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The Role of the Private Sector in Development Effectiveness: Common Components for Success in Future Partnerships

This is the Executive Summary only. The full report is also available on the Global Partnership website.

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Executive summary

Objectives

The main objective of this paper is to provide a synthesis of lessons learnt from country-level experiences on specific practical features of successful public–private partnerships for development. The paper is thus a contribution to broader discussions within the Global Partnership for Effective Development Cooperation (GPEDC) on the role of the private sector in development. It also aims to identify some areas where GPEDC could play a useful role in both: (a) recognising and sharing the significant progress on partnerships already being achieved in some countries and sectors; and (b) guiding and motivating other countries and sectors to improve their performance.

The role of the private sector in development

The role of the private sector as a development actor is not well understood. The reality is that business can act as a ‘partner in development’ in a number of different ways (see [Table 1 at the end of Section 1](#) below for an overview of these). It is important to distinguish between ‘private sector development’, which can deliver a range of social benefits and other positive externalities resulting from private-sector-led economic growth, and ‘private sector engagement in development’ i.e. the many other ways business can engage in the development process.

Endogenous growth theories have long recognised the limitations to longer-term economic growth resulting from insufficient investments in human capital, poor-quality public infrastructure and services and overexploitation of natural resources. There is thus a clear need for businesses operating in developing countries to take a longer-term perspective and support, among other things, the enhancement of human capital and ensure they operate sustainably to avoid unnecessarily depleting natural capital.

Another key distinction here is between: (a) ‘public–private dialogue’ which is often a necessary but not sufficient element of the process of forming effective development partnerships; and (b) ‘public–private action’ which usually requires much more than just dialogue, including an in-country institutional platform, dedicated brokering and financial support.

The Fourth High-Level Forum on Aid Effectiveness of 2011 in Busan marked an important turning point in formally recognising the key contribution that the private sector and other non-official partners could make in addressing key developmental challenges, on the basis of shared goals and principles but differential commitments. This greater focus on understanding the potential contribution of the private sector as well as formalising how this contribution could best be realised was encapsulated by the establishment of the Building Block on public–private collaboration as one of ten Building Blocks for future collective action. (This Building Block subsequently developed into the Partnerships for Prosperity initiative, with additional Global Partnership Initiatives on public-private cooperation now active¹).

The role of the private sector as an increasingly important source of financing for development was also more recently recognised at the UN’s Financing for Development Conference held in Addis Ababa in July 2015. The key contribution of the private sector to the implementation across all the new Sustainable Development Goals (SDGs) has also been formally acknowledged, particularly in reference to Goal 1 on ending poverty, Goal 7 on energy, Goal 8 on economic growth and Goal 9 on infrastructure. In addition, Goal 17, seeks among other things, to “*Encourage and promote effective public, public–private and civil society partnerships, building on the experience and resourcing strategies of partnerships.*”

This report uses the term ‘public–private partnerships for development’ to refer to the many types of partnerships intended to engage the private sector (often with other partners) in dialogue and actions that have an explicitly developmental objective, i.e. they go beyond discussions about private sector development and into engaging the private sector as a partner in national and international efforts to achieve developmental goals and objectives.

GPEDC approach to public–private collaboration

One of the main outputs from the 2011 Busan High Level Forum was a joint statement from representatives of the public and private sectors on ‘Expanding and Enhancing Public and Private Co-operation for Broad-Based, Inclusive and Sustainable Growth’. This recognises five shared principles to maximise the benefit of coordination and collaboration to support development, which are:

1. **Inclusive dialogue:** Sustaining productive country-level dialogues between private sector institutions and development stakeholders
2. **Consultation and collective action:** Involvement of the private sector in finding solutions to development challenges. Consultation with the private sector in the elaboration of national and sector plans
3. **Sustainability:** Aid/development activities with private sector involvement, should scale up development impact in a sustainable manner and align with local priorities and capacities, “comply with relevant national laws and respect applicable international norms”
4. **Transparency:** Policies which are predictable and designed and implemented in a transparent way: greater transparency of public–private cooperation including Public–Private Partnerships, strengthening ongoing transparency and accountability initiatives in sectors which are critical to developing countries’ economies. A predictable institutional environment, including effective and transparent procurement systems
5. **Accountability for results:** Monitoring, reporting and evaluation of development results, measuring impact, sharing lessons learned

This report uses these five principles to structure the selection and analysis of a sample of country case studies for this report, within five corresponding ‘action areas’. In each dimension the paper identifies ‘common components of success’ based on a review of these experiences.

Case study overview

[Section 2](#) of the report presents an overview of a sample of 14 country case studies designed to illustrate the wide range of different types of partnerships with the private sector that currently exist, with a focus on developmental objectives. Limitations of time and space have meant that: (a) the number of case studies reviewed is restricted; and (b) the analysis has been primarily based on a desk review of available published material. The authors wish to clarify that the analysis and findings presented here are their own and do not necessarily reflect those of the sponsors or stakeholders of the individual initiatives.

Some of the emerging lessons are likely to be context specific, while others will be more generalisable. This paper aims to provide insights into some common components of success in building effective partnerships in each of the five action areas. Further work will be required to validate some of these initial findings and also to confirm whether they are consistent with other experiences in other country contexts.

Table 2 in [section 2](#) presents an overview of how the case studies relate to the five main action areas for public–private partnerships for development identified by GPEDC, and also shows their regional distribution. The case studies are designed to help delegates at the 2nd Busan Global Partnership Forum to consider the questions posed by GPEDC on the role of the private sector in effective development partnerships.

- What does an effective public–private partnership for development look like in practice?
- How can a shared agenda between public and private actors be put into action?
- What are the challenges which might be faced and how can these be overcome?
- How do we collectively define success and what are the challenges we face?

Common components of success

This paper argues that successful partnerships between the public and private sectors for effective development and associated dialogue processes are diverse, organic and often context-specific. There are thus specific lessons to be learnt from specific contexts. However, it is also believed that there are some common components of success that can be identified from past experiences to ensure that future partnerships are focused on mutually beneficial outcomes and designed to achieve positive social and economic outcomes for poor people. These common components of success include the following.

- 1. Establishing an in-country institutional platform for inclusive cross-sector dialogue and partnerships is one of the most effective ways to ensure that these partnerships contribute effectively to meeting the development priorities of the country.** Such platforms can add value by ensuring local ownership, greater coordination and a focus on national priorities. Businesses and business associations of all types and sizes should be able to participate. An example covered in this paper is Mozambique's Private Sector Conferences and associated institutional architecture. (Please see [Annex 1](#) for a further example: the Zambia Business in Development Forum (ZBIDF)). The Ethiopia Public Private Consultative Forum (EPPCF) and the Private Sector Forums in Viet Nam and Cambodia are also good examples of coordinated dialogue processes that are beginning to yield useful results.
- 2. Identifying areas of common interest between public and private sector actors is essential to ensuring that partnerships deliver shared value – that is, that they are mutually beneficial and sustainable in the longer term.** Understanding the goals and objectives of each stakeholder in the process is an important first step in identifying where such areas of common interest may lie. This needs to be combined with a clear understanding of the 'comparative advantages' that public and private sector actors bring to finding solutions to developmental challenges.
- 3. Engaging the private sector 'upstream' in the elaboration of national and sectoral plans is good practice in terms of developing a sense of shared ownership of challenges and potential solutions.** This can then be complemented by identification of specific areas of 'downstream' collaboration – in the form of joint initiatives, programmes and projects with an associated results framework to be able to monitor performance and progress and hence develop a sense of mutual accountability.
- 4. Aligning national and local plans for future private sector engagement with the new global SDGs should now become a priority for GPEDC members.** The fact that many developing countries will now be considering the implications of the SDGs for their own short- and medium-term national planning and budgeting processes provides an excellent opportunity to embrace a new level of multi-stakeholder engagement (through dialogue and partnership) to define what resources will be required over the 2015–30 period and what each stakeholder can bring to the table.
- 5. Establishing a national database of companies willing to engage in development-related programmes and activities could be a useful component of a national strategy for effective engagement of the private sector as a development partner.** This seems to be happening already in many humanitarian assistance and disaster response programmes, such as those in Japan following the 2011 earthquake and West Africa in response to the Ebola crisis, often coordinated by UN agencies. However, national governments could learn from these experiences in order to harness the skills, resources and capacities of business more systematically to address a wider range of developmental challenges.
- 6. Associated with this, building pre-commitment mechanisms into partnerships may be a useful way to ensure that dialogue is transformed into effective action and additional investment.** For example, see the experiences of The Vaccine Alliance (GAVI), the Private Infrastructure Development Group (PIDG) and also the National Alliance for Food Security and Nutrition in the use of Letters of Intent and other non-binding commitments to galvanise new investments and

collective action. A key issue here will be the extent to which companies will be willing to enter into arrangements which are legally binding, due to the reputational issues involved. Developing guidance on a suite of legal and quasi-legal instruments, based on best practice examples and existing contracts, could be a useful contribution for GPEDC to make.

7. **Establishing systems of independent monitoring and verification of the results of developmental partnerships and joint initiatives as part of the accountability process can ensure that they remain focused on meeting the needs of the poorest and most vulnerable groups in society.** Such systems should also take account of the unequal power relationships that arise in situations where resources and capacity of different partners are highly asymmetric. Some good examples of how to arrange such independent verification can be seen in some of the ‘payments by results’ pilot programmes being implemented in some developing countries.
8. **Involving civil society and local NGOs in both dialogue and partnerships, whether at national, regional or local levels, is important in understanding and addressing the needs of the poor and engaging effectively with disadvantaged communities.** In many developing countries there is increasing evidence that poor people have a greater understanding of their needs and how to meet them than is often assumed by external experts. However, levels of trust in government agencies, international aid agencies and large companies are often very low and this acts as a barrier to effective implementation. Involving local institutions (e.g. community groups, cooperatives and religious institutions) that are trusted by the target communities is thus essential to the ultimate success and sustainability of many types of development programmes, including public–private partnerships.
9. **An important cross-cutting theme in virtually all of the public–private partnerships reviewed here is the importance of transparency and willingness to share data and other analytical information.** This is the foundation of any partnership – openness, trust and willingness to be held accountable. Further work is clearly required on how standards such as the International Aid Transparency Initiative (IATI) can be extended to private sector actors, bearing in mind issues of commercial confidentiality and intellectual property rights. International experience with Freedom of Information (FoI) legislation and other legal commitments may be applicable here. An explicit focus on ‘mutual accountability’ through joint performance assessment frameworks (PAFs) may also be a useful element of future partnerships.
10. **Lastly, it is important to ensure that any new international partnerships established to address cross-country (or global) development challenges have a clear, defined mandate which meets a clearly defined need or ‘gap in the market’ in order to prevent duplication of effort and the appearance of further gaps and overlaps in the international system for delivering on the SDGs.** GAVI (The Vaccine Alliance) provides a good example of an organisation that has a clearly defined international mandate, sufficient resources to implement at scale and ability to complement (and not compete with) national-level initiatives in the area of vaccine research, distribution and delivery – working with and through national health systems.

Conclusions and next steps

Based upon the preliminary analysis and findings in this paper on the common components of success in establishing effective public–private partnerships for development, it is suggested that GPEDC should commission further work to review the experiences of different types of partnerships more systematically (e.g. through a survey of GPEDC members) to validate these initial findings.

GPEDC can also play a key role in supporting in-country partnership action using the range of resources and experience of its members. For example, one of the main conclusions is that establishing in-country institutional platforms to promote cross-sectoral dialogue and partnerships is a key element of a successful strategy. Organisations such as The Partnering Initiative (with its Partnering Alliance), the

Business and Industry Advisory Committee (BIAC) and the Center for International Private Enterprise (CIPE) can support the process of designing and establishing such platforms in countries, regions or cities where there is a desire and willingness to do so.

Development agencies and bilateral donors can also be encouraged to look carefully at how they can practically support, both financially and technically, the establishment of the in-country ‘infrastructure’ that will be required to enable more effective collaboration. There are several models already in existence of how this can be done and what resources are required.

This paper suggests a number of steps that could now be taken by GPEDC in order to both galvanise and provide effective support to further action in this area at country level.

- Commission further analytical work to validate initial findings based, for example, on a wider review of case studies or a survey of practitioners engaged in these sorts of programmes, and modify accordingly. Also assemble a database of relevant ‘good practice’ examples and initiatives as a source of reference.
- In parallel, undertake a more in-depth review of a selected number of existing public–private consultation processes in order to understand how these have contributed to strategic prioritisation and development planning in the past or how they could do so more effectively in future. This review should look carefully at the scope for strengthening existing in-country platforms and institutional mechanisms in order to support cross-sectoral public–private partnerships for development, rather than necessarily creating new institutional arrangements.
- This analysis should also take account of and support the further development and operationalisation of Indicator 3 on the quality of in-country public–private dialogue (PPD) processes in the GPEDC Monitoring Framework for development effectiveness.
- The findings from this further analytical work can then be brought together into a draft set of ‘GPEDC Good Practice Principles’ in each of the five dimensions of effective public–private partnerships for development, possibly for submission to the second High Level Meeting of the GPEDC in Kenya in 2016.
- Subsequently, undertake a public consultation exercise (over say a 12-month period) encouraging discussion of the draft principles at relevant events taking place (e.g. meetings of company CEOs and other key stakeholders), including civil society in the consultation process too. Where possible, link this consultation exercise to country-level discussions about implementation of the new SDGs. Refine the set of good practice principles based on results of this consultation process.
- Present the resulting ‘Action Agenda for Effective Public–Private Partnerships in Support of the SDGs’ to a future GPEDC High Level Meeting for discussion and formal endorsement. Note that any GPEDC Action Agenda in this area should take full account of work being undertaken by the UN and G20 on building an inclusive business framework in support of implementation of the SDGs.
- Meantime, invite several countries to pilot implementation of the Action Agenda in order to test its relevance, effectiveness and value added, and monitor the results.

Notes

¹ For a full list of GPEDC Global Partnership Initiatives, and information on the change in terminology from Building Blocks to GPIs see: ‘Update on Global Partnership Initiatives’ September 2015: http://effectivecooperation.org/wordpress/wp-content/uploads/2015/08/Document-5-Update-on-GPI_August-2015rev1.pdf