



Business insights for trade mission agencies, NGOs and governmental policy makers

SUSTAINABLE MATCH

Lessons Learned in sustainable matchmaking between small and medium enterprises in emerging economies and the Netherlands

COLOPHON

This is a publication of Sustainable Match, January 2014

Sustainable Match is an initiative of six complementary parties that has been executed between 2012-2013 on innovating trade and investment missions in anticipation of the new policy for international cooperation of the Dutch Ministry of Foreign Affairs "A world to gain: a new agenda for Aid, Trade and Investment". Sustainable Match carved a way for making sustainable business matches between The Netherlands and emerging economies. The expertise and driving force behind Sustainable Match has come from MVO Nederland, Agri-ProFocus, Oxfam Novib, PeopleConnector, ProPortion and BBO. The project was financed by the Dutch Ministry of Foreign Affairs and co-financed by Oxfam Novib, Agri-ProFocus and MVO Nederland. The results of Sustainable Match are an approach, several tools and lessons learned interesting for business match makers, NGOs and policy makers and small and medium enterprises.

Partners Sustainable Match 2012-2013

Agri-ProFocus, BBO, MVO Nederland, Oxfam Novib, PeopleConnector, ProPortion

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Author/Editor in chief

Liesbeth Lenselink (Smile Communicatie)

Editors

Frederiek van Lienen (Frederiek van Lienen Consultancy), Hilke Jansen (BBO) and Petra Veeneman (MVO Nederland)

Photography

Agri-ProFocus, MVO Nederland, ProPortion, Marina Popova

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"Minister Ploumen supports
Sustainable Match because
it perfectly fits the new policy
for international cooperation,
linking international trade
and development cooperation.
Sustainable Match links Dutch
business to business in Uganda
and Bangladesh, finds private,
sustainable solutions for food
security issues and uses knowledge and expertise of Dutch
entrepreneurs from SMEs".

Jeroen Roodenburg

Ambassador Private Sector & International Cooperation, Ministry of Foreign Affairs, June 2013

PREFACE

THE LEARNING JOURNEY OF SUSTAINABLE MATCH

"Our journey started with the end in mind: a contribution to food security for people in Africa and Asia induced by sustainable business matches with Dutch small and medium enterprises (SMEs). With Sustainable Match we tried to combine sustainability and trade in matches between local and Dutch entrepreneurs by focusing on the question 'how do we organize sustainable trade?'. We wanted to come up with an answer on how to improve the inclusion of the needs and interests of SMEs in low and mid-income countries in the conventional way of international trade and economic missions.

We felt that there was room for improvement in the way sustainability as a business consideration was taken into account in traditional trade missions. By experimenting in two pilots in Bangladesh and Uganda, we learned ways to create sustainable matches in a different, new way. We aimed to define market opportunities with social impact, strengthen local networks of partners and their constituencies, develop

a method on successful matchmaking, and provide input for sharpening Dutch policy and instruments on Private Sector Development. Sustainable Match 1.0 was born.

Focusing on the goal of creating sustainable matches instead of organizing a traditional trade mission proved to be very ambitious. The way in which the development sector and the economic sector's institutions are organized raised a number of challenges for merging aid, trade and investment. We describe our insights and lessons learned in this brochure and hope to inspire policy makers, trade mission intermediaries, SMEs and civil society organizations in the development of their policies and activities towards sustainable and inclusive trade. And who knows where we stand in a few years time? Will there be a Sustainable Match 2.0? It all depends on the effort we are all willing to put in."

Steering Group of Sustainable Match, December 2013



HOWIT STARTED...

Background

The start of Sustainable Match was a result of a series of trends and ideas within The Netherlands. Firstly, the Dutch government has been increasing its focus on private sector development in international cooperation. To enhance business with positive development outcomes the government encourages all Dutch companies operating abroad to act in accordance with the OECD Guidelines for multinational enterprises. SMEs are indicated as a specific target group that requests extra stimulation and support towards sustainable business.

Secondly, in November 2011 the Dutch parliament called on the government to organize a sustainable trade mission to a developing country with an emerging market, which would include business, trade unions, NGOs, research institutions and producer organizations. The lessons learned from such a mission could then be integrated in regular trade missions.

Based on these trends, the initiators of Sustainable Match saw the opportunity to start working together and share knowledge and networks towards a shared purpose: sustainable matches between SMEs and social entrepreneurs worldwide. They wanted to set up a different, distinctive and innovative type of trade mission: starting from the needs of local SMEs in target countries.

"Private sector development can only be economic, social and sustainable when all local and international relevant actors are involved."

Dutch Parliament, November 21, 2011

Partners in the consortium

Sustainable Match was set up by a consortium of six partners that had no prior history of cooperating in this way. All parties acknowledged that they had different interest and backgrounds, but they were confident that through collaboration these complementarities would create added value to the expected results. They proved that their synergy led to the development of a distinctive approach and a set of practical tools towards sustainable matchmaking.

- Oxfam Novib wants to promote sustainable business that benefits low-income communities and strengthens effective private sector development, positively impacting poverty reduction.
- Agri-ProFocus being a knowledge platform, wants to link their local networks (Agri-Hubs) with Dutch SMEs and increase the matchmaking capacities of these Agri-Hubs.
- MVO Nederland supports Dutch SMEs with the implementation of CSR (Corporate Social Responsibility) in international context and has a Dutch sustainable business network.
- BBO provides knowledge on political trends and policy developments of the Dutch government on private sector development and covers a broad political network.
- ProPortion is an expert in social entrepreneurship. It incubates own projects and advices companies and NGOs on how to create scalable social business for the Base of the Pyramid.
- PeopleConnector is experienced in international matchmaking and has a network of social entrepreneurs in Eastern Africa.



- Intermediaries such as (commercial) matchmakers.
- development.Reasons for Dutch companies not to participate in the mission are a lack of capital and time

4 Chapter 1 – How it started...

CHAPTER 2

THE VALUES



"Sustainable Match helped us to be informed of what Dutch investors wanted and also find out more about what other local partners are doing in agri business."

Juliane Tushabe,

vegetable trader Soleil Enterprise, Uganda

Ten core values of Sustainable Match

The Sustainable Match approach is based on several existing practical methods and best practices on CSR implementation and inclusive business models. Sustainable Match combines the most suitable experiences into one practical approach that has been monitored and evaluated during the process of matchmaking in two pilots in Bangladesh and Uganda. The sustainability issues that are focused on are food security and nutrition, directly or indirectly. Throughout the reflective and monitored process, practical lessons learned are drawn from the matchmaking process, underlined by context relevant experiences.

The outcome of Sustainable Matchmaking is inclusive business. This should be understood as business keeping its for profit nature and contributing to poverty reduction through the inclusion of the low income communities in its value chain. It is about including the poor in the business and make positive social and economic impact part of the business case.

- 1 The sustainable matchmaking program and results are purpose driven: tackling sustainability issues is the shared objective
- 2 Local needs and desires are starting point
- The program aims to match and create inclusive business opportunities
- 4 Locally we work with **SMEs, NGOs and producer organisations**
- **5** In the Netherlands we facilitate, encourage and support Dutch SMEs
- 6 All parties are OECD Guidelines committed
- Our objective is continuous on corporate social responsibility
- 8 All parties are accountable for social impact
- Our resulting matches are financially viable and interesting for investors
- **10** Our final results are **Sustainable Matches**

THE PILOTS

The chosen approach by Sustainable Match was implemented in two pilot countries: Bangladesh and Uganda. In this chapter a brief description is given of the situation in each country and the experiences throughout the pilot.



BANGLADESH

Best Practices – Experiences from Merel Rumping, ProPortion, coordinator pilot Bangladesh

The lack of SMEs

"In Bangladesh, very few real SMEs exist. For this reason, the interest for matchmaking consisted mainly of large companies (more than 4000 employees) who had demonstrable impact on the food security purpose. This influenced the process of closing deals on direct joint ventures with smaller SMEs in the Netherlands. At the same time the participation of large Bangladeshi companies offered opportunities for Dutch SMEs to sell their knowledge."

Value chain approach creates opportunities

"During the pilot in Bangladesh, we experienced that looking at opportunities throughout the whole value chain offers important insights for doing business in upcoming economies. For example, we used this value chain approach to pre-match the Dutch animal feed research company Schothorst with the Bangladeshi producer of chicken meat Paragon. There is a lot of potential in attuning the maize production with the nutrients that chickens need. We also looked at upgrading the maize waste and the chicken manure to bio-energy and fertilizer. During the pre-matching event that was organized with Nyenrode Business University, we visualized the Bangladeshi value chain of dairy (see picture p.8), fishery and horticulture to enable the Dutch participants to get new insights in possible entrepreneurial opportunities in Bangladesh".

Exchanging awareness

"In the matchmaking process, Sustainable Match focuses on the integration of local needs and business development goals. It enables entrepreneurs to think beyond standard propositions based on their usual products and services, and helps them to develop new value propositions whilst creating a social impact. This way of doing business offers new business opportunities and is a starting point for long term partnerships between entrepreneurs, NGOs and governmental parties.



Situation

Hidden hunger is a big problem in Bangladesh.

Therefore potential sectors that can develop more diverse yet affordable food should be supported.

These are the horticulture, fishery and dairy sector.

Opportunities

The chances are multiple; from food supply, farmer production, processing, logistics to distribution, retail and specific pro-poor consumer products.

Challenge

Satkhira is a poor district in Bangladesh, situated in the coastal area. This causes high salinity in the groundwater, and prevents many crops from growing.

Possible improvements

To develop new seeds that are salt resistant for growing diverse crops.

Sector selection

Business opportunities locally and the added value on nutrition for food security and the contribution of the dairy, fish and horticultural sector to this purpose.

At least 140 Dutch SMEs have become aware of the possibilities to create partnerships with entrepreneurs in Bangladesh. During the pre-match event twenty entrepreneurs from Bangladesh shared their business proposition with Dutch SMEs through video messages. The Sustainable Match approach shows that when sustainability is integrated in the matchmaking process from the start, it opens up the dialogue between entrepreneurs about the business opportunities of social entrepreneurship".

UGANDA

Best Practices – Experiences from Annick Schmeddes, PeopleConnector, coordinator pilot Uganda

Ugandan entrepreneurs in the spotlights

"From Dutch entrepreneurs who already have business partners in other Eastern African countries for example Kenya, we learned that they are interested to extend their business to Uganda or Ethiopia. This is especially true for agribusiness companies that trade in vegetables and fruit. During the prematching phase Dutch international traders got introduced to ten Ugandan entrepreneurs through specially shot videos. The business proposals and entrepreneurial ideas promoted by the Ugandan entrepreneurs appealed to the Dutch participants. Sustainable Match took the role of matchmaker and showed the Dutch entrepreneurs they understood their business needs such as small investment possibilities, risk minimization and up scaling".





Situation

Uganda is emerging, but agribusiness is underdeveloped which leaves room for sustainable business opportunities with impact on food security and on sustainability. Therefore, developing the agribusiness sector leads to less risks and better conditions to credit providers.

Opportunities

Well developed regarding food security. Politically stable. The possible positive impact on food security issues and malnutrition are high in Uganda.

Challenge

Malnutrition accounts for 40% of all child deaths in Uganda (Bridge, et al, 2006). The agricultural growth is 3% however the population grows with 3,5%.

Possible improvements

Increase production to increase income, infrastructure has to be improved; quality of protein has to be better.

Sector selection

The choice for one sector (fruit & vegetables, see picture p.11) was made based on several studies. international indexes like DuPont and the contribution to food security of the sector.

"It was very interesting to meet my fellow Dutch interested parties. I am now in contact with one of the participants of the pre-matching event in Utrecht."

Martin Oyevaar

Water irrigation system company Zinga, The Netherlands

"Even without participating in the mission but just by attending the pre-matchmaking event I got a new business partner in soil fertilization."

Jacqueline Baar

Soil improvement techniques BioMyGreen, The Netherlands

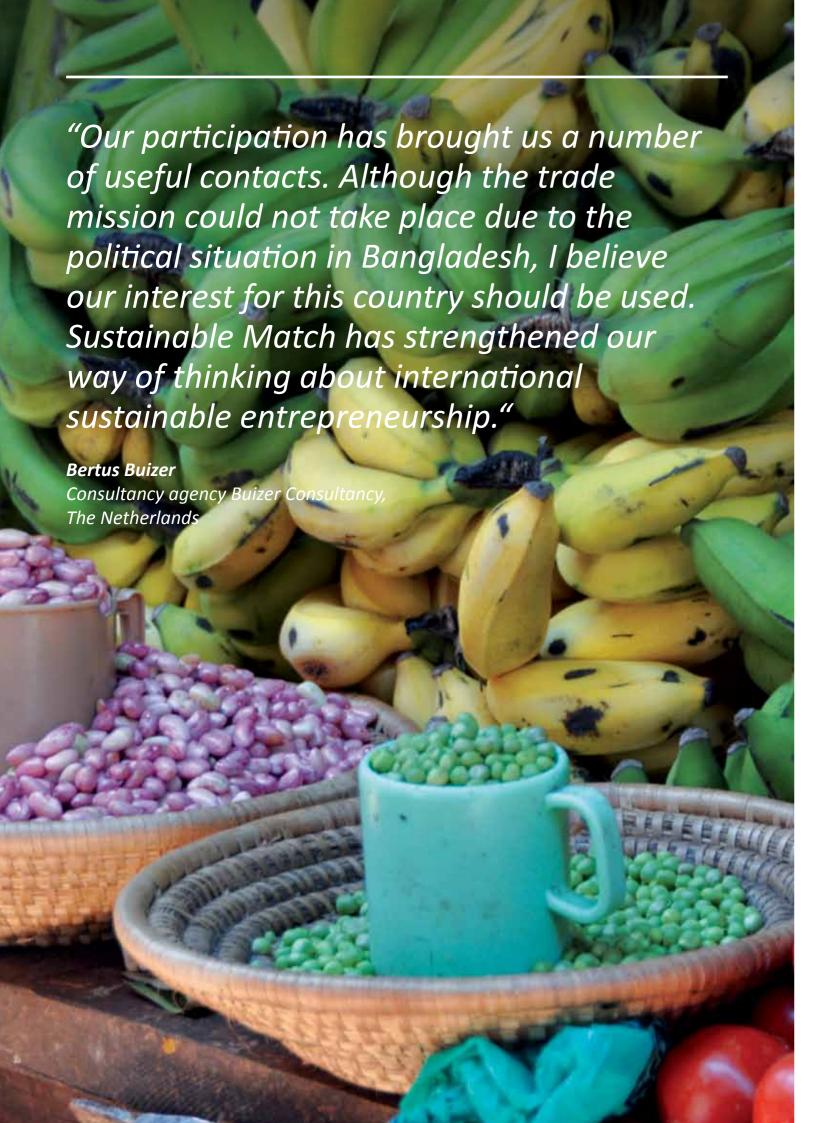
Partnerships in the supply chain

"The Dutch entrepreneurs who came together during the Sustainable Match events agreed immediately with each other: the Ugandan companies were too small to export their products to the Netherlands individually. For the Dutch entrepreneurs it was interesting to organize and optimize the supply chain in Uganda together and to collaborate to share the risks in this process. They discussed the opportunities to work together as a sector and to meet the needs of the Ugandan partners. Getting to know each other in the Sustainable Match process made it appealing for the entrepreneurs to put their energy together in finding possibilities of doing business with each other."

The importance of a local matchmaker

"The goal of Dutch minister Ploumen is to involve Dutch SMEs in private sector development in international cooperation. In Uganda we experienced that this already happens quite often. Dutch entrepreneurs have local agents with field knowledge to explore their business opportunities. Matchmaking between local entrepreneurs and Dutch SMEs can be enhanced when working with local matchmakers within the countries, being the Dutch Embassy or a local Agri-hub. The role of the local matchmaker is very important."





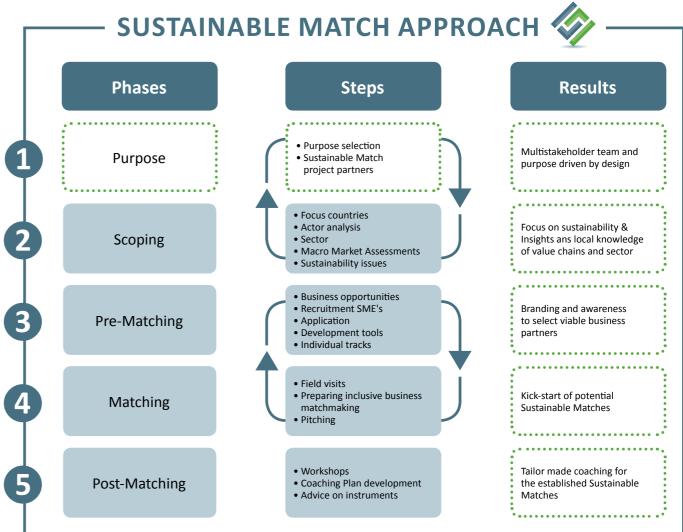
CHAPTER 4

APPROACH AND LESSONS LEARNED

Learning by doing

To get a better understanding of how and why things went the way they did in the pilots, the approach and lessons learned are explained in this chapter. It is important to stress that the set up of the approach has been a process of learning by

doing. The phases and steps have been thoroughly tested, monitored, discussed and evaluated throughout the two years Sustainable Match was set up and implemented. Therefore the phases 1 and 2 and 3 and 4 cannot be seen as linear, they intertwined for quite some time.



"Future marketing opportunities have been opened up and will be improved upon, thanks to Sustainable Match."

Nicholas Ndyomugyenyi

Vegetable producer and trader Rabs Investment, Uganda



1. Purpose

Sustainable Match selected food security as the overall purpose for the pilots. Worldwide nearly one billion people suffer from hunger, including many small producers. At the same time, Dutch companies can offer technology, business and knowledge and contribute to solutions for improving food security.



2.1 Scoping sector and country

This second phase in setting up sustainable matches in a needs based way, is crucial and intensive. Looking at the goals of the project, it was important to make sure that a certain basis of (social) private sector activity in the country of selection was present.

2.2 Define focus country

Four essential country selection criteria are: 1) the presence of local network of consultants/matchmakers 2) visible local business activities or knowledge of potential business leads with the local actors 3) English speaking country 4) on the list of the Dutch private sector development focus countries.

2.3 Perform macro market assessment for sector selection

Research was done based on country factsheets with the overview of general macroeconomic figures, contribution of different sectors to economic development, overview of current local policies on food security and private sector development, involvement of NGOs, alignment with the Dutch Embassy and the presence of Dutch programmes and projects.

2.4 Define the sustainability issues in this sector

Sustainability issues, both on planet and people, were specified. For instance, in Uganda economic growth is expected in the agrifood sector, due to the rapidly growing regional consumer market. Therefore, more sustainable food production and processing is needed. Regarding the people-aspect, research via World Bank reports, NGOs and the Dutch embassy was done regarding the opportunities for inclusive growth: economic growth for low-income communities.

2.5 Map the business opportunities

Dutch SMEs seem to base their ideas about business opportunities on their own experience with a country or region and their network, or whether there is a funding incentive. International indexes on economic growth or doing business are considered as valuable background information but not as decisive.

2.6 Recruitment SMEs

Agri-ProFocus Uganda together with Teampro and FIT Uganda executed 24 assessments on SME level. In Bangladesh Proportion in collaboration with iDE Bangladesh (experienced in designing and delivering market based anti-poverty programmes) assessed twenty organisations. The cooperation in this process with the Dutch Embassy and Nyenrode Business University was useful in several regards.



3. Pre-matchmaking

During this phase a thorough selection takes place of suitable and realistic candidates for sustainable matchmaking. The selection in the scoping phase narrows down possible candidates for inclusive business; the selection in this pre-matching phase narrows the amount of candidates down further. The tools developed for this phase are meant to come up with individual tracks of serious and capable candidates for the third phase of matchmaking. The pre-matching activities created awareness among local SMEs on sustainability, promoted International CSR to 250 Dutch SMEs in sustainability and promoted specific business opportunities and social entrepreneurship in Bangladesh and Uganda to 250 Dutch SMEs. Besides this, many Dutch SMEs have opened up their business mind towards the two pilot countries for the future.



LESSONS LEARNED

Focus country

- Select a country with a (potentially) positive image / brand according to the Dutch SMEs, based on trade/ business experience, economic (investment) numbers, finance options, culture, doing business indexes etc. (f.e. upcoming markets and BRICs).
- When choosing a country that is 'unknown' to Dutch SMEs, calculate at least six months for 'country branding' and execute this with established institutions like government, embassies and branch organizations.

Sustainability issues

- To make trade missions and resulting trade deals OECD compliant there is a need to validate the selected sector and purpose by involving the knowledge and experience of experts and stakeholders locally: food security experts, financial and research institutions, embassy, NGOs and the private sector.
- Knowledge of the local value chain adds value to designing sustainable solutions and business propositions.
- Dutch SMEs seek channels to access reliable international business opportunities and are interested in finding ways of implementing CSR in their activities.
 SMEs in emerging countries have a need for business development strengthening (socially and economically) and look for partnerships and transfer of knowledge and technology. CSR is not directly their primal goal.

Business opportunities

- The needs-based definition and indicators for success need to be defined thoroughly and precisely.
- Critical success factors are local presence of a broker/ matchmaker and knowledge on what the impact is on poverty reduction.
- Find out what is needed for local SMEs to strengthen their business and what they offer locally. Check whether Dutch SMEs are potential stakeholders.
- Continuously check the business opportunities on both sides (Dutch and local SMEs) in order to create a fruitful match.

Recruitment SMEs

- Matchmaking services generate added value by making use of local partners and local consultancy companies to get the most out of recruitment.
- Assessment of partners in Africa should be done with those partners that are crucial in solving the bottlenecks on CSR in their value chain.



4. Matching

In the fourth phase the magic of matchmaking happens. Several SMEs from Bangladesh and Uganda showed serious interest in SMEs from The Netherlands and vice versa. The matchmaking phase takes time and is an iterative process. Consolidating a Sustainable Match takes months of getting to know each other and to negotiate the match. A deal can be postponed for several reasons, externally and internally.

In case a trade mission is desired by the participants, the preparations for the field visits and visits to the embassy, financial partners and other important parties are being done in this phase. In both pilots these preparations were done and programmes were made.

Unfortunately, insufficient Dutch participants were recruited for the missions due to lack of interest, caused

by unfamiliarity with the Sustainable Match approach and type of mission and the mismatch of the business opportunities with Dutch SME needs. In the case of Bangladesh an additional factor was the political disturbance at time of the planned mission and in the case of Uganda, the Dutch SMEs preferred exploring the possibilities individually. Four Dutch entrepreneurs eventually went on an individual mission to Uganda.



5. Post-matching

The goal of this phase is to increase the success of the sustainable matches. With the post-matching services the SMEs from the pilots get linked to investors and private sector investment consultants. Monitoring of the impact of the match is also part of the postmatching phase. Because of the time scale of the pilot this phase is yet to be fully executed.



LESSONS LEARNED

Pre-matching

- A set of minimum criteria for participation is needed, e.g. what is minimum capital needed, the percentage of ownership, etc.
- Clear guidance to local partners about the goal and the use of the assessment form and the video instruction gives the best results to convince Dutch SMEs to go for matchmaking with the local entrepreneurs.
- Screening of both local and Dutch participants is of great value in the matchmaking process.
- Acquisition of Dutch participants requires significant investment of time to firstly inform and secondly convince them about the chances in unfamiliar countries.
- Increase value for Dutch SMEs by giving facts and figures about the pilot country, sector, general economic

- and market information, business climate and access to post-matching tools like financing tools and technical assistance on business development and due diligence.
- The Ministry of Foreign Affairs and the Dutch Embassy have added value in exposing their support on Sustainable Match and provide network and knowledge.

Matching

A continuous linking and feedback to the matchmaking participants is necessary for achieving a match. Objective is to monitor and 'gauge' the selection towards business propositions and to facilitate interim adjustments in the matchmaking. New approach requires more time to create enthusiasm among targeted participants.

TOOLBOX FOR SUSTAINABLE MATCHMAKING

Several tools were developed and tested during the course of the pilots. They can be found on the website www.sustainablematch.com.

Scoping instruments: Actors in matchmaking, criteria for country selection, market and sector quick scans, country factsheets on emerging sectors.

Assessment form: for validating application with key questions for local SMEs: in the Bangladesh-pilot five key questions were used, in the Ugandapilot there were ten.

Instruction for video **Animation video about Sustainable** profiles: videos were Match: highlighting the aim of the shot for both the pilot in a clear and graphic way. pilots in which the local and Dutch entre-

A PROPERTY AND A PROP

Business profile flyers: for each of the local business cases in Uganda and a general flyer about Sustainable Match was produced.

Programmes for pre-matching events: with several key speakers for both the local and Dutch entrepreneurs.

preneurs presenting

themselves and their

business cases.

Non Disclosure Agreement: to be signed by the participants of the pre-matching event in which the local business possibilities are revealed.

CHAPTER 5

CONCLUSIONS

Sustainability was incorporated in the design of the approach and introduced Dutch SMEs to emerging economies, CSR principles and to the innovative way of doing inclusive business. It turned out that local knowledge and presence and cooperation with local partners are essential to match entrepreneurs in sustainable and inclusive business partnerships. When both Dutch and local SMEs are well-informed, have realistic expectations and attainable business opportunities, a Sustainable Match can be made.

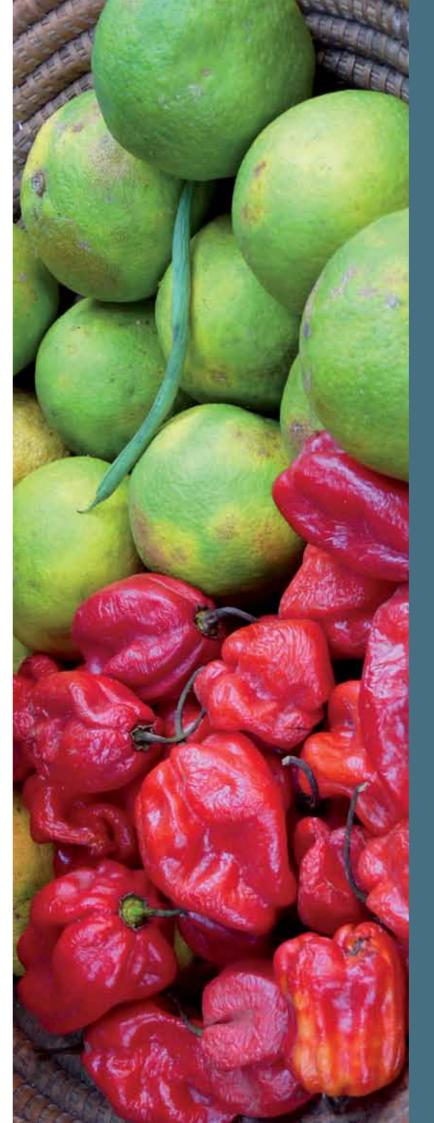
However, the realization was that the process needs to be kick-started by an initiating (matchmaking) party providing the first essential resources. It should be taken into account that especially SMEs lack capital, knowledge and often time to invest in a matching process with focus on local social economic circumstances. When supported and stimulated in a first step towards sustainable business development most SMEs are willing to explore the possibilities.

With this publication the two year pilot has come to an end. Sustainable Match concludes that it is not just about making trade missions more sustainable but about creating sustainable international trade and investments.

Sustainable Match would like to encourage new consortia to embark on a learning journey, making use of the described experiences and insights. Possibly taking Sustainable Match one step further into Sustainable Match 2.0. Furthermore, Sustainable Match recommends the lessons learned and the followed approach to be integrated in governmental instruments and to get used by matchmakers to create sustainable and inclusive business worldwide!

"Sustainable Match has shown me more business opportunities for my company, adding a crucial dimension to my business."

Mr. Robert Omoding
Vegetable producer and trader Essyro,
Uganda



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Netherlands Enterprise Agency www.rvo.nl

Agrihub Uganda www.apf-uganda.ning.com

BoP Inovation center www.bopinc.org

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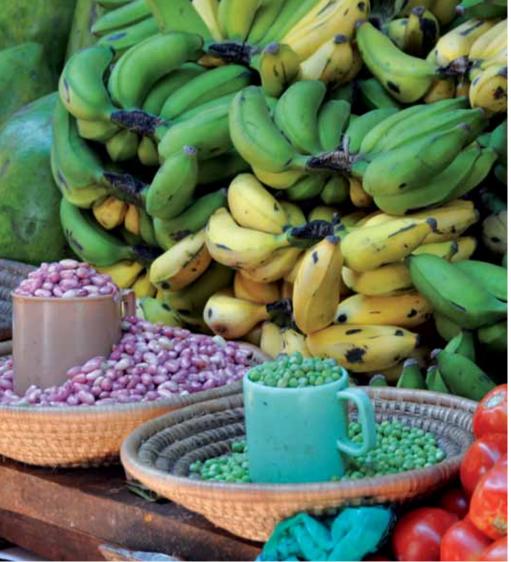
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