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Roundtable on the Role of Government, Private Sector Entrepreneurs, Development Finance Institutions, and Social Enterprises in the Deployment Ecosystem

Shared Interest Presentation

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For more information about Share Interest, please go to our website at:

www.sharedinterest.org

Greetings, distinguished presenters, colleagues all:

I am honored to have the opportunity to present Shared Interest’s experiences and insights to this strategic roundtable on the role of government and other key stakeholders in achieving the Sustainable Development Goals. Shared Interest’s work focuses on catalyzing local private sector capital in the service of the SDGs and national development priorities. For the past 25 years, Shared Interest has worked to unlock local private sector capital in South and Southern Africa to build and scale small and growing businesses, provide sustainable livelihoods for smallholder farmers and cooperatives and the enterprises that connect them to mainstream markets. That is – to move the region’s commercial lenders to extend credit to borrowers who add value to their communities, address key national and international priorities such as climate change, and would otherwise be considered “unbankable.”

Since Shared Interest was established as a non-profit non-governmental organization 25 years ago, just after the election of Nelson Mandela, we have provided partial loan guarantees to first South African, and then Southern African commercial lenders to move them to lend to black-owned small and growing businesses, microfinance institutions, and agricultural entrepreneurs, cooperatives and smallholder farmers. The capital we use for our guarantees is borrowed from private investors who share our goals. Working through the Thembani International Guarantee Fund in South Africa, eSwathini and Mozambique; Palladium in Malawi; and additional partners and third-party advisors, we further provide technical assistance as needed, both to the borrowers – and also to the lenders unfamiliar with these markets or uncomfortable with what they perceive as excessive risk.

Shared Interest grew out of the U.S. anti-apartheid movement, when socially responsible investors moved from exerting economic pressures to accelerate the end of apartheid – to investing in the new democracy. Since 1994, we have worked with 18 commercial lenders, mobilized \$122M in private capital loans in the region, benefited 2.3 million low-income entrepreneurs, job-holders, home-owners and smallholder farmers of color, and never lost a cent of any investor’s interest or principal. To date we have not received funding from any government or development finance institution.

Nonetheless, we have worked hard to ensure that our strategies and the loans we guarantee advance national priorities – and, since 2015, the SDGs. We have worked with state institutions in a number of ways. Here are a few examples:

1. South Africa: Helping Government Policies Succeed

Moreover, since South Africans defeated apartheid and established a non-racial democracy in 1994, the country has struggled with the issue of land reform and restitution. One strategy was for government to purchase farms that white owners agreed to sell, and transfer them to the farm's workers, often as cooperatives. But as so many land-reforming countries have learned the hard way, transferring ownership to previously disadvantaged workers without the technical support and working capital they need for their farms to succeed – is a recipe for failure. And if the new owners cannot make a go of their farms, they are often forced to sell them – not infrequently to large, wealthy landowners or entrepreneurs – unraveling or reversing land reform.

In the Western Cape Province, Shared Interest provided two guarantees totaling \$1.3 million to move a local private lender to issue \$1.9 million in loans to the two cooperatives, which also received technical support and connection to local and international markets.

Then the drought hit – the worst SA had experienced in 113 years, since it began measuring rainfall. The loans and technical support enabled the coops to install essential technology (such as a computerized moisture monitoring system, drip irrigation and other strategies to conserve water and soil, while also transitioning an increasing percentage of their operations to organic production with a reduced carbon footprint). Even though the level of the farm's reservoirs dropped to below 20 percent, and rain refused to fall, the cooperatives have sustained their production and their communities, and set important examples for other farms in the surrounding area.

One constant aspect of Shared Interest's support for the government's efforts has been to move the private sector to help finance small and growing businesses owned by economically marginalized entrepreneurs. Struggling to emerge from an apartheid economy that previously concentrated 80 percent of the country's financial wealth in its four major banks, government established a series of sector charters and codes (such as the Broad-Based Black Economic Empowerment codes – with a scorecard to match) to incentivize private sector lenders to and other major private enterprises to open doors and extend capital to low-income borrowers, suppliers and distributors of color, as well as black entrepreneurs). Banks and other companies with the best performance according to charters and codes have a higher probability of securing government contracts.

As Shared Interest's guarantees and technical support for lenders as well as borrowers have helped to move commercial banks like ABSA and Standard Bank to serve new and scaling black-owned businesses – they have prioritized social enterprises that address national goals, previously the Millennium Development Goals, and more recently the SDGs.

At times, we have worked closely with government agencies, such as the Small Enterprise Finance Agency, and agencies capitalized by government but operating as more commercial entities, such as the Land Bank.

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2. Malawi: Advancing the SDGs, Building Social Capital

In Malawi, we have worked with the country's Export Development Fund (EDF), an entity capitalized, but no longer controlled, by the government. Last year we guaranteed an EDF loan to African Women in Agribusiness – an association of women seed-entrepreneurs who provide technical support for more than 1,000 women smallholder farmers growing climate-resilient, soil-replenishing, high-protein legume seed and grain. The \$590,000 guarantee moved EDF to lend \$790,000 to the association organized and trained by the Graça Machel Trust – a key driver of the initiative's success. The enterprise's strategies to enhance climate adaptation, replenish the soil, feed and supply seed to hungry communities (90,000 smallholder farmers within the next year) sets a powerful precedent for local communities, and moves private lenders to play an important role in supporting a development agenda that government could not finance alone.

3. Government's Roles

Our experience over the last 25 years has highlighted key roles governments can play to catalyze other stakeholders to join in building the ecosystem needed to advance the SDGs.

- A. **Establishing a policy framework** to build the eco-system in which the private sector, NGOs and civil society work together to catalyze both financial and social capital. *Examples: Zambia's national gender policy and strategy to increase women's financial inclusion from 57% in 2015 to 80% by 2022; Tanzania's national credit to facilitate lending to low-income/low-wealth borrowers, particularly women.*
- B. **Maximizing collaboration and results** by bringing stakeholders together on individual initiatives, and catalyzing and helping fund the ongoing ecosystem to achieve the SDGs. *Example: South African sectoral charter convenings to enhance development; government/DFI funding for civil society and NGOs to advance the SDGs.*
- C. **Incentivizing commercial capital to advance development goals**
Given that public funds alone fall far short of the amount needed to fund the SDGs, government can leverage its resources through private sector incentives that reward developmentally desirable outcomes. *Examples: legislation, taxation, selective contracting and purchasing / "preferential procurement."*
- D. **Also integrating other SDGs** – so that government initiatives go beyond macro-economic projects (e.g. financing large dams) to strengthen community livelihoods, social capital and climate solutions that support small and growing businesses and smallholder farmers – to advance goals such as 1: no poverty; 2: zero hunger, 5: gender equality; 10: reduced inequality, 11: Sustainable Cities and Communities;

13: climate action; 15: life on the land.

Together we can accomplish number 17: partnerships to achieve the goal. Thank you!