

Networks for Prosperity

Achieving Development Goals through Knowledge Sharing Executive Summary





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Networks for Prosperity: Achieving Development Goals through Knowledge Sharing is the product of a collective effort of UNIDO and the Leuven Centre for Global Governance Studies (CGGS), under the overall auspices of the MDG Achievement Fund. Operations and administration colleagues facilitate the work of the joint report team.

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Foreword

Soraya Rodriguez Ramos Secretary of State for International **Development** Cooperation

On 18 December 2006, the United Nations and the Spanish Agency for International Cooperation signed a landmark agreement to programme €528 million towards key development goals and related development goals in selected sectors and countries.

With this support, the Government of Spain is demonstrating its commitment to international development and to a strengthened multilateral system, and The United Nations, in particular.

The Spanish Master Plan for International Cooperation (2009-2012) outlines Spain's policy, advocacy and financial priorities in support of the achievement of the Millenium Development Goals. In line with these priorities, the establishment of the Spain-UNDP MDG Achievement Fund was a landmark in this expanding institutional partnership.

The private sector plays an essential role in poverty reduction in areas such as the creation of jobs, the supply of goods and services that the poor need, the engagement in policy dialogue and ensuring that business activities are aligned with key sustainability principles. In this regard, knowledge management and knowledge networks are crucial elements in order to exchange information and experiences that consolidate good practices that are generated

through MDG-F joint programme implementation which can then be used for future initiatives. Global, regional and local knowledge management systems for private sector development will support developing countries in acquiring and adapting private sector development (PSD)-relevant knowledge to their specific context and development needs. We believe that this will considerably enhance the effectiveness of development activities and support developing countries in their endeavour towards reaching their individual development objectives and aspirations.

Soraya Rodriguez Ramos Secretary of State for International Development Cooperation Spain



Foreword Sophie de Caen

Director MDG Achievement Fund.

MDG Achievement Fund (MDG-F).

Coordinated by UNIDO, the programme brings together a range of United Nations agencies, intensifying the system's capacity to deliver as one globally and at the country level, while embedding knowledge gained in each of the twelve Joint Programmes of the MDG-F funding window, Development and the Private Sector.

The knowledge management system envisaged in the programme follows two tracks. On the one hand, it aims to strengthen the capacity and effectiveness of Joint Programme Teams through increased networking, knowledge sharing and mainstreaming of lessons learned. On the other, it seeks to create knowledge by establishing a more effective means of policymaking through moving beyond informal sharing of expertise residing in government institutions, the private sector, and civil society organizations.

Networks for Prosperity builds on the outcome of the Global Meeting of the Development and the Private Sector Joint Programme Coordinators held in Panama City in March 2011. It also contains the

This report, Networks for Prosperity, is an outcome of a programme for the establishment of a knowledge management system for private sector development, funded by the Government of Spain through the

fruits of studies carried out in the twelve participating countries in the Funding Window: Bolivia (Plurinational State of), Costa Rica, Cuba, Dominican Republic, Egypt, El Salvador, Ethiopia, Panama, Peru, Serbia, Turkey and Viet Nam. These are varied countries, each following its own path to development. Nevertheless, the report uncovers a certain commonality in the range and types of formal and informal knowledge networks that affect national private sector development policies, in turn impacting broader economic and development goals.

New and innovative solutions will be needed to overcome development challenges as we approach 2015. Networks for Prosperity provides solid recommendations for such solutions in the area of Development and the Private Sector. I look forward to the implementation of these proposals in the next phase of the programme, and to the further strengthening of our global partnership for development.

Sophie de Caen Director MDG Achievement Fund



Foreword Kandeh K. Yumkella Director-General UNIDO

We live in an interdependent world, with the forces of globalization bringing us closer together day by day. At times this leads to grave challenges which much be confronted even in the absence of existing governance frameworks – a case in point is the global financial and economic crisis that is still felt throughout the world.

Regrettably, it sometimes appears that we act in our common interest only after the fact. In the sphere of international development cooperation, however, the need for a common approach has long been recognized. Over the past decade or more, greater thought has been given to interrelated concepts such as coherence in the elaboration by partners of development strategies and actions, and of efficiency and effectiveness of aid. Development actors generally have sought to better align their activities with national objectives. The United Nations system, in part spurred on by the drive to achieve the Millennium Development Goals by 2015, has intensified its cooperation globally and at the country level.

This willingness to enter into partnership provides hope for the future. Throughout my tenure as Director-General of UNIDO, I have made external collaboration a key theme of our organizational ethos. Our programmes and campaigns in areas such as access to energy, cleaner production, investment promotion, trade capacity-building and agri-business development are evidence of the benefits of broadbased coalitions for action.

Networks for Prosperity takes this concept further. The report moves beyond traditional mechanisms of cooperation to consider how what were once regarded as informal relationships between public and private organizations can become embedded, institutionalized networks for knowledge sharing, positively impacting policies for private sector development. It uncovers how networks of this type are emerging as a distinct form of governance to meet ever-changing policy challenges in international development. Moreover, it establishes for the first time a Connectedness Index covering a wide range of countries and correlating strongly with indicators on government effectiveness, regulatory quality, industrial development and economic development. The report provides solid recommendations on the next steps to be taken in deepening this index, and in leveraging the role of networks for private sector development.

Networks for Prosperity was prepared on behalf of the United Nations system by UNIDO together with the University of Leuven. It is one component in an initiative generously supported by the Government of Spain through the Development and the Private Sector funding window of the Millennium Development Goals Achievement Fund. I am convinced that this ground-breaking report will form the cornerstone of a new approach in private sector development policy, using dynamic multi-actor networks to meet development goals through to 2015 and beyond.

Kandeh K. Yumkella Director-General UNIDO



Foreword

Jan Wouters Director Leuven Centre Studies

Networks, formal and informal, local and global, are increasingly important channels for pursuing policy goals in a globalizing world.

One of these goals, as identified by Millennium Development Goal 8, is the establishment of a global partnership for development. The private sector can play a key role in such a partnership. In fact, private sector development, as a spur to enterprise and economic growth, is now widely accepted as a tool to help achieve a range of development goals.

Networks for Prosperity maps this world of networks and captures their variety and diversity across a wide range of issues relevant to private sector development. It makes a significant contribution to the growing literature on the emergence of network governance as a distinct way of governing, which is based on information and knowledge exchange and learning by doing.

Networks for Prosperity approaches networks from a multi-actor and multi-level perspective. Such a comprehensive approach is crucial in order to grasp the complexity of current-day governance arrangements and their effect on private sector development and development in general. This multi-actor and multi-level approach concurs with the general approach taken by our Leuven Centre for Global Governance Studies, an interdisciplinary research centre of excellence of the University of Leuven.

Private sector development is clearly a result of a range of multi-actor initiatives. This report presents the private sector development 'ecosystem', which consists of many different types of actors, such as ministries, business associations and confederations, investors, enterprise support agencies, civil society groups, research and technology centres and universities. All play an important role in the governance arrangements for private sector

Leuven Centre for Global Governance

development. The report also stresses the importance of different levels of governance and of forging networks within and across levels. This multi-level quality ranges from networks within organizations which are crucial to forge knowledge creation and diffusion, to networks on a regional and global scale which connect organizations with counterparts across state boundaries. In between, on the state level, the report goes into detail on different types of interorganizational and state-society networks which greatly contribute to the further development of the private sector.

Networks for Prosperity will not only be of interest to academic researchers; it is at least as useful for global governance and development practitioners. The Global Academic Partnership Agreement with UNIDO enabled our Centre to work closely with UNIDO and its dedicated staff. It was a very enriching experience and we hope the end result will make a genuine contribution to the objectives of UNIDO and to global governance. We look forward to further cooperation in the future.

Jan Wouters

Jean Monnet Chair Ad Personam EU and Global Governance Professor of International Law and International Organizations Director, Leuven Centre for Global Governance Studies - Institute for International Law University of Leuven

President, Flemish Foreign Affairs Council Honorary President, United Nations Association Flanders – Belgium



Introduction

"The world possesses the resources and knowledge to ensure that even the poorest countries, and others held back by disease, geographic isolation or civil strife, can be empowered to achieve the MDGs."

This report is issued under the funding window "Development and the Private Sector" of the Spanish MDG Achievement Fund (MDG-F). Through this window, the Spanish Government together with the United Nations addresses the urgent need for supporting a vibrant and responsible private sector in development processes in order to achieve agreed development objectives, including the Millennium Development Goals (MDGs). In this context, UNIDO, as the technical convenor agency of the funding window, was requested to establish a knowledge management concept that would support developing countries in acquiring and adapting private sector development (PSD)-relevant knowledge to their specific contexts and development needs, and enhance the knowledge capabilities of the United Nations system and its national counterparts and partners in the field of PSD policy. Initial discussions on the issue of knowledge management in development activities took place during a global workshop among MDG-F



Ban Ki-moon, Secretary-General, United Nations (2010)

programme coordinators in March 2011 in Panama City (see Box 1 for details). This, among other inputs, inspired the first draft of this report, which was discussed during informal dialogues in Vienna and Brussels with Member State delegations as well as UNIDO and EU experts in May and September 2011. Comments were used to revise the manuscript, adding specific topics pertinent to knowledge networking and private sector development.

The Panama workshop and its findings

The first meeting of the Spanish MDG Achievement Fund (MDG-F) Private Sector and Development Joint Programme Coordinators (JPCs) was organized by the United Nations Industrial Development Organization (UNIDO) in its capacity as lead agency for the MDG-F Private Sector Development window knowledge management facility. The meeting took place in Panama City on March 1st -3rd 2011 and counted 31 participants, including headquarters and regional representatives of the MDG-F Secretariat, UNIDO, the United Nations Conference on Trade and Development (UNCTAD), the United Nations Development Programme (UNDP), the International Labour Organization (ILO) and UN Women, as well as IPCs and programme representatives from 11 of the 12 programme countries: Bolivia, Costa Rica, Cuba, Dominican Republic, Egypt, El Salvador, Ethiopia, Panama, Peru, Serbia and Vietnam. The meeting was chaired by the Coordinator of the Donor Committee for Enterprise Development (DCED). The key objectives and expected outcomes for the meeting were threefold, namely:

- O To strengthen the capacity and effectiveness of Joint Programme Teams through increased networking and knowledge sharing;
- O To identify programme level needs, in anticipation of a planned needs assessment

exercise - conducted under the auspices of the UNIDO Knowledge Management Team - and separate mid-term evaluation exercise organized by the MDG-F Secretariat; and To identify critical next steps and actions

O To identify critical next steps and actions aimed at addressing immediate programme level problems and issues.

In order to further underline the crucial subject of KM as a certain discipline to be followed in joint programmes, with multiple agencies implementing one project, the organization team of the Panama meeting applied KM sessions for the sharing of information, lessons learned and recommendations for future action. This has been performed inter alia by creating a "Marketplace Scenario", during which the participants presented their Joint Programmes in a lively and interactive manner.

The Panama workshop concluded with the *Panama Plan of Action* which is currently being implemented by the various project partners. The plan calls for increased inter-organizational collaboration and more frequent opportunities for cross-border knowledge exchange and peer learning among practitioners. It is expected that such activities will have a positive impact on overall programme quality and innovation across the UN system.

This report addresses how knowledge management and knowledge networking for private sector development policy can achieve development goals in an economy operating in a globalized world. The report targets change agents and policymakers in the fields of development policy and effectiveness, and aims to serve as a basis for policy considerations related to development strategy, effectiveness and governance. While it is not intended to be a holistic account of all existing literature and thinking in the nexus of knowledge networking, network governance and private sector development, it gives the interested reader a sound overview of the various concepts, provides new findings on correlations between these diverse concepts and illustrates these with country case studies.

The report was written in light of the global economic and financial crisis and tightening international cooperation budgets, which brought to the forefront a plethora of issues concerning economic policy and aid effectiveness (or, more properly, development effectiveness). In this context, there is a growing global understanding that a more productive public-private dialogue and an effective, yet balanced, involvement of the private sector in development activities is crucial for achieving the multitude of development goals and economic aspirations in developing countries. PSD, seen in this light, is therefore not merely a means for improving the overall production of goods and services, and thus the economic performance of a country. Conscious PSD policies can also spur activities that develop the necessary implementation capacities for addressing complex social and environmental challenges that, so far, have been primarily left to national authorities. This can not only free public capacities for re-orientation to more strategic fields of government work, but can also increase efficiencies and effectiveness in the implementation processes and open new financing channels and human resources in a guided manner.

Knowledge systems have long been recognized as central to development effectiveness and policy quality, but they remain underappreciated, undersupported and underused in addressing the central challenges of our globalized era. While traditional industrialized countries are highly networked, with government officials and business leaders increasingly exchanging information and coordinating activities and policies to address common problems on an international scale, the situation in developing countries is in many cases still characterized by a lack of free access to the latest findings in global and

The report is divided into three parts:

Part 1 focuses on clarifying the basic concepts of PSD, knowledge management and network governance. It also discusses the issue of network embeddedness and provides the necessary definitions for further analysis. It then moves from the conceptual definition to a suggested framework for analysing the nexus between these concepts, and examines specific correlations between network capabilities, connectedness and economic performance of countries. This part also provides the overall rationale for why a focus on multi-sector network capabilities, and particularly international knowledge exchange, is crucial for countries' economic aspirations. It also examines the growing consensus on the need to involve both public and private sector actors in development policy processes.

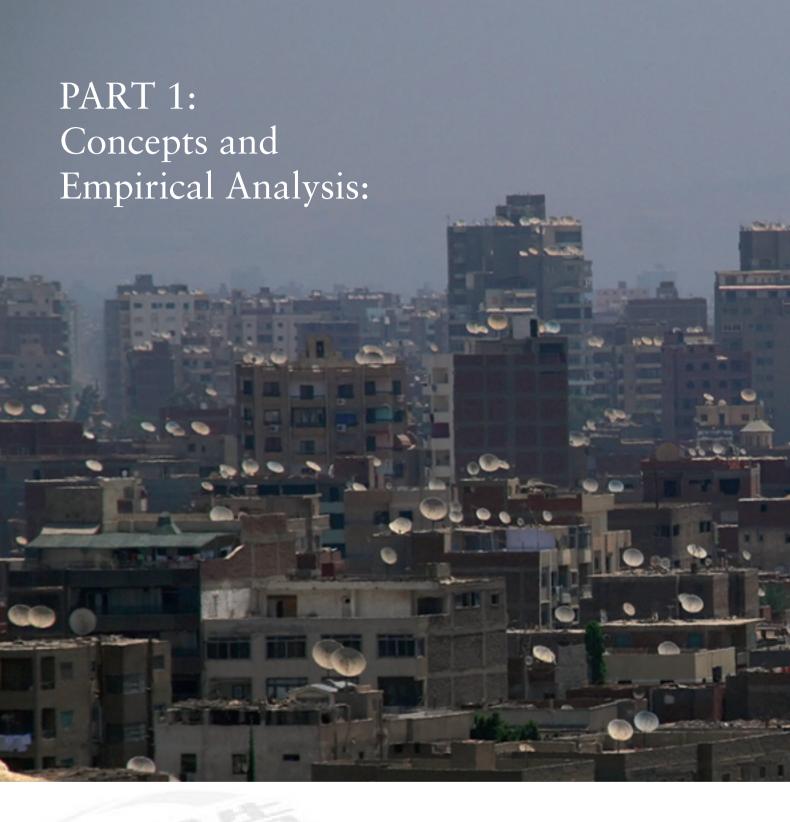
Part 2 focuses on different types of knowledge networks, their governance and impact on development results. Starting with the most

The MDG-F PSD Joint Programmes

Bolivia (Plurinational State of),	National and international value chains	UNDP, UNICEF, WFP, FAO, UNIDO, ILO
Costa Rica	Competitive tourism and agro industry	UNDP, UN-HABITAT, FAO, ILO, IOM
Cuba	Decentralization and higher production	UNDP, UNESCO, FAO
Dominican Republic	Banana value chains	UNDP, WFP, UNAIDS, WHO, FAO, ILO
Egypt	Horticulture value chains	UNDP, UNIFEM, UNIDO, ILO
El Salvador	Productive urban settlements	UNDP, UN-HABITAT, UNIDO
Ethiopia	Edible oil value chain enhancement	UNDP, FAO, UNIDO, ILO
Panama	Entrepreneurial opportunities network	UNDP, UNCTAD, FAO, UNIDO, UNWTO
Peru	Creative industries	UNDP, UNESCO, FAO, UNIDO, ILO, UNWTO
Serbia	Sustainable tourism	UNDP, UNICEF, FAO, UNEP, UNWTO
Turkey	Sustainable Linkages for SMEs	UNDP, UNIDO, ILO
Viet Nam	Green production & trade	UNCTAD, FAO, UNIDO, ILO

- regional policy dialogue and discourse. The existing mechanisms, platforms and networks need to become more dynamic, inclusive and accessible for
- developing countries. Effective support is needed to better facilitate the exchange of knowledge, concepts and ideas among practitioners and policymakers, at both the regional and global levels. Existing knowledge platforms and institutions need to be strengthened in this regard.

- common approach to knowledge management, an initial chapter focuses on international networks, supranational networks, and related governance issues on bilateral, regional and global levels. It then moves to inter-organizational networks, including public-public, public-private as well as private networks. A final chapter examines intra-organizational networks and examines links between the existence of performancebased, networked bureaucracies and economic success of a country. Each chapter is illustrated by specific country case studies, primarily inspired by institutions in the twelve countries currently implementing programmes under the MDG-F, namely Bolivia (Plurinational State of), Costa Rica, Cuba, Dominican Republic, Egypt, El Salvador, Ethiopia, Panama, Peru, Serbia, Turkey and Viet Nam (see table below for an overview).
- *Part 3* provides conclusions and recommendations for change agents and policymakers in the fields of development policy and effectiveness.



The first part of the study discusses, in general terms, the importance of information and knowledge networks for development and then outlines a method for demonstrating the links between networking and development through empirical analysis.

CHAPTER 1: PRIVATE SECTOR DEVELOPMENT, KNOWLEDGE MANAGEMENT AND NETWORKS

Private sector development (PSD) is fundamental to sustainable economic development. In order to further develop the private sector a wide variety of policy initiatives is taken. Governments are increasingly interested in sharing knowledge with regard to these policy initiatives and the lessons learned. Hence the importance of networks and knowledge management in these networks. The latter, which can take many forms (such as database creation, knowledge fairs and peer assisted learning) is the process through which organizations transform information into knowledge which helps them to achieve their goals.

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Concepts and empirical analysis

The rise of what might be termed "network governance" takes place in a context of a shift from government to governance which has been redefining the role of national authorities in market regulation since the 1980s. Major characteristics of this shift include:

- O Increased participation of non-governmental actors in policymaking, including the elaboration of policy norms and goals.
- O Regulatory regimes that take account of the different values and interests of actors involved in the policy-making process and regulatory coordination to facilitate communication between public and private actors.
- O Decentralization of policy competences with integration of policy domains by collaboration across functional divisions of government.
- O Non-coercive ('soft') policy instruments replacing 'command and control'.
- O Adaptability and constant learning.

