

Ecosystems

Terms of Reference



April 2023

1. Introduction

DECP and PUM have merged since 1 January and therefore form one organisation: PUM. In 2023, DECP's areas of expertise and networks will be integrated into the PUM organisation. In addition to the fact that DECP partners will from now on be PUM customers, social dialogue development will be further developed in various countries. This is an important requirement of the Ministry of Foreign Affairs.

In four countries, including Benin and Uganda, a start will also be made with the accelerated development of ecosystems or vibrant business systems. The concept of ecosystems evolved from the working groups that prepared the merger. Successful, dynamic (vibrant) ecosystems make an important contribution to the economic growth of sectors and to lasting impact. Until 2026, the number of ecosystems will be expanded to 10.

Although the three axes along which the integration of DECP in PUM are described separately - DECP partners become PUM customers (1), social dialogue is continued (2) and ecosystems are developed (3) - in practice they will coexist and here too reinforce each other.

Take away: PUM and DECP bring together the best of their expertise

2. What is an ecosystem?

The literature presents several well-thought-out definitions of ecosystems. The working groups have drawn up a bibliography on this subject. Various professors were also interviewed about this, with Prof. Erik Stam, Economic Geographer at the University of Utrecht, as a leading scientist. A theoretical background is fine and convincing, but PUM will have to act pragmatically. We therefore assume the most accessible definition:

*"If not only companies, but also business support organisations, incubators, vocational schools, technical universities, governmental bodies and other knowledge institutes like laboratories are involved in a sector, value chain or region and identified we call this an **"ecosystem"**."*

Characteristic of ecosystems is therefore that different companies, institutions and people work together within a system of more or less similar activities. They are concentrated in an economic sector, value chain or region. Defining ecosystems requires focus. Examples include the dairy industry, soft drink and juice industry or the flower sector. However, it does not only concern companies that can even compete with each other. Vocational schools, research institutes, transport companies, banks and (regional) governments can also be part of this. An initial analysis of an ecosystem often involves a stakeholder analysis to get a good picture of who those companies, institutions and people are.

PUM has translated the term "ecosystem" as "*vibrant business system*" and thus underlines the dynamics of such a system. PUM itself will seek cooperation as much as possible with other PSD organisations such as CNV Internationaal, Mondiaal FNV and with the Dutch embassies.

Take away: Ecosystems are about cooperating companies, institutions and people

3. Why an ecosystem approach?

Challenges and problems associated with well-defined ecosystems generally permeate the entire system. This means that the various stakeholders are affected. But also that they, each in their own way, can contribute to solutions. In fact, by identifying and recognising the problems together and coming up with solutions, everyone can do their part to implement improvements. This leads to improvements that usually have a larger and lasting effect.

Some successful ecosystems that are often mentioned in the Western world are Silicon Valley (US) and the Brainport Eindhoven (Netherlands). Those are stable ecosystems. If a stakeholder drops out, the missing link is filled elsewhere. The vulnerability of the cooperating or, conversely, competing actors in an ecosystem is less than when everyone works independently. However, these examples should not be considered exemplary for developing or accelerating ecosystems in developing countries. That's a few bridges too far. The essence is to find out what the conditions are for moving from purely individual work to a collaboration that is constructive and from which everyone contributes and benefits. This can and should start on a small scale.

Take away: Ecosystems lead to a greater and lasting effect

4. Zambia. From cluster to ecosystem

PUM has been focusing on clusters for several years with the aim of having more impact from the missions. After all, good training for ten entrepreneurs who are involved in the same production process provides a greater reach than a one-to-one peer advisory visit. A cluster can be defined as:

“An economic cluster is a combination of companies that have economic ties with each other. These ties or interdependencies are beneficial for the companies involved”.

Companies that focus on the same products have more in common than just the product. They are looking for personnel with the same professional training, they work with the same players in the value chain and try to gain a foothold in the same market. They are each other's competitors. In many cases they do not trust each other and lack the will to work together. However, there are also common problems. Which are easier to solve together.

For example, the transport sector in Zambia is struggling with the fact that vocational education lags far behind developments in their sector. This leads to truck maintenance technicians coming from schools that do not have the necessary competencies (knowledge, skills, attitude) that suit vehicles that are less than twenty years old. Zambia is an important transit country for mining products and infrastructure and services for freight traffic are therefore engines of the economy. Up-to-date trained truck maintenance technicians are an important prerequisite to make this possible. The employers' organisation ZFE, together with a group of entrepreneurs, has analysed according to a method developed by DECP what the most important shortcomings are in new (and existing!) employees. A major reason why vocational education lags behind is that the national authority determines the lesson plans. The curricula are valid for a longer period of time, while the world of entrepreneurs is changing much faster. The education also lacks practical aids such as tools, truck components and consumables. The theoretical level is acceptable but officially qualified people lack practical experience.

The long-term solution can partly be found in influencing the government (the Ministry of Education) with the aim of having curricula move along with developments in the labour market. This is pre-eminently a role for the employers' organisation that lobbies the government for the interests of its members. But something had to be done in the short term as well. Subsequently, under the direction of ZFE, the collaborating entrepreneurs have set up internship programs that give students the opportunity to gain practical experience during their education. The DECP method provides for the development of high-quality internships that are in line with the training curriculum. Cooperation was then sought with the two most important technical vocational schools in the Lusaka region. At ZFE's request, the national government strengthened the process by providing a start-up subsidy and was therefore actively involved in this improvement process.

The first phase of this project (2020-2022) has been experienced as a success by companies, schools and government. The project is currently being scaled up. Thus an ecosystem was born.

The lack of skilled workers and entrepreneurs, and the lack of good training opportunities, is in many cases a major bottleneck for companies and for the business climate; but not the only, and sometimes not the main bottleneck. This can also be a lack of funding, a lack of infrastructure, transport options, mechanization, an incompetent government, inadequate regulations, corruption, political conflicts of interest. By mapping out the problems in a specific market sector or cluster in consultation with partners, PUM can offer better support and achieve results in partnership with others.

Take away: Successful ecosystems start with successful clusters

5. Trust. The basis for a flying start for social dialogue and ecosystem development

Various preconditions must be met in order to develop ecosystems in a focused and constructive way. The (research) literature is clear on this. But it always starts with the will to work together. And so with confidence. Moreover, there must first be a common problem that can only be solved jointly. The Dutch polder model is thus often explained by the centuries-long collaboration to keep the water out. Only when you have succeeded can you continue to compete with each other. So the basis for ecosystems is exactly the same as the basis for social dialogue; to trust. That does not happen automatically. Recent history has shown that employers' organisations are a suitable basis for bringing entrepreneurs together and involving other stakeholders in problems and their solutions; The corona pandemic led employers' organisations and trade unions in West Africa to talk to each other to determine what was needed to limit the spread of infections as much as possible and to be able to continue business. In addition, after consulting their members, they determined what they needed from the government. This means that the tripartite social dialogue has been permanently raised to a higher level.

Back to the birth of ecosystems. Problems and challenges require unification. When the Eindhoven region was virtually declared bankrupt in 1993 after the bankruptcy of the DAF Truck manufacturing company and the declining importance of Philips, entrepreneurs organised themselves locally in forms of business associations such as the 'House of the manufacturing industry'. This enabled them to speak with one mouth. Now, thirty years later, the Brainport Eindhoven is flourishing. We see an example on a smaller scale in Mongolia. An important sector with growth potential is meat processing. The sector consists exclusively of SMEs that all like to comply with international standards with the aim of being able to export more. Especially to other countries such as China and Russia. The main reason they do not meet those standards is a lack of hygiene in the production processes.

This was established during a series of workshops organised by the employers' organization MONEF, which brought together a dozen companies - each other's competitors - to make an analysis. MONEF then took the initiative, together with experts from those companies, to develop a course aimed at improving hygienic practices. The three-day course is conducted by experts from those companies and is mandatory for every new and existing employee. Initially, the recognition of the certificate obtained in this way was a matter of trust within companies in the sector itself. The framework of the teaching programme has now been shared with vocational schools around Ulaanbaatar.

Take away: The basis is trust. Entrepreneurial organisations can play a crucial role in this

6. Once the start has been made, an ecosystem can handle more problems

Ecosystem development must have a starter motor. There must be a common problem experienced by entrepreneurs that is widely recognised and acknowledged as impeding growth or even threatening survival. Then there must be a party that brings these entrepreneurs together and lets them discuss the analysis of the problem in terms of causes and solutions. Solutions that are not placed with third parties, but in which they make the start themselves. This involves answering the question of who is needed and what is needed to solve the problem and raise the sector to a higher level. Those institutions themselves must also become 'better' from this. After all, if you ask for something, you should also be able to give something. The basis of better functioning ecosystems is often the growth of companies, which creates more employment. The usefulness for employers and trade unions is obvious. In emerging economies too, companies can only grow if they have people with the right skills. Properly functioning vocational education is therefore a core condition.

The above examples are mainly based on one, but very decisive and universal, starting point; good vocational education. The Zimbabwean Association of Dairy Farmers (ZADF) unites the players in the dairy sector in Zimbabwe. They have listed their common challenges and have given an important delegation the opportunity to follow a study trip in the Netherlands with the support of PUM. In doing so, they not only focus on the question of how vocational education provides people with the right competences, but also how legislation and regulations support the sector, how the sector strengthens its competitiveness and what is being done to improve productivity and efficiency while maintaining food safety. Once back in Zimbabwe they will start a number of programmes where they need other players. This is another example of how the cluster approach is shifting to an ecosystem approach where being well organised (for example in a trade or employer organisation) is the basis of acceleration and upscaling.

Take away: Successful clusters and successful ecosystems reinforce themselves if they are well organised