DCED Global Seminar 2024

Breakout 1G: Better prioritising support for high potential sectors/industries

Tuesday 1st October 2024

This event is organized with generous support from Gatsby Africa and the International Labour Organization

To create quality jobs(and wages) [1] at scale, which sector would you invest in & why?

1. Jobs and wages that are *above* minimum wage, are inclusive and additional benefits accrue to workers

Discussion:

As a donor, before you send out an RFP, how do you decide which sector to invest in?

How do you gather in-depth industry knowledge before you go in with a full investment?

Who we are

Private foundation

Focus on East Africa

Our mission:
To build stronger inclusive economies in East Africa

Working in partnership to catalyse sector transformation

Diverse portfolio of sector programmes

Commercial Forestry

Textiles & Apparel

Livestock

Aquaculture

Water

Tea

Gatsby has explored diverse sector selection approaches

Data-driven approaches using a wide menu of tools...

- Growth diagnostics
- Growth identification & facilitation framework
- Structural change & productivity growth
- Product space
- Input-Output Analysis

Desk and in-person research on a few sectors...

- Local data collection on business start-ups, productivity, tax collection
- Market analysis for a range of agricultural sectors
- Policy analysis of the regulatory environment for different sectors
- Political economy analysis on a range of sectors

Entrepreneurial approach for business-led opportunities...

- Focused on rapid iteration and engagement with business leaders
- Simultaneously looks at a basket/portfolio of opportunities
- Gauges business interest and availability of partners
- Stage-gates/go-no-go decision

Sector selection processes can incorporate complementary elements from all three approaches

While each of these approaches can be helpful, these methods have a few challenges to overcome

Challenges
Data-driven approaches using a wide menu of tools...

- Largely based on trade data, so misses the whole domestic / informal regional economy
- Unable to unpack the dynamism of business strategies, new innovations or investor trends
- Sometimes too high-level for useful action/choice-making

Challenges
Desk and in-person research on a few sectors...

- Doesn't look at full spectrum of opportunities as needs focus on a few sectors
- Needs local staff and international networks (can't be done from a desk in Washington or London)

Challenges
Entrepreneurial approach for business-led opportunities...

- Needs a dedicated team on the ground to drive conversation
- Requires additional research to provide evidence of scale opportunities
- Needs decisive exiting while assessing the basket of opportunities despite being in partnerships

Our approach has been enriched by taking a more iterative, entrepreneurial approach

Our process

Step 3: Validating ToC and testing buy-in

Step 2: Initial ToC

Step 1: Long List

Since April 2024

- 120+ interviews
  - 80% private sector (focus)
  - 10% government
  - 10% funders & NGOs
- ...lots of internal iterations & debriefs

...cross cutting views based on <u>realities on the ground</u> in 60+ sectors in Kenya

We have simplified our inquiry process to focus on the most important questions for Gatsby

Core questions

Sector:

- Does this sector have a potential to be important in E. Africa in 10 to 20 years?
- Is the sector viable? Is there a clear path towards commercial viability and scale?

Impact:

- How many people could be affected? Is this number large enough vis-à-vis effort?
- How does this sector contribute to or become more robust with climate change?

Gatsby capacity:

- Are there obvious constraints to growth we cannot realistically address?
- Could we realistically drive the needed changes, financially and skills wise?

Preferential questions

Climate:

- Could growing this sector help reduce environmental degradation or mitigate the impact of climate change?

Policy and Political economy:

- Do the existing government policies or priorities raise likelihood of success?

Fit with existing portfolio:

- Are there synergies between the new sector and our present portfolio?
- Do the skills needed to address sector issues fit well with our skill set?

A range of other aspects are relevant, can be used depending on the user of the prioritization process

Expert views: Lessons from implementing approaches to sector selection

Pascal Fabing, Luxembourg Development Cooperation

- Joined the LDC execution agency 3 years ago, applies innovation expertise to support cooperation
- Focuses on driving goals through partnerships with businesses, investors and academia
- MSD has been introduced and complements their cooperation through private sector engagement

John Rachkara, MercyCorps

- Expert in market systems advisory, private sector development, agribusiness and field agronomy
- Experience in Nigeria, Uganda, Tanzania, Malawi, and South Sudan
- Applied experience as Market Systems Advisor at DAI, Interventions Manager at Palladium, Deputy Chief of Party at AVSI Foundation and other senior roles in TechnoServe, WFP, and FAO

Nikola Babic, Helvetas

- Regional Economic Portfolio Manager for Helvetas in Eastern Europe, overseeing ongoing economic projects & business development efforts
- Consulting experience in Eastern Europe, West Africa, South Asia, and the Pacific

... testing within the sector is the only way to really know what will work

Entering a new sector comes with complexities...

- Data doesn't exist or is inaccurate
- Stakeholders don't know/trust you
- You don't know if people are really interested
- You have many assumptions
- ...
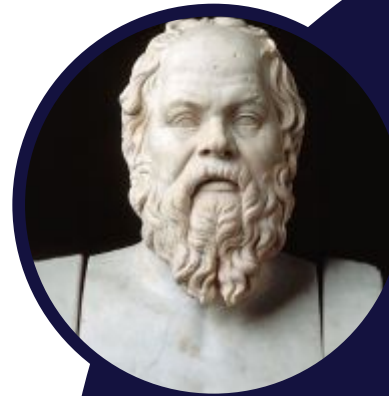
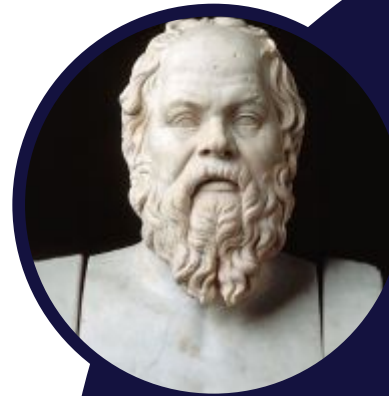> **The only true wisdom is in knowing you know nothing.**
>
> - Socrates

... testing within the sector is the only way to really know what will work

An action learning test is an initial activity or 'pilot' partnership designed to clarify some key unknowns before entering fully into a new sector

A good action learning test is...

- Focused on key questions (non-exhaustive)

- Narrow/small *(involves a tight audience)*

- Co-owned

- Creates reciprocal opportunities to learn

" The only true wisdom is in knowing you know nothing.

\- Socrates

Getting practical: 2 case studies…

15-minute discussions in groups of 2-3, followed by brief sharing:

You want to gauge private sector interest and willingness to invest in the sector. You want to gain in-depth insights on the sector that you would not find in reports or would not openly be revealed in interviews with industry stakeholders. You want to identify key players and determine necessary investments to drive sector development and job opportunities. You have limited time to design a test that will inform your decision to enter & invest more in the sector.

- What key questions would you want to answer about the sector?

- Which stakeholders have real incentives to grow the sector?

- To assess if there are scalable innovations that can drive sector growth, what would you want to learn from an initial partnership with one or two businesses in the sector?

- How would you design the action learning test? *(What question would you prioritize? Who would you test with? How would you get answers to your questions?)*

Case Study A:
Municipal Waste

Case Study B:
Digital livelihoods

Discussion & Reflections

Q&A

Gatsby Africa

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Identifying high potential sectors

Better prioritizing support for high potential sectors

October 1st, 2024

Swapcard questions

1. Who's in the room? Choose the group that best represents you *(donor, investor, implementor, consultant, other)*

2. Sector selection works best when it is led by: *(multiple choice: government, donors or implementing organizations)*

3. When choosing sectors, we should focus on sectors where: A) the largest numbers of poor people are today or B) where the most jobs will be created tomorrow

Lessons from other approaches to sector selection

Pascal Fabing, Luxembourg Development Cooperation

Pascal joined the Luxembourg Development Cooperation execution agency 3 years ago to apply his background in innovation to the ambitions of the Luxembourg cooperation. Partnerships with businesses, investors and academia shall complement a strength of the Luxembourg cooperation in terms of proximity with local institutions in implementing countries. MSD has in the meantime been introduced and private sector engagement instruments have been developed

John Rachkara, MercyCorps

John is a highly skilled expert in market systems advisory, private sector development, agribusiness advisory, and field agronomy. John has held significant roles such as Market Systems Advisor at DAI, Interventions Manager at Palladium, Deputy Chief of Party at AVSI Foundation and other senior roles in TechnoServe, WFP, and FAO. His extensive experience spans countries like Nigeria, Uganda, Tanzania, Malawi, and South Sudan, reflecting a deep understanding of African markets & ag landscapes.

Nikola Babic, Helvetas

Nikola Babić leads the Economic Programme for Helvetas in Eastern Europe as the Regional Economic Portfolio Manager. He oversees ongoing economic projects within Helvetas' Eastern Europe portfolio and leads business development efforts. Nikola joined the Helvetas Eastern Europe team in 2020 and previously worked as a consultant on various projects across Eastern Europe, West Africa, South Asia, and the Pacific. He holds an M.S. degree in Management from the University of Belgrade.