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Networks for Prosperity

Achieving Development Goals through Knowledge Sharing
Executive Summary

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Knowledge Sharing

Executive Summary

UNITED NATIONS
INDUSTRIAL DEVELOPMENT ORGANIZATION

Leuven Centre
for Global
Governance Studies

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Report Team
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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Design and print by creative images s.r.o., Bratislava, Slovakia – www.c-images.com

Foreword

Soraya Rodriguez Ramos
Secretary of State for International
Development Cooperation

Foreword

Sophie de Caen
Director
MDG Achievement Fund.

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.

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 MDG Achievement Fund (MDG-F).
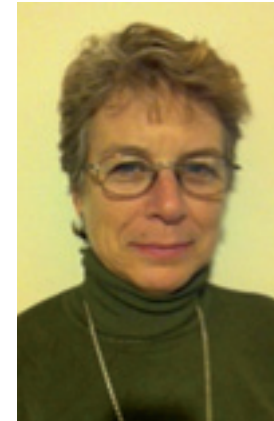
With this support, the Government of Spain is demonstrating its commitment to international development and to a strengthened multilateral system, and The United Nations, in particular.

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

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

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 broad-based 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 for Global Governance
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 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 inter-organizational 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."

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

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

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 JPCs 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:

- ○ **To strengthen the capacity and effectiveness of Joint Programme Teams through increased networking and knowledge sharing;**
- ○ **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 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, under-

supported 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

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.

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

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 performance-based, 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 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

PART 1:
Concepts and
Empirical Analysis:

Concepts and empirical analysis

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.

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:

○ Increased participation of non-governmental actors in policymaking, including the elaboration of policy norms and goals.

○ 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.

○ Decentralization of policy competences with integration of policy domains by collaboration across functional divisions of government.

○ Non-coercive ('soft') policy instruments replacing 'command and control'.

○ Adaptability and constant learning.

Whether networks enable or constrain private sector development and PSD policies depends on the nature and governance of the network. A key conceptual distinction is the difference between embedded networks and autonomous or arm-length networks. The differences are elaborated in the report. Large networks tend to be mainly constructed of arm-length ties, while small networks are more likely to consist of embedded ties.

"The logic behind this statement is simple: poverty reduction is the main objective of development co-operation and a target of development policies. Economic growth is essential for development, and growth is best achieved through the private sector, which in turn needs to be adequately promoted. Thus policies to foster private sector development (PSD) deserve most attention." (OECD, 2007, p. 22)

A number of policy options are open to governments to facilitate the development of the private sector. Lau Schulpen and Peter Gibbon (2002) provide an overview of the different elements and levels relevant for private sector development and which can be influenced by government policies. The table below summarizes their findings.

Elements and Levels in Private Sector Development

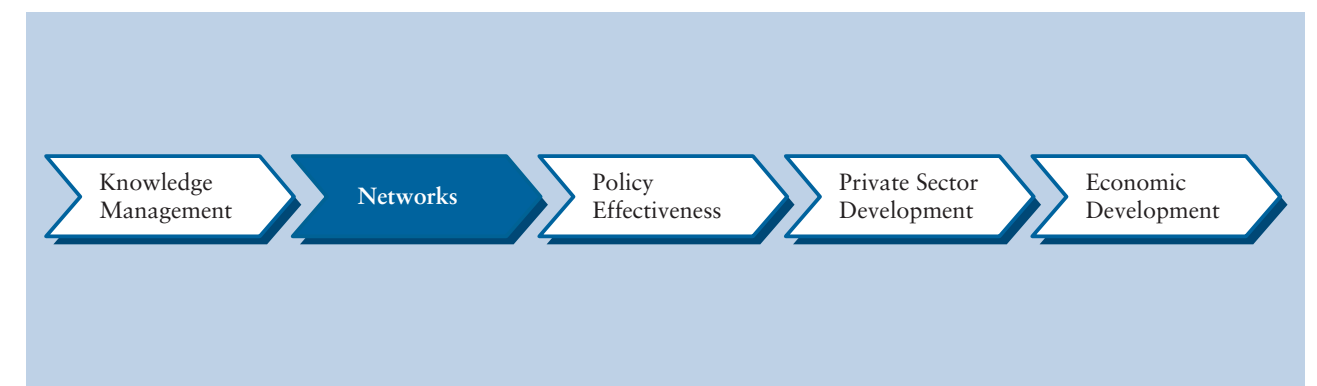| Level		Enabling environment		
	International/regional	Macro	Meso	Micro
	Countries	State	Branch	Company
Elements	- Free and rule governed international trade - Access to international markets - Debt reduction - Donor policies and practices (including coordination) - Membership in international economic, social or environmental governance bodies	*Macroeconomic policies* - Trade policies - Privatization - Exchange rate and monetary policies - Public budgets - Labour market policy - Observance of labour standards - Fiscal policy (tax) - Inflation reduction - Financial institutions - BoP regulation *Physical infrastructure and human capital* - Education and skill training - Health - Roads, railways, harbours, electricity, telecommunication, etc. - Intellectual capital - E-readiness - Social security and pension schemes *Good governance* - Fight against corruption - Transparency - Legal system - Effective governance - Administrative reform	*Institutional infrastructure* - Chamber of commerce - Employers organizations - Labour unions - Intermediary financial institutions - R&D institutions - Training institutions - Sector-level market institutions - Standard agencies - Information agencies	- Access to technology, expertise and capital - Manpower - Management and entrepreneurship - Market access and information - CSR uptake

Source: Adapted from Schulpen and Gibbon (2002, p. 3)

Embedded and arm-length networks perform different functions in the context of knowledge management. An optimal network is an embedded network which is sufficiently open to arm-length ties. The aim should therefore be to develop institutionalized and embedded networks that are nevertheless sufficiently fluid and flexible. Within and parallel to institutionalized networks, informal or personal networks can play an important role in this connection.

CHAPTER 2: MEASURING NETWORKS ACCROSS COUNTRIES: AN EMPIRICAL EXPLORATION
Up to now, there has been no overall network index to compare countries and substantiate the importance of networks for development. This chapter explores the possibilities for constructing such an index. Given the restricted scope of the study, it relies on existing databases. More than 70 of these which contain data for a large number of countries were screened for indicators which can be related to international, inter-organizational and intra-organizational networks. The average of the results for these three sub-indices constitutes the overall network or connectedness index.

The resulting connectedness index showed strong variations in the degree to which countries are networked, both internally as well as internationally. Some countries achieve a consistently high score on the various network indicators and hence on the connectedness index, whereas the scores of others are consistently low. Similar scores on the connectedness index were often reached by very distinct paths. The next step in the analysis was to explore the relationship between connectedness and government effectiveness, regulatory quality, competitive industrial performance and GDP (gross domestic product) per capita PPP (purchasing power parity). The result was a strong positive linear relationship between connectedness and these four performance indicators. Networks, in short, do play a role. However, more conceptual work and empirical research is needed to explain the variations, disentangle causal relationships and determine precise effects.

Knowledge Management → Networks → Policy Effectiveness → Private Sector Development → Economic Development

Focus of the report

The Connectedness Index

The Connectedness Index is the average of three sub-indices (International, Inter-organizational, and Intra-organizational Networks). It is presented in the table below.
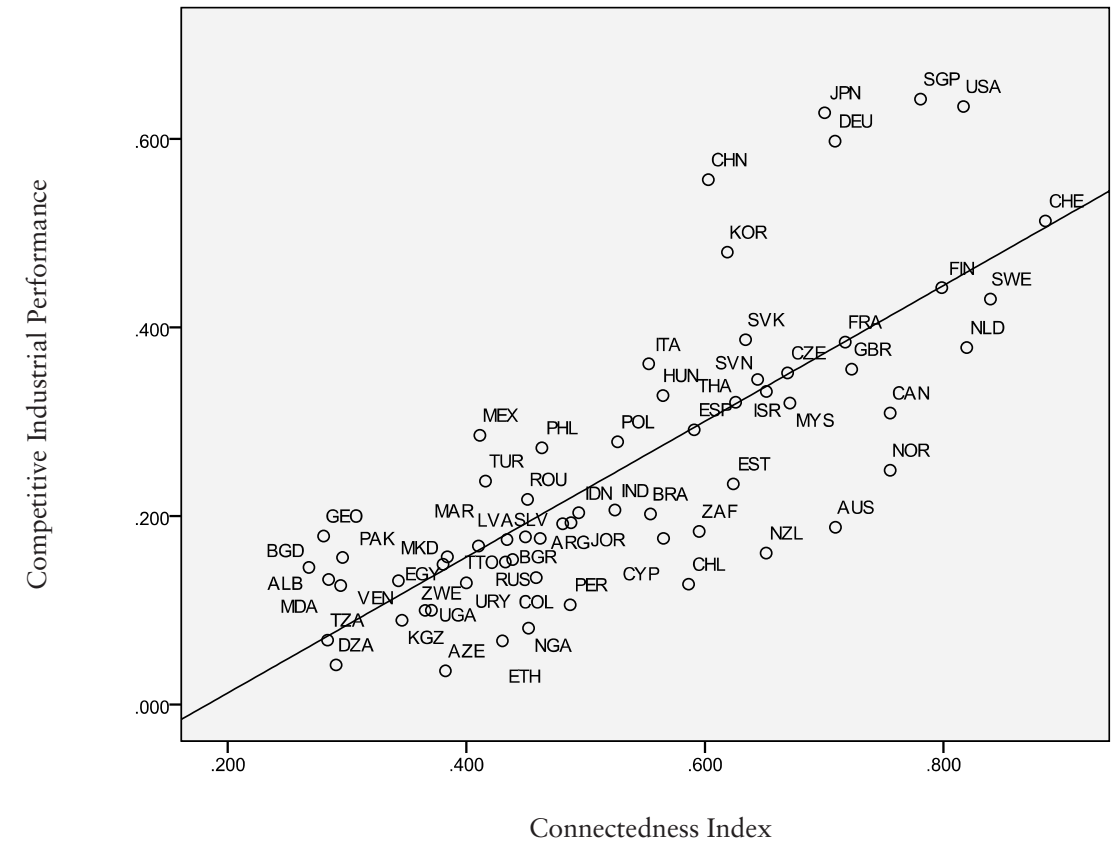
Connectedness Index

| ISO code	Country	International Network Index	Inter-org Network Index	Intra-org Network Index	Connectedness Index	Connectedness Rank
CHE	Switzerland	0.934	0.976	1.000	0.970	1
SWE	Sweden	0.920	0.874	0.940	0.911	2
NLD	Netherlands	0.963	0.784	0.908	0.885	3
USA	United States	0.673	1.000	0.972	0.881	4
FIN	Finland	0.851	0.845	0.886	0.861	5
SGP	Singapore	0.849	0.760	0.893	0.834	6
NOR	Norway	0.831	0.798	0.801	0.810	7
CAN	Canada	0.787	0.823	0.817	0.809	8
DEU	Germany	0.837	0.865	0.608	0.770	9
GBR	United Kingdom	0.696	0.781	0.817	0.765	10
FRA	France	0.840	0.616	0.804	0.754	11
AUS	Australia	0.736	0.749	0.766	0.750	12
JPN	Japan	0.498	0.807	0.880	0.728	13
MYS	Malaysia	0.844	0.688	0.608	0.713	14
CZE	Czech Republic	0.852	0.593	0.662	0.702	15
NZL	New Zealand	0.726	0.629	0.678	0.678	16
ISR	Israel	0.718	0.584	0.716	0.673	17
SVN	Slovenia	0.775	0.513	0.700	0.662	18
KOR	Korea, Republic of	0.639	0.730	0.573	0.648	19
THA	Thailand	0.719	0.577	0.640	0.646	20
SVK	Slovakia	0.788	0.401	0.736	0.642	21
EST	Estonia	0.787	0.457	0.666	0.637	22
ZAF	South Africa	0.730	0.607	0.517	0.618	23
ESP	Spain	0.829	0.494	0.506	0.610	24
CHL	Chile	0.833	0.500	0.485	0.606	25
CHN	China	0.460	0.601	0.751	0.604	26
HUN	Hungary	0.940	0.464	0.362	0.589	27
CYP	Cyprus	0.837	0.452	0.451	0.580	28
ITA	Italy	0.787	0.534	0.394	0.572	29
BRA	Brazil	0.583	0.508	0.572	0.554	30
IND	India	0.498	0.795	0.345	0.546	31
LTU	Lithuania	0.675	0.403	0.536	0.538	32
POL	Poland	0.730	0.323	0.503	0.519	33
IDN	Indonesia	0.556	0.550	0.378	0.494	34
JOR	Jordan	0.753	0.385	0.322	0.487	35
HRV	Croatia	0.735	0.364	0.338	0.479	36
PER	Peru	0.666	0.295	0.449	0.470	37
ARG	Argentina	0.602	0.335	0.450	0.463	38
BGR	Bulgaria	0.820	0.241	0.291	0.451	39
COL	Colombia	0.554	0.413	0.364	0.444	40
PHL	Philippines	0.580	0.344	0.407	0.444	41
NGA	Nigeria	0.714	0.313	0.292	0.440	42
ROU	Romania	0.647	0.279	0.364	0.430	43
DOM	Dominican Republic	0.420	0.408	0.433	0.420	44
ZMB	Zambia	0.687	0.356	0.215	0.419	45
LVA	Latvia	0.538	0.257	0.458	0.417	46
RUS	Russian Federation	0.604	0.306	0.340	0.417	47
UKR	Ukraine	0.646	0.344	0.255	0.415	48
ETH	Ethiopia	0.812	0.207	0.223	0.414	49
TTO	Trinidad and Tobago	0.538	0.374	0.324	0.412	50
GTM	Guatemala	0.493	0.388	0.348	0.410	51
SLV	El Salvador	0.565	0.198	0.430	0.398	52
TUR	Turkey	0.514	0.381	0.286	0.394	53
MEX	Mexico	0.487	0.396	0.282	0.388	54
MAR	Morocco	0.610	0.276	0.268	0.385	55
SRB	Serbia	0.530	0.247	0.354	0.377	56
URY	Uruguay	0.654	0.221	0.241	0.372	57
ARM	Armenia	0.281	0.567	0.224	0.357	58
EGY	Egypt	0.563	0.297	0.208	0.356	59
AZE	Azerbaijan	0.485	0.294	0.265	0.348	60
MKD	Macedonia	0.445	0.201	0.354	0.333	61
UGA	Uganda	0.339	0.322	0.321	0.327	62
ZWE	Zimbabwe	0.657	0.113	0.208	0.326	63
MLI	Mali	0.442	0.312	0.169	0.308	64
KGZ	Kyrgyzstan	0.506	0.069	0.293	0.289	65
BIH	Bosnia and Herzegovina	0.519	0.062	0.280	0.287	66
VEN	Venezuela, Bolivarian Republic of	0.377	0.152	0.325	0.285	67
BFA	Burkina Faso	0.255	0.236	0.306	0.266	68
PAK	Pakistan	0.445	0.255	0.056	0.252	69
DZA	Algeria	0.539	0.075	0.093	0.236	70
MDA	Moldova	0.472	0.000	0.208	0.227	71
ALB	Albania	0.464	0.026	0.165	0.218	72
GEO	Georgia	0.443	0.064	0.142	0.216	73
TZA	United Republic of Tanzania	0.091	0.273	0.275	0.213	74
BGD	Bangladesh	0.305	0.215	0.104	0.208	75
	Median:				0.463	

The relationship between connectedness and government, industrial and economic performance

In order to analyse the relationship between connectedness and government effectiveness, competitive industrial performance, and GDP per capita PPP a correlation matrix was constructed. The graphs clearly show a strong positive linear relationship between on the one hand connectedness and on the other hand different performance indicators.
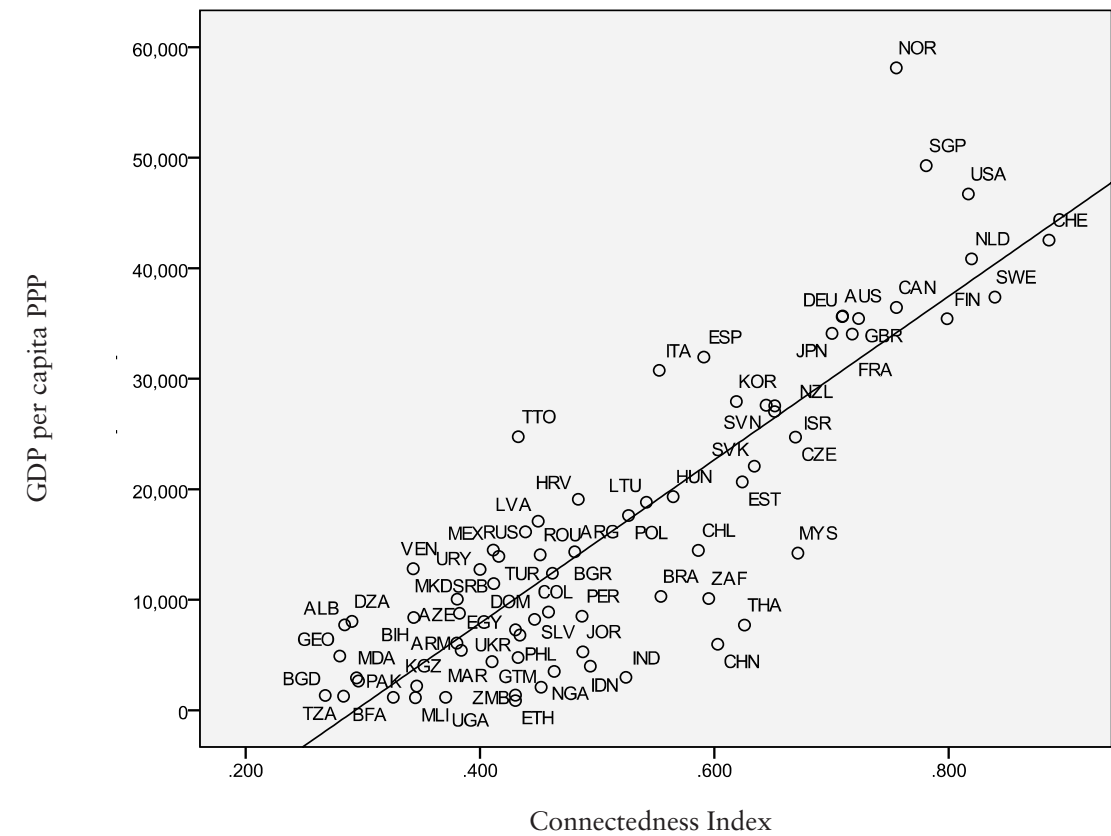

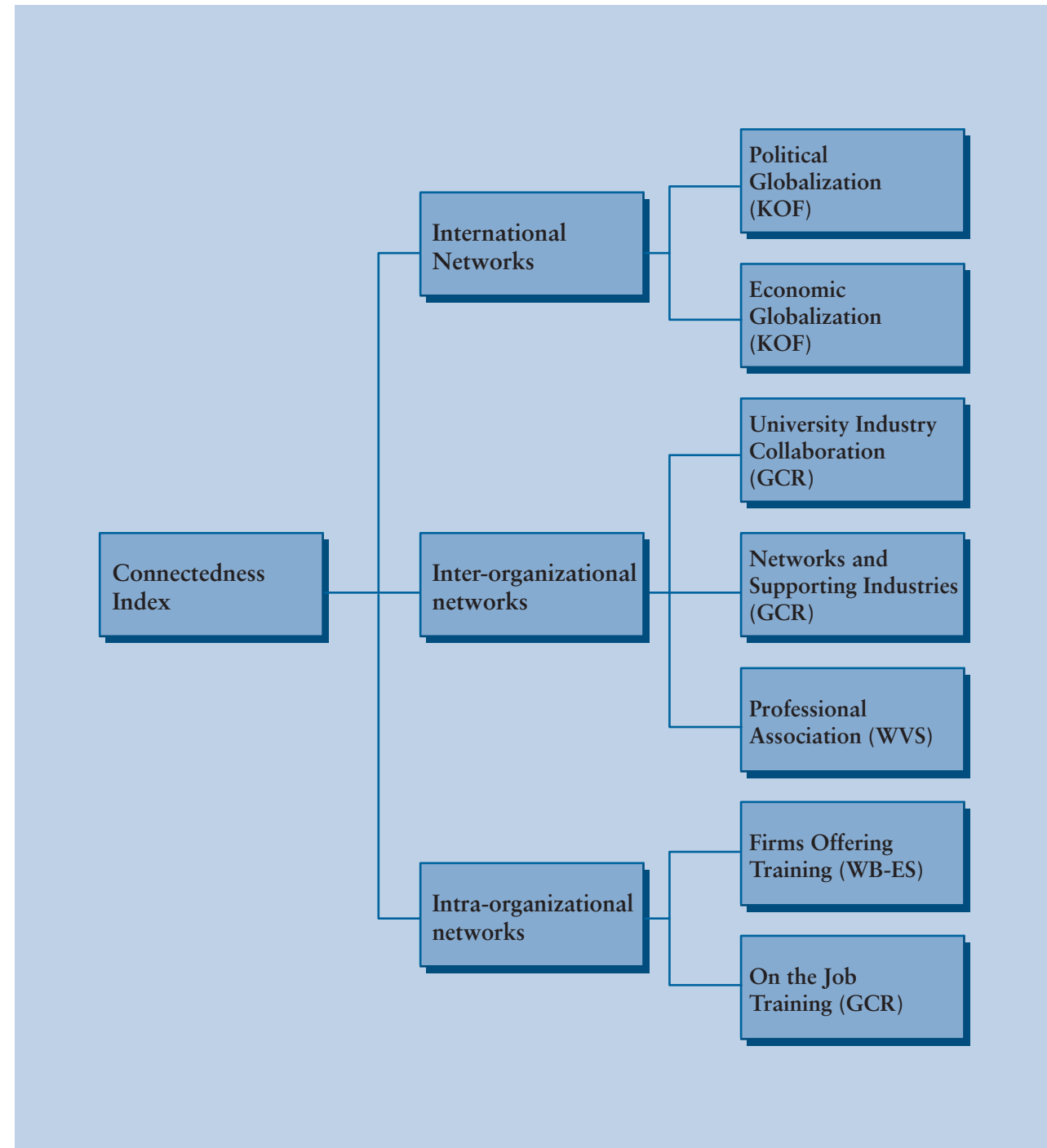*Competitive Industrial Performance x Connectedness Index*

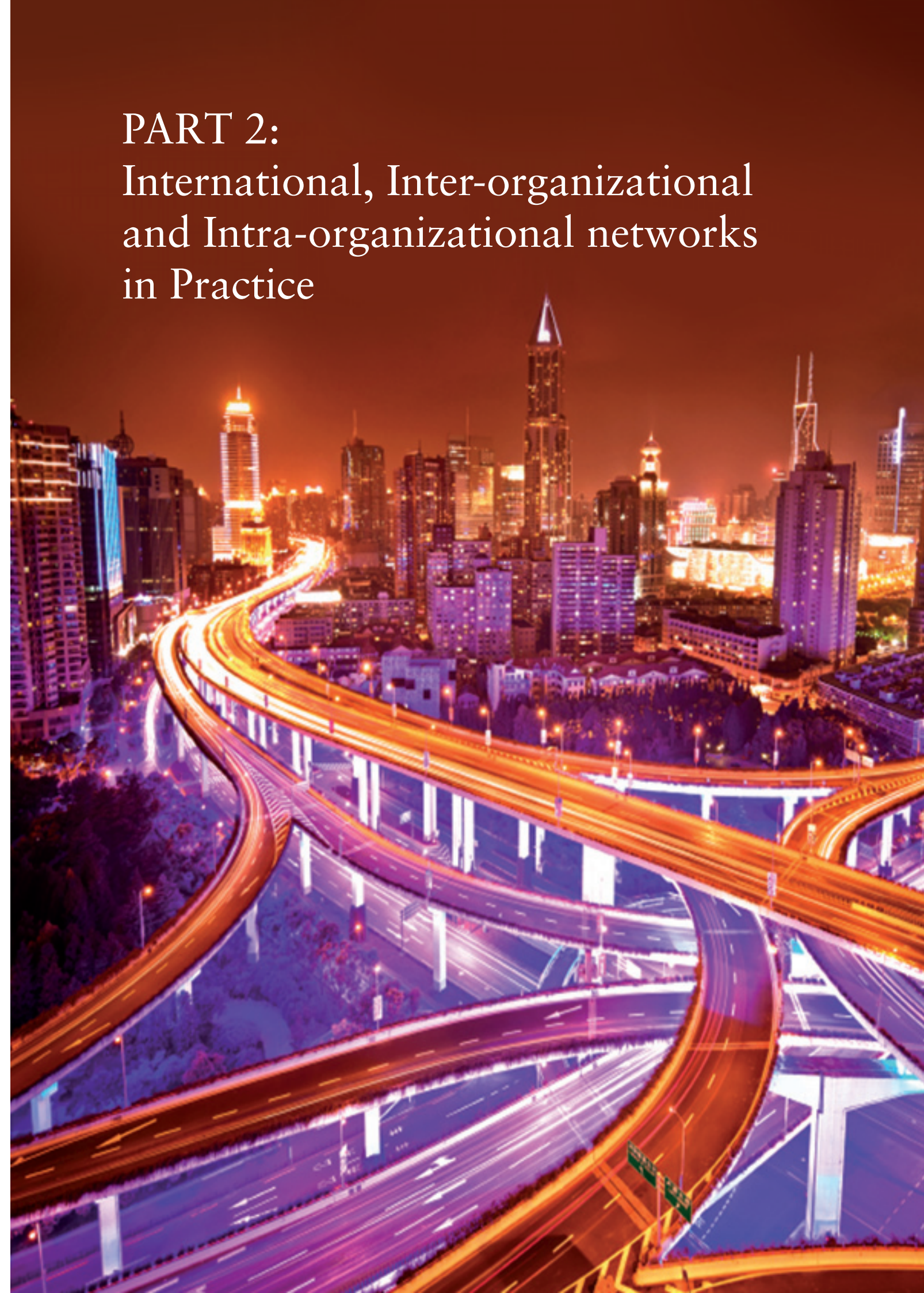*Government Effectiveness x Connectedness Index*
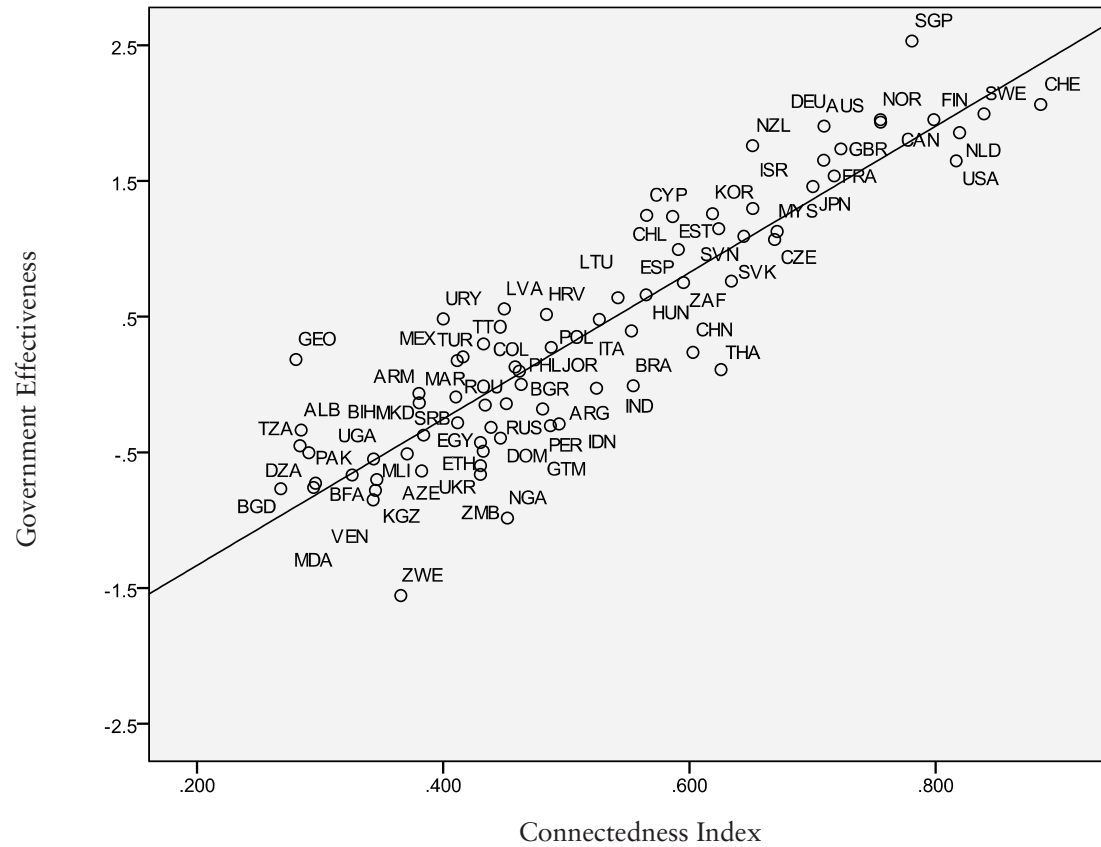
GDP per capita PPP x Connectedness Index

Connectedness Index

PART 2:
International, Inter-organizational
and Intra-organizational networks
in Practice

International, inter-organizational and intra-organizational networks in practice

The second part of the study discusses the governance of international, inter-organizational and intra-organizational networks. The individual chapters are illustrated with detailed examples from a wide range of developing countries and transition economies.

CHAPTER 3: KNOWLEDGE WITHOUT FRONTIERS: INTERNATIONAL NETWORKS

International knowledge networks can have a bilateral, regional and multilateral character and can emerge not only between government actors but also between non-government actors (as in international trade and foreign investment). Well-known examples include the information and knowledge exchanges at various policy-related levels between the EU and the USA (bilateral networking), within the African Union, ASEAN, and SICA, CAN, ALADI and Mercosur in Latin America (regional networking), and in the context of the United Nations system (multilateral networking).

The complexity of international networks is, following Slaughter (2004), increasing as a consequence of two related developments:

○ There is a tendency for governments to disaggregate into their components, which are no longer solely interacting within the government hierarchy but also outside their boundaries with foreign counterparts;

○ As a result, government networks emerge which exist alongside, and sometimes within, more traditional international organizations.

A distinction can be made between horizontal networks, such as networks among government officials or business leaders from different countries, and vertical networks between supranational officials and their country-level counterparts. Of course, both aspects may be represented in networks.

Issues which are central to the functioning of all networks, but multilateral networks in particular are:

○ Trust: without trust joint network management is highly unlikely;

○ Leadership: who should take the lead - a new organization or any of the existing organizations?;

○ Flexibility: the governance of networks must evolve as they develop.

CHAPTER 4: CHAPTER 4: FROM DIALOGUE TO COLLABORATION: INTER-ORGANIZATIONAL NETWORKS

Inter-organizational networks can emerge in at least three spaces:

○ Within the public sector

These aim to achieve specific policy objectives that cut across the functional departmental borders of government. The report makes clear that PSD is influenced by many policy areas such as labour, education, enterprise and finance. Integrating PSD goals into each of these policy areas can support the further development of PSD. This type of collaboration can take many forms, ranging from ad hoc meetings to joint strategic plans and permanent working groups.

○ Between public and private sector actors

These networks can take many forms. Governments, for example, can set up government-owned or dominated firms in specific economic sectors to initiate innovation and change. A similar initiating role with strong spillovers can also be observed in key areas such as research and development support. Public-private joint ventures in emerging sectors which then further develop and diffuse constitute another example. Finally, an increasing number of public-private partnerships have developed to provide different kinds of services and infrastructure supporting private sector development, such as investment promotion. A particularly important factor in the creation of public-private sector network is the building of mutual trust. There is empirical evidence in many countries that good government-business relations make a strong contribution to growth.

○ Among private sector actors only

These can take many forms, including business associations, industry-university collaborations, and private regulatory initiatives. Clusters, geographic concentrations of interconnected companies, specialized suppliers, service providers and associated institutions in a particular field are also important manifestations. Their development is supported by cluster development initiatives where public-private sector networks come into play. If business associations wish to influence economic policy they will need to assure themselves of the trust of the general public as well as policy-makers to gain influence.

CHAPTER 5: THE KNOWLEDGE ORGANIZATION: INTRA-ORGANIZATIONAL NETWORKS

Within organizations knowledge creation and information exchange primarily occurs between persons, notwithstanding the exponential growth of technical knowledge management tools such as databases and the intranet. Research has consistently shown that internal interconnectedness – not least at the informal level - is crucial for organizational performance. Following a paradigm shift in economics towards more emphasis on endogenous growth models since the 1990s, more attention has been given to the effects of organizational structure on economic performance. In the public sector, research shows that a meritocratic, accountable, performance-based bureaucratic system can strengthen intra-organizational networks and have profound effects on the quality of policy-making and economic performance.

While knowledge sharing is growing in government bodies involved in economic development (for example between ministries and national agencies), the corporate sector is more experienced in this respect. Empirical evidence shows that, for private sector development, knowing someone who has started a business is a key indicator of entrepreneurial potential. Policy-makers increasingly recognize the potential of secondments, study tours, mentoring and social networking mechanisms to engage with the private sector and the general public.

PART 3:
Networks for Prosperity: Findings and Recommendations

Networks for Prosperity: Findings and Recommendations

"Building the basic capacity to govern in countries that often lack sufficient material and human resources to pass, implement, and apply laws effectively is itself an important and valuable consequence of government networks."

Anne-Marie Slaughter

Knowledge networking and network governance in the field of economic policy is certainly not a new phenomenon; neither is the realization that the development of a strong private sector is necessary for achieving economic, social and environmental objectives. With the rapid globalization in all spheres of our societies over the past decades, however, economic successes and the realization of social cohesion and environmental sustainability in one country depend more than ever on the performance and behaviours of its neighbours, regional leaders and global economic powers. Accordingly, both the scope of knowledge networking and the nature of the private sector have altered dramatically. This requires a closer look at the interrelationships between the knowledge networking capacities of a country, its private sector development policies and its economic, social and environmental performance.

In view of the relevance of these interrelationships for domestic policymaking and international relations alike, it is all the more surprising how under-researched they have remained in the past and how unappreciated they seem to be among policymakers and development specialists. This report has therefore made a first attempt to improve the overall understanding of these complex interrelations and has presented cases from around the world that illustrate the numerous approaches governments are currently taking in responding to their domestic, regional and global challenges through knowledge networking.

Networks are still highly under-researched and under-appreciated among policymakers and development specialists.

In this context, it can be observed that networks are increasingly emerging as a distinct form of governance which includes different types of public and private actors within and across organizational and national boundaries. Different types of networks exist, whether for learning, information exchange or knowledge creation.

Networks are a distinct form of governance with important potential for knowledge creation and development performance.

There could be significant benefits from ensuring that networks are successfully embedded. However, vibrant knowledge networking cannot only depend on existing networks but requires a living "institutional ecology", with new organisms providing new knowledge and opportunities.

Significant benefit can be gained from networking strategies to institutionalize or "embed" networks.

Thus successful networking implies the development of solid networks which continue over time and are built on trust, as well as a constant movement between relevant networks to capture new information.

To achieve this, more empirical evidence will be necessary on knowledge networking and there is a need for more conceptual thinking on how to measure knowledge networks and connectedness. With these caveats, a Connectedness Index has been constructed in this report for 75 countries, using the most relevant available data from a wide range of sources.

Initial findings through the Connectedness Index are clear: networks matter for development effectiveness.

The results show a significant variation in networks across countries and also within countries across levels of networks. There is a strong positive correlation between the Connectedness Index and government effectiveness, industrial development and economic development. Indeed, a key conclusion from the literature, from the best available international metrics, and from the 16 case studies from countries of all shapes, sizes and levels of development, is that knowledge networks could be the missing ingredient in strategies for sustainable development and prosperity.

Policymakers' interest in knowledge networks appears thus to be justified, despite the limited evidence on the causalities. They find intergovernmental knowledge networks particularly useful to better understand and freely choose from the various policy options, to coordinate policies with other members of the network and to implement policies requiring concerted action.

Knowledge networking is not about ICT as the 'knowledge economy' but about building trust, dialogue and collaboration across sectors and borders.

Knowledge networks can facilitate the exchange of policy-relevant knowledge among their members and the production of new knowledge and solutions. In some cases, this is being scaled up and leads to policy coordination (or even harmonization) and mutual learning. With their informal, flexible and trust-building nature, knowledge networks can lead to global/regional agenda- and norm setting and help in harmonization processes, particularly when rapid decision-making is required during crisis periods. Knowledge networks can thus be particularly useful in processes of regional and/or inter-regional integration, where a prior harmonization process can ease, support and speed up policy implementation and operations.

The role of intergovernmental knowledge networks in norm and standard setting/diffusion deserves a particular attention, in particular due to the increasing rise of private standards ruling the international private sector, thus influencing the economic performance of countries indirectly.

Knowledge networking can be crucial in norm-setting and diffusion through peer-to-peer interaction and learning. Successful knowledge sharing depends less on IT platforms than on interests and incentives.

This mirrors the gradual move away from the traditional model, in which international organizations were established with the primary function of developing standards and then persuading Member States to adopt them. Standard-setting knowledge networks usually work out of lean structures, are driven by policy priorities and interest of its public and/or private members, and work through a combination of policy-relevant knowledge exchange and peer pressure. In fact, through their peers, policymakers might be exposed to new practices and policy options, or even discover entirely new models or paradigms for policymaking in a specific field.

This is particularly relevant for peer-to-peer networks among developing countries and might provide a better understanding of how "South-South Cooperation" could be better operationalized in the future.

Successful knowledge sharing depends less on IT platforms than on interests and incentives.

Networks have a tendency to proliferate, and it is costly to participate in networks, so individuals, organizations and countries need to develop clear networking strategies. Also, despite the growing discourse on the importance of knowledge networks for development, experience on effective networking strategies and managing effective and efficient networks is limited. There is strong demand among policy-makers to learn from best practices on network management and the development of network strategies, especially in the context of private sector development. This can be achieved via study visits, workshops, mentoring, case studies and social networking. These activities can contribute to identifying success factors for network management and international organizations can support such effort as catalysts and facilitators where network structures and human and financial resources are limited.

Further research is needed to identify success factors for network management and international organizations should support this effort.

Cross-cutting agendas such as 'green industry', energy for all and climate adaptation, where new networks are being rapidly proliferated, may particularly benefit from such experience.

Effective networks tend to build close working relationships with formally governed international organizations, and also with other networks.

A final consideration regarding the need for increased cross-border knowledge exchange and policy coordination is the recently-revived call for "regional integration". Again, the nature and shortcomings in the current international system of governance has led to the concept of a 'multi-level' form of governance, extending from the local to the global level and thus speeding up problem-solving for issues of cross-border dimension. This concept is, again, closely linked to the thinking that emphasises the networked aspects of governance in order to deal with interdependencies across policy levels (local to global) and policy domains (economic, social, environmental). In many regions can be observed the parallel processes of 'regionalization' of policy and the progressive upgrading of the micro-regional level in policy processes. Indeed, there is now a wide consensus that governance is not limited to the level of the state alone but requires a system of participatory policymaking, involving those parts of society that are affected by the policies.

It can thus be argued that (1) regional governance is not incompatible with and does not negate global governance – on the contrary, it has the potential to strengthen global governance; and (2) we are today witnessing a new current in multilateral governance that gives a prominent role to regions but still maintains a series of problematic issues to be settled at the global level. To return to the knowledge network aspects above, 'good' global governance may well imply not exclusive policy jurisdiction but rather an optimal partnership between the national, regional and global levels of actors, and between state, intergovernmental and non-governmental categories of actors.

Central to this will be the intensified and better exchange of knowledge between global and regional multilateral institutions as well as their interaction and collaboration with non-state actors. Again, knowledge networks can be seen as a solution for closing the knowledge gaps and advancing necessary policy coordination in order to ensure that countries can reap the fruits from regional economic integration efforts. Central to this consideration is the establishment of a common understanding across all levels of the embedment of the knowledge gathered from multilateral networks into the actual implementation of policies and programmes. Existing international organizations can and should play a crucial role in these knowledge management processes.

'Triangular' regional networks offer real potential for timely knowledge sharing and solution finding.

Recommendations

Based on these findings and conclusions, the following recommendations have been formulated for consideration by Member States:

○ *The international community should actively promote knowledge networking and network governance structures for achieving local, regional and global development objectives.* This may include, *inter alia*, to foster international and national knowledge networking approaches in all capacity development activities; to improve national ownership through multi-stakeholder networking arrangements in the policymaking processes at all levels; to make the international system more inclusive through engagement of more countries and institutions in solution-finding processes; and to support networking arrangements with the goal of enhancing innovation and private sector development.

○ *Member States should encourage and facilitate the international knowledge networking capacities of their public and private institutions.* This may include, *inter alia*, formulating networking strategies in relation to the achievement of development objectives and reforms; to actively support regional policy and research network participation; to invest in institutional infrastructure and innovation networks domestically and internationally; to actively upgrade the knowledge networking capacities and capabilities of domestic institutions; and to provide suitable incentives for the formation of new networks in specific fields of strategic interest.

○ *International organizations should improve their inter-institutional information and knowledge exchange systems and facilitate better knowledge networking among their members.* This may include, *inter alia*, improving thematic information exchange in communities of practice, to provide more user-friendly platforms for knowledge sharing among members; to actively seek the involvement of non-state actors in consultation processes; and to actively support knowledge network development in relevant fields.

○ *An international and cross-sectoral consultation network should be established to further develop the initial findings* on connectedness and knowledge networking for the achievement of development goals, and recommend measures and programmes for development effectiveness through increased knowledge networking, in particular in the field of private sector development policy.

Notes

Notes

Acronyms

AACCSA	Addis Ababa Chamber of Commerce and Sectoral Associations	ILPES	Latin American and Caribbean Institute for Economic and Social Planning
ADB	Asian Development Bank		
AECID	Agency for International Development Cooperation	ICT	Information and communication technology
AFRIMETS	Intra-Africa Metrology System	INCAE	Instituto Centroamericano de Administración de Empresas
AfrIPAnet	Africa Investment Promotion Agency Network	IT	Information Technology
ALADI	Associação Latino-Americana de Integração	JPC	Joint programme coordination
		KM	Knowledge management
ASEAN	ssociation of Southeast Asian Nations	KM4Dev	Knowledge Management for Development
AU	African Union		
CAMI	Conference of African Ministers of Industry	KOF	Swiss Economic Institute
		MDG	Millennium Development Goals
CAN	Andean Community	MDG-F	MDG Achievement Fund
CARICOM	Caribbean Community	MOIT	Ministry of Industry and Trade
CEO	Chief executive officer	MPI	Ministry of Planning and Investment
CEPAL	Comisión Económica para América Latina	NCPC	National Cleaner Production Centre
		NGO	Non-governmental organization
CINDE	Costa Rican Investment Promotion Agency	PPP	Purchasing power parity
		PROCOMER	Promotora del Comercio Exterior de Costa Rica
CIP	Competitive Industrial Performance		
CODOPYME	Dominican Confederation for SMEs	PSD	Private sector development
DAC	Development Assistance Committee	R&D	Research and development
DANIDA	Danish International Development Agency	RIKS	Regional Integration Knowledge System
DCED	Donor Committee for Enterprise Development	SEM	Multinational enterprise headquarters
		SICA	Sistema de la Integración Centroamericana
DFID	Department for International Development	SIECA	Secretaria de Integración Económica Centroamericana
ENLACE	Enhancing Scientific Cooperation between the European Union and Central America	SOEs	State-owned enterprises
		SSA	Sub-Saharan Africa
ERIA	Economic Research Institute for ASEAN and East Asia	TT-SSC	Team on South-South Cooperation
		UN	United Nations
EU	European Union	UNCTAD	United Nations Conference on Trade and Development
FAO	Food and Agriculture Organization		
FDI	Foreign direct investment	UNDP	United Nations Development Programme
FIA	Foreign investment agency		
FLACSO	Latin American School of Social Sciences	UNECA	United Nations Economic Commission for Africa
FMLN	Frente Farabundo Martí para la Liberación Nacional	UNEP	United Nations Environment Programme
FTA	Free trade agreement	UNIDO	United Nations Industrial and Development Organization
GARNET	Network of Excellence on Global Governance, Regionalisation and Regulation	UNU-CRIS	United Nations University Comparative Regional Integration Studies
GCR	Global Competitiveness Report		
GDP	Gross domestic product	USA	United States of America
GIZ	German International Cooperation	WAITRO	World Association of Industrial and Technological Research Organizations
GVA	Gross value added		
ILO	International Labour Organization	WB-ES	World Bank Enterprise Surveys
		WEF	World Economic Forum
		WTO	World Trade Organization