastructure could boost per capita economic growth in Africa by an average of three percentage points. But whilst the prospective benefits are enormous, so are the financial means needed to unlock them.

Foster, V. and Briceño-Garmendia, C. (eds) (2010) *Africa's Infrastructure: A Time for Transformation*. Available at: http://siteresources.worldbank.org/INTAFRICA/Resources/aicd_overview_english_no-embargo.pdf (accessed 8 February 2013).

The Africa Infrastructure Country Diagnostic is an attempt to collect comprehensive data on the infrastructure sectors in Africa – covering power, transport, irrigation, water and sanitation, and information and communication technology (ICT) – and to provide an integrated analysis of the challenges they face.

Shah, R. and Batley, R. (2009) 'Private-Sector Investment in Infrastructure: Rationale and Causality for Pro-Poor Impacts', *Development Policy Review* 27.4: 397–417.

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This article reviews the arguments for promoting private investment in infrastructure as a basis for poverty reduction in developing countries. It describes the experience leading to the

development of international ‘facilities’ intended to address impediments to private investment. It then explores three ‘levels’ of literature: that of the facilities themselves, of donor organisations, and of academic authors. At each, it investigates the rationale and causal pathways leading from support for private investment to pro-poor outcomes. It finds there is a possible but not necessary association between private investment, economic growth and poverty reduction, but the causal chain is poorly understood. It proposes the development of such a causal framework.

Banerjee, S.; Oetzel, J. and Ranganathan, R. (2006) ‘Private Provision of Infrastructure in Emerging Markets: Do Institutions Matter?’, *Development Policy Review* 24.2: 175–202.

Not for free access

Governments in developing countries have encouraged private sector investment to meet the growing demand for infrastructure. According to institutional theory, the role of institutions is paramount in private sector development. A longitudinal dataset of 40 developing economies between 1990 and 2000 is used to test empirically how different institutional structures affect private investment in infrastructure, in particular its volume and frequency. The results indicate that property rights and bureaucratic quality play a significant role in promoting private infrastructure investment. Interestingly, they also suggest that countries with higher levels of corruption attract greater private participation in infrastructure.

Doh, J.; Teegen, H. and Mudambi, R. (2004) ‘Balancing Private and State Ownership in Emerging Markets' Telecommunications Infrastructure: Country, Industry, and Firm Influences’, *Journal of International Business Studies* 35.3: 233–250.

Not for free access

Bargaining between host states and investors over the terms of investment in sensitive sectors of the economy generates political and economic tensions. In this study, we investigate the factors that contribute to the outcomes of those negotiations as measured by the private (vs state-owned) share of newly consummated telecommunications infrastructure projects. We find that private ownership is positively associated with overall economic development and investment liberalisation in the host country and with greenfield (vs divestiture) and joint venture (vs wholly owned) projects. Private ownership is negatively associated with existing telecommunications infrastructure, higher levels of state ownership of foreign investing firms, and the technological sophistication of the projects.

Zimmerman, R. (2009) ‘Making Infrastructure Competitive in an Urban World’, *The Annals of the American Academy of Political and Social Science* 626: 226–241.

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The infrastructure of the future provides the opportunity for new innovations to meet the constantly changing and diversified needs of cities. Some of the relatively more recent needs are using renewable resources, protecting infrastructure and its users against natural hazards, reducing environmental threats including global warming, enhancing safety and security, and providing an overall high-performing service for infrastructure users. Given that resources to support these additional financial needs and services are limited, this article will examine ways in which cities can address the demands of these new emerging areas synergistically as well as through more traditional investments.

Gurthrie, G. (2006) 'Regulating Infrastructure: The Impact on Risk and Investment', *Journal of Economic Literature* 44.4: 925–972.

Not for free access

The last thirty years have witnessed a fundamental change in the regulation of infrastructure industries. Whereas firms were subject to rate of return regulation and protected from entry in the past, they now face various forms of incentive regulation, competition is actively promoted by many regulators, and both regulators and the firms they regulate must often confront rapid technological progress. This paper surveys the literature on the investment implications of different regulatory schemes, highlighting the relevance of modern investment theory, which puts risk and inter-temporal issues, such as the irreversibility of much infrastructure investment, centre stage. It discusses the impact on regulated monopolists' investment behaviour of key regulatory characteristics, namely the price flexibility allowed by the regulator, the length of the regulatory cycle, and the costs the regulator will allow the firm to recover at future regulatory hearings.

Chakravorty, U. and Mazumdar, J. (2008) 'Openness, Lobbying, and Provision of Infrastructure', *Southern Economic Journal* 74.4: 1149–1166.

Not for free access

Casual empirical evidence suggests that infrastructure provision is higher in economies that are open to world trade. We develop a model of imperfect competition to show that open economies are likely to provide more infrastructure than closed economies. If infrastructure is financed by taxing a producer lobby, the open economy will overprovide while the closed economy will underinvest; an open economy approaches optimal provision when this lobby group is small in size. If financing of infrastructure is done by taxing the whole population, the closed-economy outcome may be preferred relative to that of the open economy.

Banerjee, S.; Skilling, H.; Foster, V.; Briceño-Garmendia, C.; Morella, E. and Chfadi, T. (2008) *Ebbing Water, Surging Deficits: Urban Water Supply in Sub-Saharan Africa*, Africa Infrastructure Country Diagnostic Background Paper 12 (Phase 1): The International Bank for Reconstruction and Development / The World Bank. Available at: https://openknowledge.worldbank.org/handle/10986/7835

With only 56 per cent of the population enjoying access to safe water, Sub-Saharan Africa lags behind other regions in terms of access to improved water sources. The estimated health and time-saving benefits of meeting the MDG goal are as much as $3.5 billion, or about 11 times as high as the associated costs. This study presents a snapshot of the current situation of African water utilities performance, and the state of the reform process in the sector. It draws on a new WSS database compiled as part of the Africa Infrastructure Country Diagnostic.

Tayler, W.K. (2007) 'Options for Private Sector Involvement in Rural Water Supply Provision in Pakistan', *Journal of International Development* 19: 829–839.

Not for free access

Rural water supply services in Pakistan are funded by government and should, in theory, be managed by communities but community management is often ineffective. Operators often assume management responsibilities, collecting tariffs and paying bills and in effect acting as informal contractors. The paper examines the potential for improving water supply services through more formal forms of private sector involvement in service provision. It concludes that localised forms of private sector involvement are possible but will be dependent on action to develop private sector capacity, implement effective oversight arrangements and provide support to oversight bodies and private sector operators. Possible arrangements for managing services and providing oversight and support are discussed.

De, P. (2006) 'Trade, Infrastructure and Transaction Costs: The Imperatives for Asian Economic Cooperation', *Journal of Economic Integration* 21.4: 708–735.

Recent literature has emphasised the importance of transaction costs and infrastructure in explaining trade, access to markets, and regional cooperation under globalisation. For most Asian countries, transaction costs are a greater barrier to trade integration than import tariffs. By estimating a structural model of economic geography using cross-country data on income, infrastructure, transaction costs and trade of selected Asian economies, this paper shows that the transaction costs is statistically significant and important determinant in explaining variation in trade in Asia.

Mästle, Clemencia Torres de; Izaguirre, A. K. (2008) *Recent Trends in Private Activity in Infrastructure: What the Shift Away from Risk Means for Policy*, Washington DC: World Bank. Available at: https://openknowledge.worldbank.org/handle/10986/10612

In 2006, private participation in infrastructure continued its recovery for the third consecutive year from the steep downturn of the late 1990s. Activity was more evenly spread across all developing regions. However, it became more concentrated in less risky sub-sectors, reflecting a lower appetite for risk among private investors. Greater selectivity has facilitated private sector's renewed interest, but it also raises questions about how governments can best tap private operators' abilities in high-need, high-risk areas such as water and electricity distribution. Recent projects in these areas indicate that the public sector together with the international financial institutions remains the main source of investment funding. As governments create arrangements to attract private participation, they also need to ensure an equitable distribution of benefits among investors, taxpayers, and service users.

World Bank (2010) *Investment in New Private Infrastructure Projects in Developing Countries Slowed Down in the First Quarter of 2010*, Washington DC: World Bank. Available at: https://openknowledge.worldbank.org/handle/10986/10918

This review sheds some light on recent private participation in infrastructure (PPI) activity, the short-term impact of the financial crisis and its aftermath. Compared with the previous update on the impact of the crisis, this note incorporates two improvements: a larger sample size (1,080 projects, up from 965 in the previous update) over a longer period (from January 2008 to March 2010). The findings of the survey show that investment growth in PPI projects continues to be concentrated in the largest developing economies, particularly India. The remaining developing countries saw some investment recovery in the first quarter of 2010. However, it is too soon to assess whether this recovery will continue and reverse the trend of declining investment in these countries.

Izaguirre, A.K. (2003) *Private Infrastructure: Emerging Market Sponsors Dominate Private Flows*, Washington DC: World Bank. Available at: https://openknowledge.worldbank.org/handle/10986/11328

Investment flows to infrastructure projects with private participation in developing countries grew by 12 per cent to US$64 billion in 2004. Telecommunications investments drove the growth, rising by 35 per cent, while investment flows to other infrastructure sectors fell by 20 per cent. Greenfield projects were the most common type of private participation, and management contracts became more frequent.

Kerf, M. and Izaguirre, A. (2007) *Revival of Private Participation in Developing Country Infrastructure*, Washington DC: World Bank. Available at: https://openknowledge.worldbank.org/handle/10986/10720

Investment in private participation in infrastructure projects in developing countries in 2004 and 2005 increased sharply. Meanwhile, the distribution of investment across sectors and regions, and the allocation of risks between public and private parties, were shifting. Private

sponsors started putting more emphasis on risk mitigation strategies. To take advantage of private sponsors' renewed interest in infrastructure projects, governments need to create risk sharing arrangements that attract private operators while also benefiting governments, taxpayers, and users.

Schur, M.; Klaudy, S.; Pushak, N.; Sanghi, A. and Dellacha, G. (2008) *The Role of Developing Country Firms in Infrastructure: New Data Confirm the Emergence of a New Class of Investors*, Washington DC: World Bank. Available at: https://openknowledge.worldbank.org/handle/10986/10605

Developing country investors have emerged as a major source of investment finance for infrastructure projects with private participation. This update of the article in 2006 shows that, indeed, during 1998–2006 these investors accounted for more of this finance in South Asia and East Asia and Pacific, and for more in transport across developing regions than did investors from developed countries. Even though the policy implications are not yet fully clear for policymakers, this development suggests a need to rethink the criteria used in selecting investors in schemes for private participation, which have been biased toward large international operators.

Schwartz, J. and Halkyard, P. (2006) *Post-Conflict Infrastructure: Trends in Aid and Investment Flows*, Washington DC: World Bank. Available at: https://openknowledge.worldbank.org/handle/10986/11187

As war and civil strife subside, can governments turn to the private sector to restore basic services? Post-conflict countries suffer from disproportionately low levels of private investment in infrastructure, with only small-scale service providers likely to emerge during, and right after conflict. Larger investors are slow to enter, and when they do, they focus almost exclusively on the easily secured, and most profitable sub-sectors. Yet, some countries have been able to couple aggressive reform and liberalised policies to attract infrastructure investments soon after conflict abates. What does their experience tell us? This Note summarises an analysis from a companion paper, and explores policy options for post-conflict countries seeking to attract private investment in infrastructure.

Case Studies

Csizmadia, M.; Ehrlich E. and Pártos, G. (1984) 'The Effects of Recession on Infrastructure', *Acta Oeconomica* 32.3/4: 317–342.

Not for free access

The article reports on the latest research on infrastructure based on international comparison and publishes the numerical results of the international comparison of relative levels from 1965 up to the end of the last decade. In addition to describing the relative infrastructural development of the countries examined, the authors emphasise the roles of infrastructural investments and labour as determining factors. The economic policy background of the development of infrastructure is also presented. Relying on the lessons of the investigation, the most important conclusions for the future of infrastructural development in Hungary are summarised.

Hoch, R. (1975) 'Choices in Planning for Social Infrastructure and Consumption', *Acta Oeconomica* 15.3/4: 329–341.

Not for free access

The choice between the development of social infrastructure and personal consumption is one of the basic dilemmas of long-term national economic planning, and within it, of planning the standard of living. The author examines the factors limiting and influencing this choice on the basis of the Hungarian situation where certain sectors of the infrastructure are lagging

behind the general development level of the country. The article is based on a paper read at the Nice conference of I.I.P.F. in September 1975.

2.2.2 Agriculture

Songwe, V. and Deininger, K. (2009) *Foreign Investment in Agricultural Production: Opportunities and Challenges*, Washington DC: World Bank. Available at: https://openknowledge.worldbank.org/handle/10986/9501

The recent surge in food and fuel prices has prompted countries with high dependence on food imports to try and lock in future food supplies through direct investment in agricultural production in other countries. The price surges also led to a wave of proposals to invest in biofuels investments in agricultural land. While such investment can provide large benefits, it also carries considerable risks both to investors and citizens in the locality of the investment. To ensure that investments provide broad benefits and effectively contribute to larger development outcomes, enforceable property rights and contractual agreements in many developing countries need to be strengthened. This note considers how development partners can help countries create the pre-conditions for investment and proposes a governance framework to establish minimum standards for it.

Sahan E. and Mikhail, M. (2012) *Private Investment in Agriculture: Why it's Essential, and What's Needed*, Oxfam Discussion Paper.

Massive investment in agriculture is desperately needed to help fix the broken food system. Private sector investment can play a vital role in delivering inclusive economic growth, environmental sustainability and poverty reduction. However, in order to do so, it must be adequately regulated and should adhere to some key principles, such as focusing on local food markets, working with producer organisations and respecting the rights of small-scale producers, workers and communities.

Kelly, V.; Adesina, A. and Gordon, A. (2003) 'Expanding access to agricultural inputs in Africa: A Review of Recent Market Development Experience', *Food Policy* 28:379–404.

Not for free access

This paper asks: what can be done to expand input use in Africa? And, Can it be done in a manner that supports continued growth of private sector input markets? The precarious food security situation in many African countries has prompted governments and donors to use input distribution or credit programmes as a means of rapidly increasing food supply for the poor. These efforts, however, often reduce the ability of input market development programmes to stimulate commercial interest in input supply. Rather than continuing to invest resources in programmes to provide inputs or credit directly to farmers, governments (with donor assistance) should consider shifting their focus to the serious deficiencies in the provision of public goods and improved institutions. Improvements in these areas can both lower costs of supply and increase farm-level demand, creating a situation where the private sector will have greater incentives to expand input distribution networks to zones and farmers who currently do not have access.

Henson, S. (2011) 'Private Agri-Food Governance: Conclusions, Observations and Provocations', *Agriculture and Human Values* 28: 443–451.

Not for free access

This paper concludes the special issue of Agriculture and Human Values devoted to private governance of global agri-food systems. Rather than aiming to summarise the findings of the various papers that make up the issue, it highlights a number of cross-cutting issues relating to the increasing role of private governance. Key issues that are discussed include the

legitimacy of private governance of agri-food systems and the scope for trade-off between its various dimensions, private governance in a global context and the motivation for firms to engage in governance. Throughout, the major focus is on unresolved issues and on-going controversies with the intention of stimulating further research in this area.

Bonbright, D. and Power, J. (2010) 'Private Sector Metrics Contributions to Social Change: Customer Satisfaction Meets Agriculture Development', *IDS Bulletin* 41.6:65.

Not for free access

The ambitious current wave of agriculture development projects – public, private and public-private – expressly profess to break with 60 years of underperformance in support for smallholder agriculture in Africa and South Asia. These projects share with their discredited predecessors a supply-side approach that seeks to introduce something exogenous to improve agriculture outcomes. The introduced factors vary, including improved seeds to fertilisers to pest control and resource management to other agronomic techniques to supply chain efficiencies, improved production technologies, to better market access. The list goes on, driven by the technological ingenuity and commitment of highly educated agriculture specialists from the Global North. This article argues that these bold supply-side efforts run the risk of badly underperforming or even failing unless they build in real accountability to the intended beneficiaries – smallholder farmers – through systematic feedback loops.

Kremer, M. and Peterson Zwane, A. (2005) 'Encouraging Private Sector Research for Tropical Agriculture', *World Development* 33.1:87–105.

Not for free access

Agricultural needs in poor tropical countries differ significantly from those in temperate, rich countries. Yet little agricultural research is performed on products for the tropics. Private research is particularly concentrated in rich countries. This is a result of significant failures in the market for research and development (R&D), in particular, the difficulty of preventing the resale of seed in developing countries. To encourage private R&D in tropical agriculture, traditional funding of research may be usefully supplemented by a commitment to reward developers of specific new agricultural technologies. Rewards tied to adoption may be especially useful in increasing up-take. An illustration of how a commitment to reward developers of new agricultural technologies might work is provided.

Muir, J. (2005) 'Managing to Harvest? Perspectives on the Potential of Aquaculture', *Philosophical Transactions: Biological Sciences* 360.1453: 191–218.

Not for free access

Aquaculture has been one of the most rapid and technically innovative of food production sectors globally, with significant investment, scientific and technical development and production growth in many parts of the world over the past two decades. While this has had a significant effect on the global supply of aquatic food products and an important impact in rural and urban food supply and employment in many developing economies, growth and increasing internationalisation has not been without concern for natural resource use, environmental impact and social disruption. This review offers a contemporary perspective on the ways in which the sector might develop, its interactions with constraints and the strategies that may be required to ensure that future development is both positive and sustainable.

Saeed, N.; Hyder, K.; Ali, A. and Ahmad, E. (2006) 'The Impact of Public Investment on Private Investment: A Disaggregated Analysis', *The Pakistan Development Review* 45.4: 639–663.

Not for free access

In this paper, the Dynamic model is explored to analyse the behaviour of private and public investment. The overall picture along with the disaggregated analysis seems to be quite useful in concluding the debate about crowding-out of private investment due to increase in public investment. The dynamics of overall public investment, private investment, and GDP are explored along with the analysis of commodity-producing sectors (agriculture and manufacturing) of the economy. Structural unrestricted VAR model is estimated for probing the dynamics of public investment in private capital formation and economic growth for the period 1973–2006. Results from the agriculture sector support the crowding-in phenomenon where as manufacturing sector is characterised by the crowding-out phenomenon. Overall results do not in provide any significant conclusions.

Jayne, T.S.; Govereh, J.; Mwanaumo, A.; Nyoro, N.K. and Chapoto, A. (2002) 'False Promise or False Premise? The Experience of Food and Input Market Reform in Eastern and Southern Africa', *World Development* 30.11: 1967–1985.

Not for free access

The literature on the effects of agricultural market reform in Africa is sharply divided and inconsistent. This article attempts to reconcile opposing viewpoints on the effects of food and input market policy reform in eastern and southern Africa. Drawing from studies of Ethiopia, Kenya, Malawi, Zambia, and Zimbabwe, it argues that a major source of the controversy stems from assumptions that countries have actually moved to a liberalised market environment. A framework is developed for explaining why some countries have been able to liberalise their food and fertiliser markets while others have not. These findings have implications for how donor assistance and policy-oriented research can more constructively contribute to an improved policy environment.

Suleman, A. (2010) 'Fostering FDI in the Agriculture Sector', *The Pakistan Development Review* 48.4: 821–838.

Not for free access

Given the relative importance of the agriculture sector in many countries including Pakistan, at the core of any sustainable development and poverty reduction strategy is the development of agriculture. The 2008 food crisis triggered renewed interest in the agriculture sector when food security was threatened in several countries, and civil unrest emerged in others. Although there is potential to exploit underutilised agricultural land, the extent of FDI in the agriculture sector is constrained by many factors. In this regard, development partners have an important catalytic role to play to ensure 'win-win' outcomes that will jumpstart inclusive growth in countries that exhibit potential. The paper contends that unless the enabling environment in countries is as good as elsewhere in the world, the opportunity to attract FDI into the agriculture sector will be lost.

Independent Evaluation Group (2011) *Growth and Productivity in Agriculture and Agribusiness: Evaluative Lessons from World Bank Group Experience*, Washington DC: World Bank. Available at:
https://openknowledge.worldbank.org/handle/10986/2279

Greater effort will be needed to connect sectoral interventions and achieve synergies from public and private sector interventions; to build capacity and knowledge exchange; to take stock of experience in rain-fed agriculture; to ensure attention to financial sustainability and to cross-cutting issues of gender, environmental, and social impacts and climate; and to

better integrate the World Bank Group support at the global and regional levels with that at the country level. This evaluation uses the typology of economies developed by the *Agriculture for Development: World Development Report 2008* as one classification in its analysis. In the agriculture-based category, which includes most of Sub-Saharan Africa, development of the agriculture sector is essential to growth and poverty reduction, yet productivity is low, constrained by limited access to modern inputs, irrigation, communication, and transport.

Foresight (2011) *The Future of Food and Farming: Challenges and Choices for Global Sustainability*, London: The Government Office for Science.

Not for free access

The Project highlights how the global food system is consuming the world's natural resources at an unsustainable rate; failing the very poorest, with almost one billion of the least advantaged and most vulnerable people still suffering from hunger and malnutrition. Land, the sea and the actions of food producers not only provide the raw materials to the global food system and deliver a range of crucial environmental services, but are in themselves a source of economic growth in the developed and developing world. The evidence presented in this Report highlights the vulnerability of the global food system to climate change and other global threats and emphasises the need to build in greater resilience to future food price shocks. In doing so this Report makes a strong case for governments, the private sector and civil society to continue to prioritise global food security, sustainable agricultural production and fisheries, reform of trade and subsidy, waste reduction and sustainable consumption.

Case Studies

Wanmali, S. and Islam, Y. (1997) 'Rural Infrastructure and Agricultural Development in Southern Africa: A Centre-Periphery Perspective', The Geographical Journal 163.3: 259–269.

Not for free access

This paper discusses the provision of rural infrastructure in Southern Africa by drawing on two case studies from Zimbabwe and Zambia. It takes the centre-periphery model of regional development as a point of departure for explaining the differences between communal or smallholder African farming areas and large-scale commercial European farming areas in both countries. It observes that the imbalances noted in rural infrastructure provision between different regions are a function of colonial modes of production, agro-ecological endowments and levels of agricultural development. It finds strong similarities in these aspects between the two countries. The importance of developing peripheral agricultural areas, largely the domain of smallholder farmers, is discussed in the context of overall regional development.

Mabbs-Zeno, C. (1987) 'Will Foreign Investment Revive Nigerian Agriculture?' *Agribusiness* 3.1: 111–120.

Not for free access

The Nigerian government responded after 1980 to decreased access to foreign exchange with policies to attract private domestic and foreign investment to its agricultural sector. The abolition of commodity boards and of state farms in 1986 signalled a break with past approaches to agricultural development, but the ineffectiveness of these institutions raises doubt about whether their loss will bring much change. The strongest incentives for increased investment in agriculture will come from currency devaluation and from severe limitations on food imports, raising domestic prices. The eventual response of agricultural production depends on how vigorously the government pursues this new direction in policy,

but there are indicators in the policies already that the benefits of private investment will not be widely shared.

Byerlee D. and Halter, A.N. (1974) 'A Macro-Economic Model for Agricultural Sector Analysis', ***American Journal of Agricultural Economics*** **56.3 520–533.**

Not for free access

Agricultural sector analyses for purposes of agricultural policy evaluation and planning in developing countries are generally conducted in a partial equilibrium framework without regard to agricultural–nonagricultural interactions. A relatively simple simulation model built on an input-output framework is developed which, in combination with an agricultural sector analysis, enables interactions in the product markets and labour market to be considered. The model is illustrated through linkage with an agricultural simulation model to evaluate alternative agricultural policies in Nigeria. The model also has potential for use with other formal and informal sector analysis techniques.

2.2.3 Manufacturing

Bigsten, A.; Collier, P.; Dercon, S.; Gauthier, B.; Gunning, J.; Isaksson, J.; Oduro, A.; Oostendorp, R.; Pattilo, C.; Soederbom, M.; Sylvain, M.; Teal, F. and Zeufack, A. (1999) 'Investment in Africa's Manufacturing Sector: A Four Country Panel Data Analysis', ***Oxford Bulletin of Economics and Statistics*** **61.4.**

Not for free access

This paper investigates manufacturing investment in four African countries the Cameroon, Ghana, Kenya and Zimbabwe in which Financial markets have been heavily controlled. It describes the macro-economic policy environments in the four countries, the data on which the results are based is described and alterative specifications for the investment function are set out, to finally provide a comparative review of the findings in this paper for Africa and those for other countries.

Bennell, P. (1995) 'British manufacturing investment in Sub - Saharan Africa: Corporate Responses During Structural Adjustment', ***The Journal of Development Studies*** **32.2: 195–217.**

Not for free access

A recently completed survey of British manufacturing investment in 14 Anglophone African countries indicates that there has been major disinvestment during the last five years. This process of corporate disengagement is occurring despite concerted attempts by African governments to improve the overall investment climate for both national and foreign investors. The article analyses the pattern of disinvestment by country and industrial sector and considers some of the key causal factors.

Acquaah, M. (2005) 'Enterprise Ownership, Market Competition and Manufacturing Priorities in a Sub-Saharan African Emerging Economy: Evidence from Ghana', ***Journal of Management and Governance*** **9: 205–235.**

Not for free access

The economic liberalisation policies being implemented by many African economies have led to significant efficiency and performance improvements in the activities of privately owned enterprises. This study examines the effect of the economic liberalisation policies on the entrepreneurial development of domestic-owned enterprises. This is done by examining how the type of enterprise ownership and the increase in competition affect the manufacturing priorities of privately owned enterprises in Ghana. The results show that the enhancement in manufacturing efficiency and quality improvement in privately owned enterprises could be

traced to the activities of foreign–domestic joint venture enterprises. However, as market competition increases, wholly domestic-owned enterprises emphasise manufacturing efficiency and quality improvement more that foreign–domestic joint venture enterprises.

Case Studies

Moore, M. (1993) 'Determinants of German Manufacturing Direct Investment: 1980–1988', *Weltwirtschaftliches Archiv* 129.1: 120–138.

Not for free access

This paper examines what economic variables best explain the pattern of German foreign direct investment in five manufacturing sectors for the period 1980 through 1988. The statistical model also yields estimates of country-specific fixed effects. The results indicate that host-country size and labour costs may help explain German FDI. The data also suggest that substantial differences among the five sectors exist. The results indicate that geographical proximity to Germany may help systematically in attracting investment.

Devarajan, S.; Easterly, W. and Pack, H. (2003) 'Low Investment Is Not the Constraint on African Development', *Economic Development and Cultural Change* 51.3: 547–571.

Not for free access

Analysts of Sub-Saharan Africa's dismal growth performance over the post-Independence period often note than investment was significantly lower in Africa than in other regions during this period. This article analyses the productivity of economy-wide investment across countries and tries to obtain some insight into the underlying process generating the aggregate results through a case study of the evolution of the manufacturing sector in Tanzania. The claim that Africa's growth performance results from low investment rates is analysed. The cross-country evidence suggests that there is not direct relationship. A positive and significant coefficient on private investment is driven by the presence of Botswana in the sample – omitting Botswana eliminates the finding.

Ndikumana, L. (2008) 'Can Macroeconomic Policy Stimulate Private Investment in South Africa? New Insights from Aggregate and Manufacturing Sector-Level Evidence', *Journal of International Development* 20: 869–887.

Not for free access

This study explores the determinants of investment using both aggregated industry-level data and disaggretated data on 27 sub-sectors of the manufacturing sector for the period 1970–2001. According to the results in this study, the government has potentially powerful means at its disposal to stimulate private investment. In particular, a domestic demand stimulus and public investment expansion will produce large gains in private investment. While the direct effects of lowering the interest rate appear to be quantitatively small, indirect effects operating notably through domestic demand and cheaper credit are likely to be large. The evidence in this study also indicates that it is important to minimise exchange rate instability to encourage investment.

Dembla, P. (2000) 'Production in the Indian Manufacturing Sector: A Panel Data Analysis', *Indian Economic Review* 35.1: 41–65.

Not for free access

In the literature two approaches have been followed in the estimation of production relations – estimation of the conventional production function and estimation of the so-called augmented production function. This paper estimates both kinds of production relations using the more flexible translog functional form for the registered manufacturing sector as a whole as well as for each use-based sector (i.e. consumer goods, intermediate goods, capital

goods and basic goods) using panel data for the period 1973–74 to 1995–96 and attempts to reconcile and compare the two approaches.

Ahmad, Q. K. (1978) 'The Manufacturing Sector of Bangladesh: An Overview', *The Bangladesh Development Studies* 6.4: 385–416.

Not for free access

The paper attempts to analyse the course of development in the manufacturing sector of Bangladesh over the past three decades. Two distinct time periods, viz, pre-liberation and post-liberation periods, are distinguished for the purpose of analysis. The paper identifies the basic philosophies behind the industrialisation strategies in the two periods and analyses the manner in which actual policies pursued have been shaped by these philosophies as well as the impact of these policies on the achievements and failures of this sector. Some policy suggestions are made with respect to certain major weaknesses of this sector being felt at present. The paper concludes with some observations on the kind of general socio-political changes that would be required in order to develop a viable manufacturing sector which will also be best equipped to serve the interests of the common people.

2.2.4 Climate Related

Zeng. K. and Eastin J. (2012) 'Do Developing Countries Invest Up? The Environmental Effects of Foreign Direct Investment from Less-Developed Countries', *World Development* 40.11: 2221–2233.

Not for free access

This paper examines the environmental effects of foreign direct investment (FDI) from less-developed countries (LDC). It hypothesises that rather than transferring poor home-country practices across borders, LDC FDI can increase the level of environmental stewardship of host-country firms. It contends that LDC firms find it increasing financially advantageous to signal to consumers, investors, and potential business partners their commitment to environmental protection by adopting sound environmental practices. Furthermore, this behaviour can create spillover effects to other host-country firms, leading these firms to also boost their environmental credentials. The paper's empirical findings lend support to these conjectures.

Mechler, R.; Hochrainer, S.; Pflug, G.; Lotsch, A. and Williges, K. (2010) *Assessing the Financial Vulnerability to Climate-Related Natural Hazards*, Washington DC: World Bank. Available at: https://openknowledge.worldbank.org/handle/10986/9048

There is increased concern about the rising costs from weather extremes. For financially vulnerable countries, there are three main implications: (i) efforts to reduce risk need to be seriously stepped up in order to reduce the serious human and financial burdens to the affected population, business and fiscal stance; (ii) there is a case for country risk aversion implying that disaster risks faced by some governments cannot be absorbed without major difficulty; (iii) without exception, all financially vulnerable countries due to their development status are very unlikely to be able to implement pre-disaster risk financing instruments themselves. In order to reduce their financial vulnerability by their own means, they require technical and financial assistance from the donor community.

Forsyth, T. (1999) 'Flexible Mechanisms of Climate Technology Transfer', *The Journal of Environment Development* 8: 238.

Not for free access

Despite the recent adoption of 'flexible' mechanisms for climate change mitigation, such as emissions trading and joint implementation, there has been little attention to the use of

flexibility specifically for international climate technology transfer. This article proposes new flexible mechanisms of technology transfer that allow Annex I countries to achieve greenhouse gas abatement targets, and supply industrial environmental technology to developing countries. The article also discusses how such mechanisms may be used in conjunction with the Clean Development Mechanism (CDM), which was created under the Kyoto Protocol to promote climate-related investment in non–Annex I countries. It is argued that current approaches to technology transfer repel private investors by focusing too closely on long-term technology sharing rather than the potential benefits of the globalisation of technology investment and ownership.

Le Menestre, M.; van den Hove, S. and de Bettignies H.C. (2002) 'Processes and Consequences in Business Ethical Dilemmas: The Oil Industry and Climate Change', *Journal of Business Ethic*s 41.3: 251–266.

Not for free access

This paper presents a model of rational behaviour by which we characterise business ethical dilemmas as trade-offs between processes and consequences. As an illustration, we formulate the oil industry's business ethical dilemma as a trade-off between a socially detrimental process (emitting greenhouse gases, hence inducing a risk of climate change) and a self-interested consequence (profits). The proposed framework allows us to specify two types of strategies, differing by whether priority is given to the consequences or to the processes. We analyse and illustrate these strategies at both the behavioural and the discursive levels. In particular, communication strategies raise questions about good faith in business argumentation, in the sense that business discourse may or may not be consistent with actual assumptions and/or actual behaviours. We conclude on possible drivers of more ethical business behaviour.

Kolk, A. and Pinkse, J. (2008) 'A Perspective on Multinational Enterprises and Climate Change: Learning from "An Inconvenient Truth"?', *Journal of International Business Studies*, 39.8: 1378.

Not for free access

This paper explores whether and how an important environmental issue such as climate change can not only give multinational enterprises the opportunity to develop 'green' firm-specific advantages (FSAs), but also help reconfigure key FSAs that are viewed as the main sources of firms' profitability, growth, and survival. We examine the nature and geography of such FSA development, and develop two organising frameworks, which are subsequently applied to climate change, using information from Global 500 firms. Implications and future directions for international business research are indicated.

Busch, T. and Hoffmann, V. (2009) 'Ecology-Driven Real Options: An Investment Framework for Incorporating Uncertainties in the Context of the Natural Environment', *Journal of Business Ethics* 90.2: 295–310.

Not for free access

The role of uncertainty within an organisation's environment features prominently in the business ethics and management literature, but how corporate investment decisions should proceed in the face of uncertainties relating to the natural environment is less discussed. From the perspective of ecological economics, the salience of ecology-induced issues challenges management to address new types of uncertainties. These pertain to constraints within the natural environment as well as to institutional action aimed at conserving the natural environment. We derive six areas of ecology-induced uncertainties and propose ecology-driven real options as a conceptual approach for systematically incorporating these uncertainties into strategic management.

Sandor, R.; Bettelheim, E. and Swingland I. (2002) 'An Overview of a Free-Market Approach to Climate Change and Conservation', *Philosophical Transactions: Mathematical, Physical and Engineering Sciences* 360. 1797: 1607–1620.

Not for free access

This paper describes the convergence of environmental and financial markets, reviews the evolution of market-based environmental programmes as an example of the seven-stage evolutionary process witnessed in a variety of markets and summarises the emergence of greenhouse-gas-mitigation markets and their potential role in advancing land stewardship, biodiversity and other environmental services. The market is now emerging through a variety of 'bottom-up' developments being undertaken through governmental, multilateral, private-sector and non-governmental-organisation initiatives. The extension of markets to other emerging environmental issues is now underway, and the linkages between environmental sustainability and capital markets are being more deeply understood. The early evidence indicates that environmental sustainability can be compatible with maximisation of shareholder value.

Elkington, J. (1994) 'Towards the Sustainable Corporation: Win-Win Business Strategies for Sustainable Development', *California Management Review* 36.2: 90–100.

This article traces the development of pressures on the private sector to improve its environmental performance, looking at ways in which companies can turn the environment game into one in which they, their customers, and the environment are all winners. It also explores the rapidly expanding area of corporate environmental reporting, including forms of environmental disclosure, target audiences, and leading exponents of the field.

Case Studies

Moreno, P. (2005) 'Ecotourism along the Meso-American Caribbean Reef: The Impacts of Foreign Investment', *Human Ecology* 33.2: 217–244.

Not for free access

Ecotourism has been heralded as a potential economic and environmental saviour in much of Latin America, though explosive foreign investment in ecotourism ventures raises questions about the validity of ecotourism as a tool of sustainable local development. This paper uses three case studies from coastal Belize and the Bay Islands of Honduras to illustrate the challenges that local communities face when attempting to derive ecotourism benefits. Whether these communities are poised to take advantage of foreign capital is largely dependent on their ability to direct the investment and establish control over their common property resources. This appears to require a marked cultural shift toward planning and politicisation.

World Bank (2009) *Building Response Strategies to Climate Change in Agricultural Systems in Latin America*, Washington DC: World Bank. Available at: https://openknowledge.worldbank.org/handle/10986/12473

This paper reports the results of action research to identify and prioritise stakeholder driven, locally relevant response options to climate change in Latin American agriculture. This methodology can be used by the Bank to support client countries in defining response strategies, designing related investment projects, and formulating policy changes.

2.2.5 Services

Mielnika, O. and Goldembergb, J. (2002) 'Foreign Direct Investment and Decoupling between Energy and Gross Domestic Product in Developing Countries', *Energy Policy* 30: 87–89.

Not for free access

On a sample of 20 developing countries, this paper noticed a clear decline in the energy intensity as foreign direct investment increases. It states that the reason for that probably is the use of modern technologies that came with foreign direct investment, i.e., a leapfrogging over the old fashioned traditional technologies in use in these countries.

Levin, A. and Kaddar, M. (2011) 'Role of the Private Sector in the Provision of Immunisation Services in Low- and Middle-Income Countries', *Health Policy and Planning* 26: i4–i12.

Not for free access

The authors conducted a literature review on the role of the private sector in low-and middle-income countries. The review indicated that relatively few studies have researched the role of the private sector in immunisation service delivery in these countries. The studies suggest that the private sector is playing different roles and functions according to economic development levels, the governance structure and the general presence of the private sector in the health sector.

Sulzbach, S.; De, S. and Wang, W. (2011) 'The Private Sector Role in HIV/AIDS in the Context of an Expanded Global Response: Expenditure Trends in Five Sub-Saharan African Countries', *Health Policy and Planning* 26: i72–i84.

Not for free access

Global financing for the HIV response has reached unprecedented levels in recent years. Over US$10 billion were mobilised in 2007, an effort credited with saving the lives of millions of people living with HIV (PLHIV). A relatively unexamined aspect of the global HIV response is the role of the private sector in financing HIV/AIDS services. This paper examines trends in private sector financing, management and resource consumption related to HIV/AIDS in five Sub-Saharan African countries, with a particular emphasis on the effects of recently scaled-up donor funding on private sector contributions. This paper analyses National Health Accounts HIV/AIDS subaccount data for Kenya, Malawi, Rwanda, Tanzania and Zambia between 2002 and 2006.

Outreville, J.F. (2006) 'Foreign Direct Investment in the Health Care Sector and Most-Favoured Locations in Developing Countries', *The European Journal of Health Economics* 8.4: 305.

Not for free access

Given the growing importance of the health care sector and the significant development of trade in health services, foreign direct investment (FDI) in this sector has gathered momentum with the General Agreement on Trade in Services. The objective of the paper is to identify some of the determinants of foreign investment of the largest MNCs operating in this industry. The list of the largest MNCs has been compiled using company websites and data is available for 41 developing economies for which at least two MNCs have an office (branch and/or affiliate). The results of this study have some important implications. They indicate that location-specific advantages of host countries, including good governance, do provide an explication of the internationalisation of firms in some developing countries rather than others.

Deb, K. (200) 'Private Investment and Policy Developments in Transport Sector', *Economic and Political Weekly* 35.15:1277–1282.

Not for free access

Liberalisation has led to the state withdrawing gradually from several infrastructure sectors even as it has pushed up the requirements of capital for economic development. This has boosted the importance of private-sector investment, especially in infrastructure development. This paper reviews policy developments in the transport sector in this new environment.

3. Leveraging Private Sector Finance for Development (structuring private financial instruments and markets to finance development goals)

In the aim of encouraging companies to adopt inclusive business models that include access to finance to poor people and promote conditions to strengthen developing countries' financial sectors, 'Innovative finance' has emerged as a broad agenda to describe new thinking on the sources of private sector finance (Lui, Byers and Van Seters 2012).

This chapter attempts to look at the key phenomena to organise and understand 'innovative' or alternative sources of financial solutions for development. These include: public guarantees; blended finance; co-investing; special purpose bonds (e.g. development impact); and tax breaks (e.g. for social venture capital). Moreover, this section examines trends in development finance flows and an assessment of the implications of this new financing landscape (Greenhill and Prizzon 2012).

3.1 Innovative Finance Mechanisms

Greenhill, R. and Prizzon, A. (2012) 'Who Foots the Bill after 2015? What New Trends in Development Finance Mean for the Post-MDGs', Working Paper 360. London: ODI.

This paper examines trends in development finance flows and their implications for efforts to reach agreement on a post-2015 framework. Traditional ODA is under pressure. Actors in development finance are mushrooming, including non-Development Assistance Committee (DAC) donors, philanthropists and providers of climate finance. The aim of this paper is to assess the implications of this new financing landscape for the post-2015 negotiations.

Ratha, D.; Mohapatra, S. and Plaza, S. (2008) 'Beyond Aid: New Sources and Innovative Mechanisms for Financing Development in Sub-Saharan Africa', World Bank Policy Research Working Paper Series, Vol. 4609.

Given Africa's enormous resource needs for growth, poverty reduction, and other Millennium Goals, the development community has little choice but to continue to explore new sourcing of financing, innovative private-to-private sector solutions, and public-private partnerships to mobilise additional international financing. This paper suggests several new instruments for improving access to capital.

DFID (2011) 'The Engine of Development: The Private Sector and Prosperity for Poor People', London: Department for International Development (DFID).

This paper describes the DFID approach to using the private sector to generate opportunity and prosperity for poor people in developing countries. The aim is to encourage companies to adopt inclusive business models, give access to finance to poor people, help countries reform and strengthen their financial sectors, and address funding gaps for small and medium enterprises (among others).

Lui, D.; Byiers, B. and van Seters, J. (2012) 'Rethinking Aid for Trade in the Context of Innovative Financing', European Centre for Development Policy Management Discussion Paper No. 127, May 2012.

This study seeks to examine the policy implications of the increasing shift towards 'innovative' forms of development finance in comparison with more 'traditional' forms of aid, focusing particularly on the Aid for Trade (AfT) initiative. More recently, 'innovative finance' has emerged as a broad agenda to describe new thinking on the sources of aid financing, innovative mechanisms to deliver existing aid, and new ways to leverage other sources of finance for development (such as private sector finance). The paper provides some emerging examples of where either private finance has been combined with public aid, where partnership models have been attempted, or where a private sector approach has been adopted

Brixiova, Z.; Mutambatsere, E.; Ambert, C. and Etienne, D. (2011) 'Closing Africa's Infrastructure Gap: Innovative Financing and Risks', African Development Bank ECON Brief, 2(1).

Accelerating Africa's growth hinges on closing its vast infrastructure gap, which will require innovative financing. The innovative financing sources for infrastructure that have emerged across Africa so far include local and foreign currency bonds, private equity, sovereign wealth funds, and last but not least emerging South partners. The substantial financial needs present will require that countries increasingly rely on innovative financing. They are also an opportunity for private investors and emerging partners to benefit from Africa's growth take-off, provided that the overall financing arrangements meet debt sustainability criteria.

Girishankar, N. (2009) 'Innovating Development Finance: From Financing Sources to Financial Solutions', The World Bank Policy Research Working Paper Series, Vol. 5111.

This paper offers a framework to organise and understand 'innovative' or alternative sources of financial solutions for development. It also provides, for the first time, a stocktaking of actual innovations that make up the international landscape and highlights the World Bank Group's role to date. The stocktaking shows that innovative finance mechanisms have played a more significant role in supporting financial solutions on the ground than in identifying and exploiting 'alternative sources of ODA'.

3.2 Blended Finance

Gavas, M.; Geddes, M.; Massa, I. and te Velde, D. W. (2011) 'Aid for Trade and Blended Finance', London: Overseas Development Institute (ODI).

This submission focuses on an under-emphasised, yet increasingly important, aspect of Aid for Trade, which is how to blend resources for infrastructure. If developing countries want to attract significant financial resources for Aid for Trade, e.g. to cover their infrastructure needs, they and donors need to think outside the traditional Aid for Trade box and consider how grants can leverage in other resources (e.g. loans or private finance) and provide a bundle of blended Aid for Trade finance. This paper reviews three ODI-led studies relevant for blended finance for Aid for Trade.

Buiter, W. H. and Schankerman, E. M. (2002) 'Blended Finance and Subsidies: An Economic Analysis of the Use of Grants and Other Subsidies in Project', European Bank for Reconstruction and Development.

The paper provides an economic analysis of the appropriate use of subsidies, including technical cooperation (TC) funds, in projects financed by multilateral development banks

(MDBs). Special attention is paid to the European Bank for Reconstruction and Development, whose projects are mostly in the private sector. We show that there is an economic cost to TC funds and how it can be measured in practice, and we analyse how blended finance (involving project finance and technical cooperation funds or other subsidies) should be treated in order to comply with sound banking principles and transition impact objectives.

3.3 Leveraging Private Finance

Dalleau, M. (2012) 'Unlocking Private Finance for Africa's Infrastructure Development: Tips and Traps', *GREAT Insights*, Volume 1, Issue 3. Available at: http://www.ecdpm.org/GREAT

Addressing Africa's infrastructure deficit has gradually become a national, regional and continental priority. Private sector involvement (PSI) – in the form of foreign direct investment, portfolio investment, private equity, private infrastructure funds, Public-Private-Partnerships (PPPs), etc. – could help finance infrastructure development, releasing public debt pressures on African governments already engaged in arduous efforts to mobilise more domestic public resources. The challenge is to transform these opportunities into concrete deliverables for equitable, inclusive and sustainable development throughout the continent and avoid the technical and political traps that may lie down the road. This paper reviews six of these challenges.

Delmon, J. (2007) 'Mobilizing private finance with IBRD/IDA guarantees to bridge the infrastructure funding gap', Washington DC: World Bank.

Despite increasing private investments, public funding still accounts for the largest share of infrastructure finance in developing countries. Public funding is not sufficient, though, to close the gap between infrastructure needs and available funds. The World Bank is improving its products and revising its business processes in order to mobilise more private capital and close the funding gaps that impede so many developing economies. Experience has demonstrated that the best way to attract more private capital into infrastructure is to provide a sustainable and credible policy and regulatory framework.

3.4 The Role of the Public Sector in Unlocking Private Finance

Brown, J. and Jacobs, M. (2011) 'Leveraging Private Investment: The Role of Public Sector Climate Finance', Overseas Development Institute (ODI), Background Note, April 2011.

This Background Note focuses on how public finance and risk mitigation instruments can remove the barriers to private sector investment and thereby leverage significant amounts of private capital for climate change mitigation. It discusses available options and makes some further proposals on how public sector financial institutions can further engage with this critical issue.

Spratt, S. and Collins, L. R. (2012) 'Development Finance Institutions and Infrastructure: A Systematic Review of Evidence for Development Additionality', Private Infrastructure Development Group Trust.

A systematic review that address the role of development finance institutions and their needs to increase private investment in low-income countries, specifically for infrastructure. The review includes challenges for mobilising private finance, additionalities, risk-return ratios, how DFI can leverage private finance, and types of finance from the private sector.

3.5 Public Guarantee

Neuhoff, K.; Fankhauser, S.; Guerin, E.; Hourcade, J.; Jackson H.; Rajan, R. And Ward, J. (2010) 'Structuring International Financial Support for Climate Change Mitigation in Developing Countries', German Institute for Economic Research, Discussion paper No. 976.

In the Copenhagen Accord of December 2009, developed countries agreed to provide start-up finance for adaptation in developing countries and expressed the ambition to scale this up to $100 billion per year by 2020. The financial mechanisms to deliver this support have to be tailored to country and sector specific needs so as to enable domestic policy processes and self sustaining business models, and to limit policy risk exposure for investors while complying with budgetary constraints in OECD countries. This paper structures the available financial mechanisms according to the needs they can address, and reports on experience with their application in bilateral and multilateral settings

Case Studies

Infrastructure

Private Infrastructure Development Group (PIDG)

The Private Infrastructure Development Group (PIDG) mobilises private sector investment to assist developing countries in providing infrastructure vital to boosting their economic growth, and combating poverty. Donors have helped African organisations of various kinds set up their own infrastructure project preparation facilities, in part as a way of attracting private investors. One example is the Private Infrastructure Development Group, which is a multidonor, member managed organisation that encourages private infrastructure investment in developing countries.

EU-Africa Infrastructure Trust Fund (ITF) – an example of 'blending', see Lui, D.; Byiers, B. and van Seters, J. (2012) 'Rethinking Aid for Trade in the Context of Innovative Financing', European Centre for Development Policy Management (SCDPM) Discussion Paper No. 127, p. 14).

The EU-Africa Infrastructure Trust Fund combines its own grants with non-concessional loans from the development banks of EU member states for regional infrastructure projects in Africa, with African governments also playing a project role in the selection process. For the most part, the grant element has been applied as either technical assistance or an interest rate subsidy.

Dalton, G. (2001) 'Private Sector Finance for Water Sector Infrastructure: What does Cochabamba tell us about using this instrument?', Occasional Paper, No. 37.

The potential for private sector finance to facilitate the development of water infrastructure in LDCs is immense. The case of the failure of privatisation in Cochabamba, Bolivia, however, raises the concern that the cost of engaging private finance is excessively high for water users and therefore the potential for its use may be limited. This study argues that the case of Cochabamba does not substantiate this concern. By considering factors that led to failure of this privatisation, it is argued that the use of private finance was unsuccessful due to flaws in its implementation. These flaws prevented private sector finance from being used either efficiently or sustainably thus its potential benefits were not realised. The case of Cochabamba therefore tells that unless institutions are in place that can implement privatisation effectively, private financing of infrastructure is not an option.

Agriculture

Grow Africa Agricultural Investment Forum, see Lui, D.; Byiers, B. and van Seters, J. (2012) 'Rethinking Aid for Trade in the Context of Innovative Financing', European Centre for Development Policy Management (SCDPM) Discussion Paper No. 127, p. 12.

In November 2011 the first Grow Africa Agricultural Investment Forum was held in Dar-es-Salaam, Tanzania with the theme of 'Scaling up Public-Private Collaboration for the Transformation of African Agriculture'. The aim of the event was to 'expand partnerships, integrate best practice and catalyse investment' within 'a new paradigm of public-private collaboration for transforming African Agriculture'. This is a multi-country initiative that seeks investments from the private section that include infrastructure finance and insurance provision, warehousing and logical infrastructure, identify target investors such as private equity investors, food and beverage and agribusiness companies.

Health

International Finance Facility for Immunization (IFFIm), see Severino, J. And Ray, O. (2009) 'The End of ODA: Death and Rebirth of a Global Public Policy', Centre for Global Development, Working Paper No. 167, p. 10.

The International Finance Facility for Immunization (IFFIm) initiative, launched in 2005, consists in issuing bonds backed by legally-binding 10 to 20 year donor government commitments. By frontloading long-term aid flows, this resource-mobilisation instrument aims to both lock in precious resources over a given period of time and achieve a critical mass of funding to allow for quick progress towards the MDGs. The 2006 bond launch raised US$ 1 billion. IFFIm aims to raise four times as much on capital markets over the next 10 years – enough to support the immunisation of half a billion children..

Airline Solidarity Contribution, see Severino, J. And Ray, O. (2009) 'The End of ODA: Death and Rebirth of a Global Public Policy', Centre for Global Development, Working Paper No. 167, p. 11.

The airline solidarity contribution, in effect in several countries, is estimated to generate 22 million euros annually, and it is ultimately expected to raise up to ten times this amount. UNITAID, a specialised fund dedicated to bringing down the cost of drugs in developing countries, is partially funded by this airplane tax. But its promoters are appraising an additional concept to provide resources to a mechanism that needs stable and more predictable funding: collecting very small amounts of money from the vast number of air travellers worldwide, on a strictly voluntary basis. Such a scheme would be a breakthrough in three respects: first the donation would not solely be based on developed country donors; second its stability in time would not be based on binding contributions, but rather on an anticipated stable or increasing level of goodwill from the general public; thirdly internet and automatic payment mechanisms would manage the system – thereby minimising collection costs. Because these initiatives respond to an emerging need for additional and predictable resources, instrumental innovation is likely to tread further down this highly promising path toward financing recurrence.

Climate Change

Payments for environmental services (PES), see Severino, J. And Ray, O. (2009) 'The End of ODA: Death and Rebirth of a Global Public Policy', Centre for Global Development, Working Paper No. 167, p. 11.

'Payments for environmental services' (PES) require for consumers of a given public good to compensate for some of the costs borne by those in charge of producing or preserving it.

Typically, downstream users of water cleansed by an upstream forest can pay those who manage this forest to ensure a sustainable flow of this service into the future. Such schemes are operational locally in different areas of the world, on a variety of environmental services. We can envisage that tomorrow similar instruments will cater for the provision of global environmental services, such as the preservation of rainforests by countries like Congo, Indonesia or Brazil. We could also cite the 'Clean Development Mechanism' (CDM), a global arrangement under the Kyoto Protocol which provides resources to developing countries by allowing industrialised countries or their businesses with greenhouse gas reduction commitments to invest in projects that reduce emissions in developing countries as an alternative to more expensive emission reductions in their own countries. Budget support, thematic trust funds and programmes, PES' and the CDM are just a few of the new tools that have been designed to finance long-term, recurrent collaborative efforts between industrialised and developing nations. Similarly to the resource mobilisation side, it is likely that most of these products will continue to coexist and form part of this emerging global public policy

PPP example – Danone Communities, see Severino, J. And Ray, O. (2009) 'The End of ODA: Death and Rebirth of a Global Public Policy', Centre for Global Development, Working Paper No. 167, p. 12.

The creation of investment funds that combine the expertise of development actors, the resources of private investors and the public guarantee of philanthropic or public donors also enable to channel precious resources to under-funded areas or activities. For instance, the Agence Française de Développement (AFD), the bank Crédit Agricole (CA) bank and Danone have teamed up to establish an investment fund ('Danone Communities') that taps into mainstream financial markets to invest in programmes with high social impact. This first common experience has led AFD and CA to launch a large fund for the general public that will guarantee the investors revenue, liquidity and security standards equal to those of any highly secure financial vehicles – but which will partly be invested in development projects. In the aftermath of the 2007/2008 global food crisis, specialised investment funds are also being devised to incite sovereign investors to finance agricultural production in Africa. The long-term yields of international financial institutions based on such business models confirm that the conceptual distinction between 'for-profit' and solely 'for solidarity' activities is largely artificial. Not only can high development impact activities be profitable (or, said differently, can profitable activities have high development impact). But reaching the necessary scale of results in the fight against poverty, climate change or the rampant food crisis will require using the considerable firepower of the private sector.

Countercycle loans, see Severino, J. And Ray, O. (2009) 'The End of ODA: Death and Rebirth of a Global Public Policy', Centre for Global Development, Working Paper No. 167, p. 13.

Countercyclical loans, whose repayments are conditioned on a country's export revenues remaining above an agreed level, have been developed to continue important lending activities to economically viable initiatives while protecting recipient countries from the effects of sudden collapses of their terms of trade. The scaling up of such countercyclical instruments is another likely and welcome evolution in financing economic growth as development finance continues to harness market instruments for development purposes.

4. Influencing Private Sector Strategies for Development

In view of a range of social, environmental and ethical challenges that highlight the limits of 'business as usual', this chapter looks at the ways in which the poor can be seen not only as consumers, but as a producers that international investors can buy from (Karnani 2007).

The following chapter provides a range of proposals to influence the Private Sector's strategies for development, which include going beyond corporate social reasonability (CSR) and moving to 'global responsibility', Making Markets for the Poor (M4P), Public-Private Partnerships (PPPs), 'Inclusive Business' and value chains, Bottom of the Pyramid and Institutional Voids. Finally, it draws on current challenges and case studies.

4.1 Beyond CSR and 'good behaviour'

Antal, A.B. and Sobczak, A. (2005) *Beyond CSR: Organisational Learning for Global Responsibility*, Wissenschaftszentrum Berlin für Sozialforschung (WZB), Discussion paper, No. SP III 2004–112.

This contribution argues that it is time to move beyond corporate social responsibility (CSR) to 'global responsibility'. Global responsibility reframes the way issues are defined and the paths along which solutions may be found. These cases show how organisations are combining various types of learning and using physical and virtual learning spaces to generate knowledge for action. The paper discusses how to increase the number of organisations engaging in such global responsibility and how to speed up their learning. Lessons are drawn from experiences with the diffusion of voluntary and mandatory approaches to corporate social reporting over the past forty years.

Birch, D. (2004) 'Corporate Social Responsibility: Some Key Theoretical Issues and Concepts for New Ways of Doing Business', in S. Reddy (ed) *Corporate Social Responsibility: Contemporary Insights*, Hyberabad, India: ICFAI University Press, pp. 24–53.

This paper brings together some of the main scholarly sources and thinkers of the last fifty years or so, who have been influential in the corporate social responsibility discussions.

Doane, D. (2005) 'Beyond Corporate Social Responsibility: Minnows, Mammoths and Markets', *Futures* 37:215–229.

The myths of CSR include that voluntary reporting improves performance; that codes and management systems change corporate behaviour; the consumer will drive change and that the investment community will provide the best incentive for business to perform in a more sustainable manner. Re-envisioning ethical business requires us to look at opportunities below the radar screen: not at minimising the impacts of big business. Understanding and providing the institutions to support the 'ethical minnows': those business that operate on a sustainable platform and provide a social return on investment, beyond mere financial profit.

Waddock, S. and McIntosh, M. (2009) 'Beyond Corporate Responsibility: Implications for Management Development', *Business and Society Review* 114: 295–325.
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A review of how leadership and management can shift the purpose of the firm to encompass not just shareholder needs, but also societal, stakeholder, and ecological needs and

interests. This article explore some of the ways in which these attributes might be engendered in future leaders, at least in those management development and education programmes interested in fostering a new wave of progressive leadership in management for the future.

Jenkins, R. (2005) 'Globalisation, Corporate Social Responsibility and poverty', *International Affairs* 81: 525–540.

Not for free access

This article describes the factors that have led to the recent emphasis on CSR by the official development agencies and questions whether CSR can in fact play the significant role in poverty reduction in developing countries.

4.2 Making Markets Work for the Poor (M4P)

Tschumi, P. and Hagen, H. (2008) 'A Synthesis of the Making Markets Work for the Poor (M4P) Approach', Berne: Swiss Agency for Development and Cooperation (SDC).

An introduction to 'Making Markets Work for the Poor' (M4P), its rationale, including evidence of impact and key features in implementation. It also presents its application in different fields including finance, agriculture, water, labour and climate change.

Elliott, D.; Gibson, A. and Hitchins, R. (2008) 'Making Markets Work for the Poor: Rationale and Practice', *Enterprise Development & Microfinance* 19.2: 101–119.

Not for free access

'Making Markets Work for the poor' (M4P) is a generic approach to developing market systems that benefit poor people. Interest in M4P is increasing but there are still many misconceptions over what it is and why it is important. This article sets out to address these issues. The positive experience of M4P in practice – and the results generated – are a strong argument for the approach. From an operational perspective, M4P presents a framework to define market systems, emphasises the facilitation role of agencies and offers guidance in each element of the implementation process. Although there are a number of caveats associated with it, M4P has considerable potential to bring about pro-poor systemic change.

Mayer-Stamer, J. and Wältring, F. (2007) 'Linking Value Chain Analysis and the "Making Markets Work Better for the Poor" Concept', Eschborn: GTZ.

Not for free access

This paper examines the idea of 'Making Markets Work for the Poor' (M4P) approach and the value chain, which at first appear to be incompatible. However, a closer look reveals that the M4P literature paints a differentiated picture of markets, which is informed by the analysis of real markets, particularly rural markets. At the same time, it is important not to merge the M4P and the value chain approaches, since this would compromise many of their respective strengths.

McKague, K. and Oliver, C. (2012) 'Enhanced Market Practices: Poverty Alleviation for Poor Producers in Developing Countries', *California Management Review*; me 55. 1: 98–129.

Not for free access

Interest in market-based solutions to reduce poverty has grown substantially in the last decade. However, missing from the core of the management conversation has been an adequate understanding of the poor as producers. Drawing on an in-depth study of market-based poverty alleviation initiatives for smallholder farmers by a nongovernmental

organisation in a least developed economy, this article explains how a non-state organisation can reduce poverty for poor producers and improve overall market functioning. It suggests that meaningful improvements in income can be explained by the enhancement of market practices that redistribute social control toward poor producers and reduce the constraining effects of market and governance failures.

4.3 Bottom of the Pyramid

Prahalad, C.K. and Hammond, A. (2002) 'Serving the World's Poor Profitably', *Harvard Business Review* 80 (9): 48–57.

Not for free access

Improving the lives of the billions of people at the bottom of the economic pyramid is a noble endeavour. It can also be a lucrative one. The willingness of big, multinational companies to enter and invest in the world's poorest markets is key. By stimulating commerce and development at the bottom of the economic pyramid, the lives of billions could be improved.

World Economic Forum (2009) 'The Next Billions: Unleashing Business Potential in Untapped Markets', Geneva, Switzerland: World Economic Forum.

The purpose of this report is to present innovative approaches through which companies across industries can tap into the BoP. It offers examples of successful approaches of the private sector serving both commercial and societal goals.

London, T. and Hart, S. (2004) 'Reinventing Strategies for Emerging Markets: Beyond the Transnational Model', *Journal of International Business Studies* 35, 350–370.

Not for free access

Multinational corporations (MNCs) have turned increasingly to emerging markets (EMs) in the developing world for business opportunities. A number of MNCs have launched new initiatives that explore the untapped market potential at the base of the economic pyramid. These strategies include developing relationships with non-traditional partners, co-inventing custom solutions, and building local capacity. Together, these successful strategies suggest the importance of MNCs developing a global capability.

Kolk, A.; Rivera-Santos, M. and Rufín, C. (forthcoming) ''Reviewing a Decade of Research on the "Base/Bottom of the Pyramid" (BOP) Concept', *Business & Society*.

Not for free access

In 1998–1999, Prahalad and colleagues introduced the 'Base/Bottom of the Pyramid' (BOP) concept in an article and a working paper. This article's goal is to answer the question: what has become of the concept over the decade following its first systematic exposition in 1999? To answer this question, the authors conducted a systematic review of articles on the BOP, identifying 104 articles published in journals or proceedings over a ten-year period (2000–2009). A simple framework for organising the reviewed articles helps discuss findings, identify the gaps that still exist in the literature, and suggest directions for future research.

UN Global Compact (2010) 'Delivering Results: Moving Towards Scale', Report on an Inclusive Business Dialogue During the UN Summit on the Millennium Development Goals, September 2010.

This report highlights themes and messages from an Inclusive Business Dialogue, an event that looked beyond the overall value of business, to the question of how to get even better results for growth and for development through innovative business models that are increasingly known as 'inclusive business'.

Oxfam International (2010) ***Think Big. Go Small. Adapting business models to incorporate smallholders into supply chains*****, Briefing for Business, No. 6.**

This paper shows the advantages – both in productivity and consumer appeal – of domestic and global companies connecting with smallholder suppliers. Incorporating programme experience and case studies, the paper shows how domestic and global companies in the food and drinks sector can deliver value for their business so that smallholder suppliers gain value too.

Margolis, J.D. and Walsh, P. (2003) 'Misery Loves Companies: Rethinking Social Initiatives by Business', ***Administrative Science Quarterly*** **48.2: 268–305.**

Not for free access

The goals in this paper are to reorient the debate and to spark new research about social initiatives by business. The paper depicts the hold that economic reasoning has had on how organisation theory conceives of the relationship between the firm and society. Then it examines the consequences of this hold by appraising both the 30-year quest for an empirical relationship between a corporation's social initiatives and its financial performance, as well as the more contemporary development of stakeholder theory. Finally, the authors use the debate itself as a point of departure to suggest an alternative scholarly agenda.

Muthuri, J. N.; Moon, J. and Idemudia, U. (2012) 'Corporate Innovation and Sustainable Community Development in Developing Countries', ***Business & Society*** **51(3): 355–381.**

Not for free access

This article reviews the way in which companies frame (a) sustainable community development, and (b) their engagements in the community. It then considers the implications of both for sustainable community development and poverty alleviation in developing countries. The article then proposes an agenda for future research centring on how corporations innovate in their governance roles and the conditions in which community development innovations are created, take shape, and are put into practice. The article concludes with an introduction to the other articles presented in this special issue highlighting also their main contributions.

Hahn, T.; Kolk, A. and Winn, M. (2010) 'A New Future for Business? Rethinking Management Theory and Business Strategy', ***Business & Society*** **49(3): 385–401.**

Not for free access

This introductory article discusses the need for a rethinking of the theoretical foundations of management and the practice of business strategy in view of a range of social, environmental and ethical challenges that highlight the limits of 'business as usual'. Calls for a reconsideration of current approaches have come to the fore in the fields of management, accounting, marketing and finance and we briefly review them here. It then introduces the four papers included in this special issue, each of which answers previously un-echoed calls from different field of business research. Finally, this article highlights how each paper contributes to novel perspectives on a future for business perspectives that more adequately reflect the challenges faced today by both the private sector and society at large. Areas for further research are indicated as well.

Nelson, J. and Prescott, D. (2003) 'Business and the Millennium Development Goals: A Framework for Action', London: Prince of Wales International Business Leaders Forum.

This briefing, published by The International Business Leaders Forum in collaboration with UNDP, provides a framework on how companies and business coalitions can work with the

UN system, governments, and civil society organisations to help achieve the Millennium Development Goals (MDGs). All companies and business associations can play a role, from small and medium enterprises to large national and multinational companies, and from local chambers of commerce to international business organisations.

Jenkins, B. (2007) 'Expanding Economic Opportunity: The Role of Large Firms', Corporate Social Responsibility Initiative Report No 17. Cambridge, MA: Kennedy School of Government, Harvard University.

An exploration of how large firms can engage in creating economic opportunity. It explores the four key strategies companies can use to expand economic activities, and five themes for further research.

4.4 Institutional Voids

Khanna, T.; Palepu, K..G. and Sinha, J. (2005) 'Strategies That Fit Emerging Markets', ***Harvard Business Review*** **83.6.**

Not for free access

Fast-growing economies often provide poor soil for profits. The cause? A lack of specialised intermediary firms and regulatory systems on which multinational companies depend. Successful businesses look for those institutional voids and work around them.

4.5 Public-Private Partnerships

Brinkerhoff, D. and Brinkerhoff, J. (2011) 'Public-Private Partnerships: Perspectives on Purposes, Publicness and Good Governance', ***Public Administration and Development*** **31(1): 2–14.**

Not for free access

Public–private partnerships (PPPs) have long been advocated and analysed as organisational solutions to pressing societal problems that call for the comparative advantages of government, business, and civil society. However, ongoing questions remain about how to design, manage, and assess PPPs. The large literature on PPPs suffers from conceptual imprecision, and is weakly integrated. This article seeks to address these problems, offer a discussion of partnership definitions and build a framework that examines the features of PPPs as they relate to achieving particular purposes.

BMZ (2011) Forms of Development Cooperation Involving the Private Sector. BMZ Strategy Paper, May 2011, Berlin.

This paper presents the German strategy in bringing the private sector to achieve development policy objective (such as the Millennium Development Goals) and implementing sustainable development in developing countries. There are six forms of cooperation with the private sector reviewed.

OECD (2005) 'Encouraging Public-Private Partnerships in the Utilities Sector: The Role of Development Assistance' NEPAD/OECD Investment Initiative: Investment for African Development – Making it Happen, 25–27 May 2005, Uganda.

This article considers the role of the private sector and the donor community in helping to overcome shortfalls in both the quality and quantity of infrastructure in developing countries.

4.6 Challenges

Wach, E. (2012) *Measuring the Inclusivity of 'Inclusive' Business*, IDS Practice Paper, Volume 2012 Number 9, Brighton: IDS.

A review of some of the current approaches and frameworks for evaluating 'Inclusive Business' impacts, finding that they are unable to provide information about the actual impacts of business activities. More higher quality and less partial 'Inclusive Business' evaluations are needed to better enable us to harness the potential for business to contribute positively to development.

Peloza, J. (2009) 'The Challenge of Measuring Financial Impacts from Investments in Corporate Social Performance', *Journal of Management* 35(6): 1518–1541.

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There is a small, but positive, relationship between corporate social performance and company financial performance. However, research in this area has provided little guidance to managers on how they should measure the financial impacts of their CSP strategies. Commonly used market measures, such as share price, or accounting measures, such as return on equity, are impacted by a host of other variables. Further, academic research has tended to overlook the mediation process between CSP and financial performance. This gap limits the practical application of research and leaves the question of causality unaddressed.

Garette, B. and Karnani, A. (2010) 'Challenges in Marketing Socially Useful Goods to the Poor', *California Management Review* 52 (4): 1–19.

Not for free access

Using three in-depth case studies of BoP initiatives, this paper argues that developing BoP strategies requires firms to use basic principles of economics and business. The desire to do good should not blind strategies that determine business success and failure.

Karnani, A. (2007) 'The Mirage of Marketing to the Bottom of the Pyramid: How the Private Sector can Help Alleviate Poverty', *California Management Review*, 49 (4): 90–111.

Not for free access

This is critical review of the BoP proposition and offers an alternative perspective for how the private sector can alleviate poverty. Instead of viewing the poor as consumers, the author encourages to see poor as producers and encourage buying from the poor.

Ansari, S.; Munir, K. and Gregg, T. (2012) 'Impact at the "Bottom of the Pyramid': The Role of Social Capital in Capability Development and Community Empowerment', *Journal of Management Studies* 49(4): 813–842.

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Redefining poverty not just as a lack of income, but also as a lack of 'capabilities' in Sen's sense that can be developed through leveraging social capital, this paper offers a systemic framework for understanding the societal impact of business-driven ventures in the BoP and empowering BoP communities through these ventures. Specifically, we argue that any business initiative in the BoP ought to be evaluated on the basis of whether it advances capability transfer and retention by (a) enhancing the social capital between a particular community and other more resource rich networks, and (b) preserving the existing social capital in the community.

Case Studies

Business Call to Action (2010) 'Innovations that Improve Lives', Web Brochure. Available at: http://www.businesscalltoaction.org/wp-content/uploads/2010/11/Business-Call-to-Action-Brochure-Web-Layout.pdf

Supported by a number of donors, the BCtA challenges businesses to develop inclusive business models and to 'engage low-income citizens as consumers, producers, suppliers, and distributors of goods and services'. The Business Call to Action support member companies with linkages, advice and assistance in their pro-development activities, with 45 companies from a wide range of countries are currently involved in the project. Some of the target goals are to create 35,700 jobs, provide financial services to 18 million people and to improve access to clean water for 750,000 people, among others.

GIZ, Methods and Instruments, Development Partnerships with the Private Sector, Germany. Available at: http://www.giz.de/Themen/en/SID-828D2642–9843505B/dokumente/giz2011-en-advisoryservice.pdf (accessed 20 May 2013).

A donor led example of how European business sectors prepare public-private partnership proposals to compete for GIZ funding. They also have what is called the 'Africa Facility', a cooperation instrument for the promotion of development partnerships with companies based in Africa.

Donor Committee on Enterprise Development DCED, 'Public-Private Partnerships: Financial Support'. Available at: http://www.enterprise-development.org/page/financial-support (accessed 29 May 2012).

The Food Retail Industry Challenge Fund provides up to US$ 401,000 on a cost-sharing basis to companies that are food retailers in the UK and who, in their work, promote supply chain development and livelihood improvement for African farmers. Other multi-donor challenge funds are the African Enterprise Challenge Fund and the Ghana's Business Sector Advocacy Challenge Fund.

Private Sector Investment Programme (PSI) in the Netherlands

Provides grants to partnerships between Dutch and local companies from developing countries. PSI contributes with 50 per cent to 60 per cent of the project budget, with payment based on achieved results during the project period. PSI is a tender programme and the eligibility criteria are that: (i) a local company is an investment partner; (ii) the investment is innovative for the developing country; (iii) the investment is the first stage in a series of investments leading to growth of sales and employment after the project period; (iv) the risks are high and commercial financing is not available; (v) the project is commercially feasible, and; (vi) the project has significant positive impact on the local economy (Adam Smith International, 2009).

The Danish Danida Business-to-Business programme (B2B)

The B2B programme supports the establishment of mutually beneficial and long-term partnerships between companies from developing countries and Danish companies. This aims to develop the private sector in Danida's programme countries and in South Africa through creating linkages between local and Danish companies in which the local companies can get access to Danish technology and knowhow. The incentives for the Danish companies are that they '...obtain access to new markets, products and production opportunities' (Adam Smith International, 2009). Here, eligibility criteria include demonstrated improvements in the internal and external labour environments, job creation (especially for women) as well as other related CSR benefits such as health, labour right and education

benefits. A further PPP programme aims at promoting and supporting CSR partnerships and strengthening the competitiveness of developing countries' enterprises. To be eligible, the project must be consistent with the UN Global Compact principles.

Multi-Stakeholder ooperation between USAID, UNICEF, Bill and Melinda Gates Foundation and Unilever (donor and private sector companies)

Actively engages in promoting hand washing with soap so to reduce the risks for viruses that spread diarrhoea and respiratory infections. Apart from the broader developmental goals that this has the potential to achieve, it also provides an opportunity for Unilever to get access and recognition at new markets (Adam Smith International, 2009).

5. Measuring and Evaluating Development Effectiveness in the Private Sector

Companies around the world are increasingly concerned about the impacts that their businesses have on their societies as well as abroad (Oxfam 2009). Approaches that contribute effectively to poverty alleviation and sustainable development have been a recurrent theme in discussions of business models and corporate innovation (Ashley 2009). Understanding the links and outcomes of private sector investment in local buyers, sellers and communities can highlight opportunities for businesses to make a possible difference and create 'social value' (Oxfam 2009).

This chapter explores contrasting processes and questions for discussion that may help better understand the impact on business for development. These approaches are often presented as methodologies and management frameworks for gathering, interpreting and reporting information on development performance as well as potential risks.

Ashley, C. (2008) *Assessing the impacts of business on development: 4 contrasting approaches*, London: Overseas Development Institute (ODI). Available at: http://api.ning.com/files/mmVoOE-YKk*TNpefElCC0cUpAjGJxrqYCnPeHS2gw8QC7tyTuC2Bkn9jVNRAwtwawUzEUqFUSeArx*qx2gJEGM29urxYczIj/Meeting5CarolineAshleyODI.pdf

An opinion piece that discusses how to measure inputs of 'inclusive business' against impacts and investments of time and resources. The author discusses challenges of measuring impact, real cost of creating business linkages, and capturing all development results related.

Ashley, C.; Ellis, K. and Schramm, C. (2009) *Approaches to assessing business impacts on development'*, Framework Paper produced for the Meeting Series on 'Harnessing the power of the private sector for development', London: Overseas Development Institute (ODI). Available at: http://api.ning.com/files/gBoKAczWvr2x3rD5ViScGFcrwNcPpOGaARX7zKfo7jvebKbibLhtAL59pN6–6ppZncG0NCsVZBxzCoqr3e648co4517LIcvD/ImpactFrameworkPaper.pdf

This paper explores how we can better understand the impact of business on development, and particularly what companies themselves do in this area. So far, in discussions of business models and corporate innovation, a recurrent theme has been that we need to know which approaches really do contribute effectively to development, or create 'social value'. But approaches to understanding this are diverse. The purpose of this paper is to explore contrasting approaches and to develop key questions for further discussion.

Barrett, C. and Carter, M. (2010) 'The Power and Pitfalls of Experiments in Development Economics: Some Non-Random Reflections', *Applied Economic Perspectives and Policy* 32:4: 515–548.

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Impact evaluation based on randomised controlled trials (RCTs) offers a powerful tool that has fundamentally reshaped development economics by offering novel solutions to long-standing problems of weak causal identification. Nonetheless, RCTs suffer important and underappreciated pitfalls, some of which are intrinsic to the method when applied to economic problems, others that are the result of methodological boosterism. This article illustrates these points through the literature on smallholder capital access and productivity

growth. Ultimately, it argues for a methodological pluralism that recognises all identification strategies' limitations.

Baue, B. and Murninghan, M. (2010) *The Accountability Web: Weaving Corporate Accountability and Interactive Technology*, Corporate Social Responsibility Initiative, Working Paper No. 58, Cambridge, MA: Kennedy School of Government, Harvard University

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Corporate accountability and Web 2.0 share a common thread: both are rooted in interaction and thrive on engagement. This overlap creates opportunities for corporate accountability and Web 2.0 to join forces to create mutual benefits for firms and their stakeholders. The Accountability web is understood as an expanding network of interactions that entail the transformation of long-held notions about the boundaries of who is 'inside' and who is 'outside' the organisation. This report presents a matrix of the progression of corporate accountability and the specific steps in these progressions. Seven case studies are located in various cells of the matrix to finally make recommendations to be considered by companies and stakeholders.

The Office of the Third Sector (OTS) (2009) 'A Guide to Social Return on Investment'. Available at: http://www.neweconomics.org/publications/guide-social-return-investment (accessed 12 March 2013).

The purpose of this guide is to standardise practice, develop the methodology, and provide more clarity on the use of Social Return on Investment (SROI). It has been written for people who want to measure and analyse the social, environmental and economic value being generated by their activities or by the activities they are funding or commissioning.

Business Innovation Facility, Innovations Against Poverty (2001) 'What is "Inclusive Business"?'. UK Department for International Development (DFID), Swedish International Development Agency (Sida), Briefing Note no. 1: Version 1.1.

Not for free access

This paper proposes a definition for the concept of 'Inclusive Business' and lists the kinds of business models that may be supported.

SadreGhazi, S. (2011) 'Sustainability Impact and Challenges at the Base of the Pyramid 8th February 2011, Paris' Conference Summary.

Not for free access

The purpose of this report is to provide a synthesis of the research workshop 'Sustainability and Impact Challenges at the Base of the Pyramid', that took place on 8 February 2011 in Paris. This conference effort was jointly organised by Ecole Polytechnique, ESSEC Business School and HEC Paris. The aim of the conference was to discuss and share ideas, research results and practical experiences about business approach to poverty alleviation and sustainable development in the 'base of the pyramid'.

Born, B. and Purcell, M. (2006) 'Avoiding the Local Trap: Scale and Food Systems in Planning Research', *Journal of Planning Education and Research* 26: 195.

Not for free access

A strong current of food-systems research holds that local food systems are preferable to systems at larger scales. Many assume that eating local food is more ecologically sustainable and socially just. The paper terms this 'the local trap' and argues strongly against it. The authors draw on current scale theory in political and economic geography to argue that local food systems are no more likely to be sustainable or just than systems at other

scales. The theory argues that scale is socially produced: scales (and their interrelations) are not independent entities with inherent qualities but strategies pursued by social actors with a particular agenda. It is the content of that agenda, not the scales themselves, that produces outcomes such as sustainability or justice. As planners move increasingly into food-systems research, authors argue it is critical to avoid the local trap. The article's theoretical approach to scale offers one way to do so.

The Donor Committee for Enterprise and Development (2010) 'The DCED Standard for Measuring Achievements in Private Sector Development Control Points and Compliance Criteria' Version V. Available at: http://www.enterprise-development.org/page/download?id=1449 (accessed 12 March 2013).

Pressures are growing rapidly to measure and report on the results of private sector development; current PSD programmes are often not getting credit for what they are achieving. This Standard outlines key elements in a practical process for estimating results that can be managed by programmes internally.

Mosbacher, R. Jr. (2010) *A New Strategy to Leverage Business for International Development* Global Economy and Development Working Paper 41, Washington DC: Brookings.

Not for free access

To tackle global poverty, it is essential to craft a new and dynamic approach to economic development that reflects the realities of a 21st century global economy and incorporates the participation of a wide variety of new players, particularly from the private sector. While investment, trade and innovation all represent basic components of building healthy economies, this paper focuses primarily on strategies to increase both in-country and international private capital investment in order to create jobs.

Ellis, K. (2008) 'Is CSR just Corporates Saying the Right things?', *Opinion* 100, London: Overseas Development Institute (ODI). Available at: http://www.odi.org.uk/opinion/1226-csr-just-corporates-saying-right-things

This Opinion by Karen Ellis asks how the business community can go beyond corporate social responsibility to make a lasting impact on development. The best way to improve business development impact is to create mechanisms that reward businesses financially for increasing their contribution to development. It restates ODI's call for a 'Good for Development' label for companies that perform well against such indicators as their support for local labour forces, investment in local infrastructure and their contributions to the local community. This is the point where business development performance moves beyond corporate social responsibility to become corporate self interest – a far more powerful motivating force.

Ellis, K. (2008) *Assessing Business Development Impact: A Management Framework for Improved Economic and Socio- Economic Performance Reporting*. Original report by Michael Warner, updated by Karen Ellis, April 2008. London: ODI.

Not for free access

This report presents a methodology for assessing business development impact, and outlines a management framework for gathering, interpreting and reporting information on development performance, and managing associated risks. The methodology has been implemented in the oil and gas sector, but most aspects are relevant for other sectors, and the framework can be adapted for wider application.

Gradi, C. and Knobloch, C. (2010) 'Inclusive Business Guide: How to Develop Business and Fight Poverty', Berlin: Endeva. Available at: http://www.endeva.org/building/past_projects/inclusive_business_guide_how_to_develop_business_and_fight_poverty/ (accessed 12 March 2013).

This publication is the first comprehensive guide on 'inclusive business', or business that includes people living in poverty as producers and consumers. It brings together existing knowledge, presents several practical examples and provides information about contacts and further reading.

Fitch, B. and Sorensen, L. (2007) 'The Case for Accelerating Profit-Making at the Base of the Pyramid: What Could and Should the Donor Community be Seeking to do, and What Results Should it Expect?', *Journal of International Development* 19: 781–792.

Not for free access

Donors increasingly acknowledge that, without the participation of the private sector, achievement of the Millennium Development Goals is unlikely. Up until recently, priority has been given to improving the business-enabling environment in developing countries, so as to remove unnecessary impediments to profit-making activity. Whilst this approach has undoubted merit it does not yet seem to be stimulating change at the pace or scale required. This paper argues that there is now a clear case for directly engaging international business in the poverty reduction agenda. It argues that such efforts will have the greatest development impact where profit-making is the driving force, and considers how the impact of such initiatives might best be measured.

Nisson, J. (2008) 'Investment with a Conscience: Examining the Impact of Pro-Social Attitudes and Perceived Financial Performance on Socially Responsible Investment Behaviour', *Journal of Business Ethics* 83.2: 307–325.

Not for free access

This article addresses the growing industry of retail socially responsible investment (SRI) profiled mutual funds. Very few previous studies have examined the final consumer of SRI profiled mutual funds. Therefore, the purpose of this study was to examine, in an exploratory manner, the impact of a number of pro-social, financial performance, and socio-demographic variables on SRI behaviour in order to explain why investors choose to invest different proportions of their investment portfolio in SRI profiled funds. Overall, the findings indicate that both financial perceptions and pro-social attitudes are connected to consumer investment in SRI.

Foster, J. (2000) 'Evaluating Foreign Direct Investments: New Challenges for Strategic Planners', *The Journal of the Operational Research Society* 51.1:45–52.

Not for free access

Business and hence strategic planning is becoming increasingly international. Within that internationalisation, foreign direct investment (FDI) has become increasingly important, especially in E/SE Asia. A logical step then is to seek appropriate methods for modelling and evaluating those FDIs. Excluding the core financial appraisal the literature is sparse. This paper describes an empirical examination of these issues based on a sample from the UK's top 250 listed companies. The picture to emerge is one of systematic treatment of the basic financial calculations but fairly rudimentary modelling of non-financial aspects.

Henisz, W. and Macher, J. (2004) 'Firm- and Country-Level Trade-Offs and Contingencies in the Evaluation of Foreign Investment: The Semiconductor Industry, 1994–2002', *Organisation Science* 15.5: 537–554.

Not for free access

This paper examines the joint impact of firm- and country-level factors on the international plant location decisions of semiconductor firms from 1994–2002. We find that these factors interact to influence the location decisions of firms investing abroad in a given host country. Firms with more advanced technological capabilities are more likely to make investments in countries with greater technological sophistication but not in politically hazardous countries where they face greater expropriation hazards. Firms with less-advanced technology are more willing to accept a trade-off between country-level political hazards and technological sophistication. Firms also trade off own- versus other-firm experience as sources of critical knowledge regarding the foreign investment environment.

Garrette, B. and Karnani, A. (2010) 'Challenges in Marketing Socially Useful Goods to the Poor', *California Management Review* 52.4. Available at: [http://www.societyandorganizations.org/wp-content/uploads/2010/06/Garette-CMR-su10.pdf (accessed 17 March 2013).](http://www.societyandorganizations.org/wp-content/uploads/2010/06/Garette-CMR-su10.pdf)

The focus of this article is on 'bottom of the pyramid' (BOP) businesses that are unquestionably socially virtuous and investigate how to develop profitable strategies in that context. However, instead of examining only positive examples, it chooses to study in-depth three BOP initiatives that have not been commercial successes, at least not yet, and derive conceptual lessons from these case studies. Then the conclusions are tested on more successful BOP ventures. Our three case studies involve multinational companies – Procter & Gamble, Essilor, and Danone – that launched BOP initiatives with aspirations of creating large-scale profitable businesses marketing socially useful goods to the poor.

Holt Gimenez E. (2008) 'Out of AGRA: The Green Revolution returns to Africa', *Development* 51.4: 464–471.

Not for free access

The global food crisis and philanthropy capitalism have provided foundations and multilateral institutions an opportunity to relaunch the Green Revolution in Africa. While the Alliance for a Green Revolution in Africa (AGRA) maintains the Green Revolution focus on genetic improvement, new technological variations have been added, including a focus on genetic engineering. Eric Holt-Gimenez argues that AGRA reflects a structural shift from state-led development strategies to market-led approaches for the Green Revolution. Although AGRA may revive the Green Revolution, a market-led approach based on genetic engineering is unlikely to solve the problem of hunger in Africa. Informed public debate is needed to consider other proven African alternatives that may hold more promise for rebuilding African agriculture.

Lizuka, M. and SadreGhazi S. (2011) 'Understanding Dynamics of Pro-Poor Innovation Mapping the Disputed Areas', paper prepared for the DIME Final Conference, Maastricht, 6–8th April 2011.

Not for free access

Pro-poor innovation, the innovation that serves the needs of poor, is currently discussed in various spheres including management, development and innovation studies. There are many emerging concepts such as 'Bottom/Base of Pyramid' (BOP)', 'inclusive business', 'grass roots innovations', 'appropriate technology' and 'below the radar innovation'. All of the literature suggests that new mechanisms to foster innovation are needed to alleviate poverty. The purpose of this paper is to clarify the meaning of new concepts under the umbrella of

‘pro-poor innovation’ in an aim to identify missing gaps and update what we know so far on this subject.

Ashley, C.; Schramm, C. and Ellis, K. (2009) ‘Approaches to Assessing Business Impacts on Development’, Framework paper, Overseas Development Institute (ODI).

This framework paper has been prepared for the fifth meeting in the series which explored how we can better understand the impact of business on development, and particularly what companies themselves do in this area.

Kanbur, R. (2005) ‘Pareto’s Revenge’, Department of Applied Economics and Management, Cornell University Working Paper, Ithaca, NY.

Not for free access

Consider a project or a policy reform. In general, this change will create winners and losers. Some people will be better off, others will be worse off. Making an overall judgment on social welfare depends on weighing up the gains and losses across individuals. Only a change which makes nobody worse off and at least one person better off, can be declared an improvement. Such a change is called a Pareto Improvement (PI). If no such changes are possible, the state of affairs is described as being Pareto Efficient (PE), a Pareto Optimum, or Pareto Optimal (PO). Named after Vilfredo Pareto, 3 PI and PE are central to post 1945 high economic theory. Through these theorems, the post second world war economic theory of Kenneth Arrow and Gerard Debreu links back to Lionel Robbins and Vilfredo Pareto, and thence to Adam Smith’s Invisible Hand of competitive markets. From there the links come full circle back to stances taken in current policy debates on the role of markets and government.

Kanbur, R. (2001) *Economic Policy, Distribution and Poverty: The Nature of Disagreements* Ithaca, NY: Cornell University.

Not for free access

In writing this paper the author spent two years involved in an extensive process of consultation on poverty reduction strategies. The consultation reached out to most interested constituencies in the academic, policymaking and advocacy communities. It covered the IFIs and the myriad UN specialised agencies, Government Ministries in the North and the South, Northern aid agencies, academic analysts in rich and poor countries, Northern and Southern advocacy NGOs, and NGO’s with ground level operations working with the poor. This paper presents an analysis of the broad themes of disagreement in these consultations and more generally among those concerned with poverty reduction. The paper tries to answer an obvious question: ‘how can people with seemingly the same ends disagree so much about means, and how can seemingly the same objective reality be interpreted so differently?’

Khandker, S.; Koolwal, G. and Samad, H. (2010) *Handbook on Impact Evaluation Quantitative Methods and Practices*, World Bank Training Series, Washington, DC: The World Bank.

Public programmes are designed to reach certain goals and beneficiaries. Methods to understand whether such programmes actually work, as well as the level and nature of impacts on intended beneficiaries, are main themes of this book. This book reviews quantitative methods and models of impact evaluation.

Karnani, A. (2010) 'Doing Well by Doing Good: The Grand Illusion', Ross School of Business Working Paper Series Working Paper No. 1141, Michigan: The University of Michigan.

Not for free access

The idea that companies can 'do well by doing good' has caught the attention of executives, business academics, and public officials. Firms have a corporate social responsibility to achieve some larger social goals, and can do so without a financial sacrifice. This appealing proposition has convinced many people. It is also a fundamentally wrong proposition. If markets are working well, there is no need to appeal to companies to fulfill some vague social responsibility. If there is a market failure, then there is a trade-off between private profits and public interest; in that case, it is neither desirable nor effective to rely on the goodwill of managers to maximise social welfare. Companies have a responsibility to their shareholders to do well; individual people as citizens have a responsibility to do good. When markets fail, some constraints need to be imposed on free markets. There are four sources of constraints: corporate social responsibility, industry self-regulation, civil society activism, and government regulation.

London, T. (2009) 'Making Better Investments at the Base of the Pyramid', *Harvard Business Review* 87.5: 106–113.

Not for free access

Though they have feel-good stories and data on milestones, most ventures that serve the world's poor don't have a systematic way to gauge how well they're achieving their goals. To address that need, London, the director of the University of Michigan's Base of the Pyramid Initiative, has devised a new tool. London's Base of the Pyramid Impact Assessment Framework explores how ventures influence the well-being of local buyers, sellers, and communities. It guides managers through a detailed look at an organisation's effects on those constituencies in three areas: economics, capabilities, and relationships. The framework examines negative as well as positive effects – for instance, whether activities that increase the income of the poor also prompt them to mistreat arable land. It helps managers focus success measures on the most likely high-magnitude outcomes.

Kramer, M. (2005) *Measuring Innovation: Evaluation in the Field of Social Entrepreneurship* California: Skoll Foundation.

Not for free access

The purpose of this paper is to explore the various approaches to evaluation in Social Entrepreneurship today, documenting the practices currently in use so that new entrants will not need to reinvent the tools already developed by its pioneers.

Kapstein, E. (2008) *Measuring Unilever's Economic Footprint: The Case of South Africa* South Africa: Famous Publishing.

Not for free access

The central purpose of this report is to assess Unilever's 'economic footprint' in South Africa. It builds on an earlier study jointly undertaken by Unilever Indonesia and Oxfam GB and Novib (Oxfam Netherlands), which focused on Unilever's role in poverty reduction. The present report is broader in scope and focuses on Unilever's impact throughout the South African economy.

Wach, E. (2012) *Measuring the 'Inclusivity' of Inclusive Business*, IDS Practice Paper 9, Brighton: IDS.

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This paper analyses some of the current approaches and frameworks for evaluating 'Inclusive Business' impacts. It finds that while they shed light on the complex network of effects that businesses have and the ways in which some firms are attempting to contribute to development, they are unable to provide information about the actual impacts of business activities. More, higher quality, and less partial 'Inclusive Business' evaluations are needed to better enable us to harness the potential for business to contribute positively to development.

Mushita, A. and Thompson, C. (2008) 'Agricultural Biodiversity: African alternatives to a "Green Revolution"', *Development* 51.4: 488–495.

Not for free access

Although the global agricultural crises affect the African continent most adversely, African farmers and scientists offer successful alternatives to industrial monoculture. Andrew Mushita and Carol Thompson argue that while the 'green revolution for Africa' promotes private foreign ownership of genetically modified seeds and focuses on increased yields of a few crops, African alternatives honour farmers' rights and agricultural biodiversity, through innovative legislation and protocols, in order to increase sustainable food production.

Nestlé Peru and the WBCSD-SNV Alliance for Inclusive Business (2011) '"Bienestar en Casa": Measuring the Impact of an Innovative Distribution Business Model for Nutritional Food in Peru'. Available at: http://www.inclusivebusiness.org/nestle_peru_measuring_impact_march2011.pdf

Since 2006, the WBCSD-SNV Alliance has been supporting the design and implementation of over 40 inclusive business models across seven countries in Latin America. These models integrate low-income communities into companies' value chains, creating shared value for both business and societal gains. In the context of the Alliance, SNV has helped Nestlé Peru develop a new distribution model aimed at reaching new markets while providing a livelihood for women entrepreneurs and improving the health and wellbeing of families in urban areas in Lima. To validate the win-win proposition of inclusive business and identify opportunities to improve the impacts of the model on both the business and low-income communities, Nestlé Peru applied the WBCSD Measuring Impact Framework to the 'Bienestar en Casa' ('Wellness at Home') inclusive business model in San Juan de Lurigancho district in Lima, Peru.

OECD (2007) *Promoting Pro-Poor Growth: Ex Ante Poverty Impact Assessment* Paris: OECD. Available at: http://www.oecd.org/dac/povertyreduction/promotingpro-poorgrowthexantepovertyimpactassessment.htm

The Paris Declaration on Aid Effectiveness stresses the importance of results-oriented frameworks to improve aid effectiveness and to assure better pro-poor outcomes. *Ex ante* Poverty Impact Assessment (PIA), as developed by the DAC Network on Poverty Reduction (POVNET), helps donors and developing countries better assess the impact and outcomes of their policies and programmes on the poor and vulnerable. In this way, it contributes to increasing donor policies' impact on poverty reduction and pro-poor growth. Through the use of a standardized set of matrices the PIA process also fosters harmonization of donor practices, in line with the Paris Declaration on Aid Effectiveness.

Olsen, S. and Galimidi, B. (2008) 'Catalogue of Approaches to Impact Measurement: Assessing Social Impact in Private Ventures', Social Venture Technology Group with the support of The Rockefeller Foundation. Available at: http://svtgroup.net/wp-content/uploads/2011/09/SROI_approaches.pdf

A Catalogue of Methods for Entrepreneurs and Investors to Define, Measure and Communicate Social Impact and Return in Privately-Held Companies.

Oxfam (2010) *Think big. Go small. Adapting business models to incorporate smallholders into supply chains*, Oxfam Briefings for Business No. 6, Oxford: Oxfam International. Available at: http://www.oxfam.org/en/policy/think-big-go-small

This paper tries to show the advantages – both in productivity and consumer appeal – of domestic and global companies connecting with smallholder suppliers. The Fair Trade movement grew out of the recognition that most large-scale food supply chains were bypassing smallholders. Development agencies and governments are willing to support companies who take up this challenge, because approximately two-thirds of the world's rural households – the majority of whom live in poverty – depend on smallholder agriculture for their food and incomes. This briefing paper aims to show – incorporating programme experience and case studies – how domestic and global companies in the food and drinks sector can deliver value for their business so that smallholder suppliers gain value too.

Oxfam (2009) *Oxfam Poverty Footprint: Understanding Business Contribution to Development*, Oxfam Briefings for Business No. 4, Oxford: Oxfam International. Available at: http://policy-practice.oxfam.org.uk/publications/oxfam-poverty-footprint-understanding-business-contribution-to-development-114043

Companies around the world are increasingly concerned about the impacts that their businesses have on societies in their home countries as well as abroad. For many companies operating in developing countries, impacts on society are related to the effects of their operations on development and poverty reduction, and in turn play an important role in determining the success of the business itself. Understanding the links between business and development can highlight real opportunities for enlightened businesses to make a positive difference. This paper explains Oxfam's Poverty Footprint Methodology, which helps companies to comprehensively understand how their operations affect the people in their value chains and the communities and countries where they operate.

Reece, D. (2007) 'What Enables Innovation in the Private Sector? Lessons from the Development of Salt-Tolerant Hybrid Rice', *Journal of International Development* 19: 853–863.

Not for free access

Under what circumstances can a private company succeed in developing new crops? This paper examines the experience of an Indian seed company that sought to use an advanced new technology (molecular breeding) to develop a salt-tolerant form of hybrid rice. It demonstrates that the company's success was made possible by its effective linkages with national and international institutions, which mean that the company received indispensable inputs to its work; namely DNA sequence data from the global public domain and germplasm from the Indian public sector. These experiences confirm the innovation systems framework and also highlight the critical importance of the internal culture of a firm in determining success or failure in innovation. Interestingly, they also demonstrate that key aspects of organisational culture may vary between different parts of the same company.

Townsend, S.; Bartels, W. and Renaut, J. P. (2010) *Reporting Change: Readers & Reporters Survey* London: SustainAbility Ltd. Available at: http://www.sustainability.com/library/reporting-change#.UUjqPb_7Uy4

There are two sides to every sustainability report: the organisations that write them (the Reporters) and the stakeholders that read them (the Readers). In 2008, the first global survey of Readers was launched, revealing the expectations, preferences and actions of the reporting audience. In 2010, we are hearing both sides of the story, as we also surveyed report authors and compared the expectations of Reporters and Readers. The conclusions cover the motivation for reporting, how to build trust, and the behaviour change reporting generates. For Reporters we have developed these conclusions into a set of practical recommendations at the end of the report to help drive reporting forward.

United Nations Development Programme (2008) *Creating Value for all: Strategies for Doing Business with the Poor*, New York: UNDP. Available at: http://www.undp.org/content/rwanda/en/home/library/poverty/creating-value-for-all---strategies-for-doing-business-with-the-/

This report focuses on what the private sector can do to include the poor in business as consumers, employees and producers. Building on UNDP's track record of advocating for change and connecting countries to knowledge, experience and resources to help people build a better life, the report starts with the markets of the poor. It shows the challenges of doing business where markets suffer from a lack of information, infrastructure and institutions. But it also shows how businesses deal with these challenges—by devising inclusive business models that join business and the poor to create value for all. This report, the first in a series, advances UNDP's efforts to turn the initiative's ideas and analysis into action through a dialogue with the private sector, government and civil society. It is the product of research based on 50 case studies, writing and reviews by a network of developing country academics and a diverse advisory group of institutions with expertise in the private sector's role in development.

Mitchell, J. and Ashley, C. (2009) *Value Chain Analysis and Poverty Reduction at Scale*, ODI Briefing Papers Issue 49, London: ODI. Available at: http://www.odi.org.uk/publications/2675-value-chains-tourism-poverty-reduction

This Briefing Paper looks at how markets can be made to work for the poor, building on experience in the tourism sector to unblock access to profitable market opportunities.

World Business Council for Sustainable Development (WBCSD) (2008) *Measuring Impact: Beyond the Bottom Line*, Geneva; WBCSD. Available at: http://www.wbcsd.org/pages/edocument/edocumentdetails.aspx?id=206

This publication presents the WBCSD's Measuring Impact Framework, and highlights the experiences and lessons learned from those companies that have pioneered the thinking behind the Framework. It explains why measuring and understanding a company's impact is good for business and good for society.

World Business Council for Sustainable Development (WBCSD) and International Finance Corporation (IFC) (2010) 'Measuring Impact Framework Methodology', Geneva: WBCSD. Available at: http://nbis.org/nbisresources/sustainable_development_equity/measuring_business_activity_impact_wbcsd.pdf

The Measuring Impact Framework is designed to help companies understand their contribution to development and use this understanding to inform their operational and long-term investment decisions and have more informed conversations with stakeholders.

White, H. (2009) 'Theory-Based Impact Evaluation: Principles and Practice', International Initiative for Impact Evaluation, Working Paper 3, New Delhi.

Not for free access

The application of a theory-based approach of impact evaluation is weak. This paper identifies the following six principles of successful application of the approach: (1) map out the causal chain (programme theory); (2) understand context; (3) anticipate heterogeneity; (4) rigorous evaluation of impact using a credible counterfactual; (5) rigorous factual analysis; and (6) use mixed methods.

White, H. (2007) 'Evaluating Aid Impact', MPRA Paper No. 6716, Munich: MPRA.

Not for free access

The ultimate measure of aid effectiveness is how aid affects the lives of poor people in developing countries. The huge literature on aid's macroeconomic impact has remarkably little to say on this topic, and less still in terms of practical advice to government officials and aid administrators on how to improve development effectiveness. But there is an expanding toolbox of approaches to impact evaluation at the field level which can answer both questions of whether aid works, and, properly applied, why it works (or not, as the case may be). This paper lays out these approaches, describing some of their uses by official development agencies. It advocates a theory-based approach to impact evaluation design, as this is most likely to yield policy insights. Academics need to engage in these real world issues and debates if their work is to help alleviate the plight of the world's poor.

Tanburn, J. and Sen N. (2011) 'Why have a Standard for Measuring Results? Progress and Plans of the Donor Committee for Enterprise Development', Cambridge: Donor Committee for Enterprise Development.

Not for free access

Despite the great interest in results, relatively little information is available on what is being achieved. Even self-reported results are rare and may not always be credible. Meanwhile, many practitioners believe that they are achieving great results, but lack a credible channel through which to communicate them. The DCED Standard therefore provides a practical framework, whereby programmes can monitor their progress towards their objectives. This enables programmes to better measure, manage, and demonstrate results.

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