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**NOW OPEN FOR BUSINESS: JOINT DEVELOPMENT INITIATIVES BETWEEN THE  
PRIVATE AND PUBLIC SECTORS IN DEVELOPMENT COOPERATION**

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# Now Open for Business: Joint Development Initiatives between the Private and Public Sectors in Development Cooperation<sup>1</sup>

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*till*

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# Preface

The importance of the private sector for economic development is undisputable. Private actors - whether we talk about firms or other organizations - are an essential part of the web that forms a well-functioning society.

However, the role of the private sector in development cooperation is more disputed, from proponents' claim that supporting the growth and development of (formal) business is at the heart of what aid should do to antagonists' view that aid could and should be used better than to increase profits for business.

The present report is not about private sector development in partner countries per se. It studies the extent to which actors in the business sector can act as partners in development cooperation to help fulfil the objectives of aid. In the report, Sara Johansson de Silva, Ari Kokko, and Hanna Norberg map out the extent of, and analyse the potential development gains from, the formation of partnerships between public and private actors in Swedish development cooperation. Such partnerships, referred to as Joint Development Initiatives (JDI), are expected to realize mutual gains. Potential gains for public actors include an increase in reach and improved efficiency in delivery; additional (private) financial resources and innovative capacity. Potential gains for private sector actors include the emergence of new firms and markets when prohibitive risk levels are lowered through public involvement; market access and higher turnover for existing firms; and more socially responsible business practices, increasing the sustainability of firms.

How to proceed so as to ensure this win-win (with the public win being the main focus of the report) is essential. It is not obvious that the interest (or incentives) of private and public partners are aligned, there are more or less inherent conflicts between commercial objectives and objectives such as local ownership, harmonization, spill overs and improved market efficiency.

The Joint Development Initiatives form a diverse and relatively new set of instruments. The inventory in the report includes innovative investment activities (e.g. challenge funds), collaboration with and support to sustainable business practices, and the leverage of private financing for development. JDIs constitute a collection of pilots rather than an established modality. Thus, there is no

comprehensive picture to be drawn on whether JDIs are effective forms of collaboration. It is however argued in the report that even though Swedish JDIs tend to be focused on low income countries, they are not likely to have more than a marginal direct effect on poorer population groups, and in some areas (e.g. institution building) they are not likely to be efficient instruments. JDIs should therefore be seen as a complement to more traditional forms of engagements. Thus, any larger reallocation of aid towards these forms of partnerships is not recommended by the authors. Still, there are good reasons for including the private sector as a partner in development cooperation. For example, private companies and entrepreneurs possess technical and managerial know-how, and collaborations between civil society organizations and firms are likely to strengthen sustainable business practices. Given the lack of comprehensive evidence of JDIs, a gradualist approach seems like a sensible recommendation.

Also, the potential for this kind of partnerships seems to be higher in countries a bit up in the per capita income ladder, and some of these countries are no longer eligible for receiving aid. The recommendation to establish an informal development broker facility in order not to cut cooperation between partners just because aid is being cut is an interesting bridging mechanism.

As shown in the report, a small share of Swedish aid is directed to JDIs. While acknowledging the difficulties in defining and identifying JDIs, the share is estimated to about two per cent of Sweden's aid budget. Given the promise but also the risks with JDIs, decisions to change this share substantially should be preceded by further analysis and discussion.

The authors' work has been conducted in dialogue with a reference group chaired by Mr. Torgny Holmgren, member of the EBA. The analysis, views and recommendations expressed in the report are the sole responsibility of the authors.

Stockholm, November 2015



Lars Heikensten



# Sammanfattning

## Ökade möjligheter för näringslivssamverkan i biståndet

Sveriges Politik för Global Utveckling (PGU) har som mål att Sveriges bistånd ska bidra till en rättvis och hållbar utveckling i samarbetsländerna och på det globala planet. Syftet är att skapa förutsättningar för att människor, som lever i fattigdom och i förtryck, ska kunna förbättra sina levnadsvillkor. Dessa mål ligger väl i linje med dem som gäller för det internationella givarsamfundet i gemen (Swedish Government, 2014).

Även om det råder en bred enighet om de övergripande målen för biståndet, finns det också en växande insikt om att givarsamfundet behöver hitta nya mekanismer och bredare partnerskap för att uppnå målen. Flödet av direktinvesteringar och transfereringar till u-länderna har ökat kraftigt sedan 1990-talet och når nu även låginkomstländer, med tydliga effekter på lokala ekonomier och levnadsförhållanden. De privata aktörerna bidrar inte uteslutande med utvecklingskapital, utan både civilsamhället och näringslivet har en ambition att delta i utvecklingsprocessen. Som ett resultat av detta har biståndet minskat i betydelse, både som finansieringskälla och som drivkraft för ekonomiska och sociala förändringar. Denna nya situation har lett till ett behov av nya former av partnerskap mellan privata och offentliga aktörer. I den här rapporten definierar vi sådana samarbeten mellan den privata och offentliga sektorn inom biståndet som "Joint Development Initiatives" (JDIs), dvs gemensamma utvecklingsinitiativ.

Det finns stora potentiella vinster om privata företags finansiella resurser och deras kompetens och innovationskraft kan utnyttjas mera effektivt för att driva utvecklingen. Samtidigt finns det en risk i att dessa partnerskap kan kompliceras av att vinstintressen och utvecklingsmål blandas ihop. I synnerhet kan det uppstå motsättningar mellan rent kommersiella drivkrafter och flera av principerna för biståndseffektivitet: bred systemförändring, lokalt ägarskap och harmonisering av biståndsinsatserna, mer effektiva marknader, transparens, och avbindning av bistånd från kommersiella intressen. Givet bredden och mångfalden i de nya former av JDIs som utvecklats under senare år, finns det inte tillräckligt övergripande

utvärderingar som kan användas för att fastställa hur effektivt dessa samarbetsformer når sina (utvecklings)mål.

Mot denna bakgrund syftar denna rapport till att bidra med (i) en kartläggning av de JDIs som för närvarande kan identifieras inom ramen för Sveriges biståndsprogram, (ii) en genomgång av huruvida dessa instrument är relevanta för Sveriges biståndsmål, samt (iii) en diskussion kring om, när och hur de olika risker vi identifierat kan dämpas för att säkra ett effektivt bistånd. De flesta nu existerande JDIs är dock relativt nya och förändras kontinuerligt, vilket medför att det ännu inte finns någon systematisk utvärdering av denna samarbetsform. I kombination med bristen på publicerad information om enskilda insatser innebär detta att rapporten inte göra anspråk på någon bedömning av de olika insatsernas effektivitet och verkan.

Rapportens analys är baserad på följande grundvalar.

- a. *Ett övergripande mål: Utveckling.* Kommersiella intressen kan utgöra ett viktigt incitament för att engagera den privata sektorn i utvecklingsarbetet, men vi ser inte kommersiella intressen som ett mål i sig. Det följer att biståndsfinansiering av JDIs kan motiveras i den utsträckning insatserna ökar utvecklingseffekter och bidrar till mervärde genom att underlätta investeringar som annars inte hade ägt rum. Biståndet ska inte användas för att subventionera vare sig vinstdrivande företag eller företagsaktiviteter inom CSR-området som skulle eller borde genomföras utan inblandning av offentliga biståndsmedel.
- b. *Många möjligheter.* Det privata näringslivet kan både vara en partner och utgöra en stark och positiv drivkraft för att främja hållbar utveckling. Detta kan ske både genom att tillföra innovationer och finansiella resurser till utvecklingsarbetet och genom att tillämpa socialt och miljömässigt hållbara principer i sin egen kärnverksamhet. Näringslivet kan involveras ett flertal områden som sammanfaller med Sveriges sex biståndsmål. Dessa sex mål är: (i) stärka mänskliga rättigheter (ii) bekämpa fattigdom (iii) verka för en hållbar miljö (iv) förbättra grundläggande hälsa (v) värna mänsklig säkerhet och frihet från våld och (vi) humanitär hjälp.
- c. *Inte en universallösning.* JDIs kan inte förväntas fungera i alla lägen, utan är istället lämpliga för att möta vissa mål, inom vissa områden och under vissa omständigheter. Denna typ av

samarbeten ska därför ses som ett komplement till andra former av bistånd. JDIs är ofta inte lämpliga då målet är att inkludera de mest utsatta grupperna i ekonomisk tillväxt, att bygga sociala skyddsnet för de grupper som av olika anledningar inte kan delta fullt ut i lokala tillväxtprocesser, att bygga institutioner, eller att utveckla god praxis i ekonomisk och social politik. Därför bör givare etablera breda och komplementära engagemang med den privata sektorn och försöka åstadkomma synergier mellan dessa samarbeten och andra insatser.

- d. *Behov av riskhantering.* Det är viktigt att undvika samarbeten som bidrar till ineffektiva eller i värsta fall skadliga biståndsinsatser; konkurrensstörande insatser, insatser med begränsat mervärde, låg utväxling per biståndskrona, projekt som inte är hållbara på sikt, samt projekt där samarbetsländerna inte är involverade eller känner ansvar för processen. Dessa risker förekommer i snart sagt alla former av biståndssamarbeten och är inte specifika för de som involverar privata sektorn. Icke desto mindre kan JDIs behöva skärskådas särskilt noga, eftersom många av dessa insatser representerar nya former av samarbeten.

## Svenska JDI-partnerskap: en inventering.

Att kartlägga existerande instrument och projekt i Sveriges biståndsportfölj är problematiskt av i huvudsak två anledningar. För det första utgör JDIs ett rörligt mål som är under ständig förändring, och därmed finns ingen bred eller uttömmande lista av partnerskap lätt tillgänglig. För det andra är det problematiskt att hitta konsistenta och jämförbara data för de olika interventionerna. Därmed finns en risk att den information som används i rapporten underskattar det totala antalet partnerskap och investeringarna i dessa insatser. Med dessa förbehåll har vi identifierat och sammanfattat de mest betydande partnerskapen i svenskt utvecklingssamarbete, som kan grupperas enligt följande mål:

- a. *Innovativa investeringar* är insatser som leder till nya och innovativa investerings-initiativ, vilka anses ha potential för att bidra till ekonomisk utveckling och öka den privata finanseringen av utvecklingsinsatser. Dessa investeringar

inbegriper så kallade Challenge Funds, garantier och lån, samt aktieinvesteringar, lån och gåvobistånd via Swedfund. Motiveringen utifrån ett biståndsperspektiv är att investeringar som kan tänkas erbjuda stora samhällsvinster – utöver investerarens privata vinst – kan behöva offentligt stöd eller delat risktagande för att komma till stånd i den högriskmiljö som råder i ett flertal utvecklingsländer.

- b. *Insatser som bidrar till hållbarhet i näringslivets kärnverksamhet och stöder rättigheter*, genom att främja näringslivssamarbete inom exempelvis arbetsrätt, miljöskydd, anti-korruption, osv., med syfte att åstadkomma drivkrafter för hållbara principer. Inom detta område stöder Sida civilrättsorganisationers arbete, men samarbetar även direkt med näringslivet genom sin Private Public Development Partnership (PPDP) modalitet. Inom detta område förväntas utvecklingseffekterna komma till stånd som ett resultat av ökat fokus på hållbara arbetsmetoder i det privata näringslivet. Detta påverkar anställda arbetare direkt, men har även indirekta effekter på övrig lokalbefolkning genom att det allmänna näringsklimatet påverkas av insatserna.
- c. *Partnerskap för utveckling*, som oftast syftar till att skapa ”offentliga nyttigheter”. De flesta av Sida’s PPDPs avser att dra in privat finansiering i den sociala och ekonomiska utvecklingens tjänst. Inom denna ram förväntas samhällseffekterna av investeringarna överstiga den privata avkastningen.

Vår kartläggning av svenska JDIs visar i korthet följande:

- a. Även om de faktiska utbetalningarna till JDIs troligen är större än de uppskattningar som redovisas i denna rapport, är Sveriges samarbeten med den privata sektorn förhållandevis begränsade, både betraktat som andel av biståndet och jämfört andra länder. Enligt våra beräkningar uppgick år 2014 Sidas direkta och indirekta samarbeten (exklusive garantier), till 0.8 procent av Sveriges totala biståndsbudget. Kapitaltillskott till Swedfund bidrog samma år med ytterligare 1.3 procent av biståndsbudgeten. Som en jämförelse stod exempelvis humanitärt bistånd och samarbete med civilsamhället genom Sida för 10 procent respektive och 6 procent av totalen. Som internationell jämförelse kan exempelvis nämnas att

näringslivs-samarbeten genom Danida uppgick till uppskattningsvis fyra procent av Danmarks totala budget för bilateralt och multilateralt samarbete.

- b. Sidas samarbeten med den privata sektorn har emellertid ökat mellan 2011 och 2014, från 0.4 till 1.1 procent av Sidas totala budget. Inom ramen för Sidas garantiportfölj uppgick värdet av de garantier som initierades 2011-2012 till en fjärdedel av dem som påbörjades 2013-2015.
- c. Huvuddelen av Sidas finansiering (garantier undantaget) riktas till Challenge Funds – över 60 procent i 2013 och 2014. Det är dock viktigt att notera att kartläggningen inte inbegriper ramavtal med Union to Union (eftersom dessa inte kategoriseras som JDIs av Sida).<sup>2</sup> Om man inkluderar detta ramavtal – vilket inte vore helt orimligt, eftersom det är ett instrument för att stärka rättigheter i samband med privata sektorns aktiviteter – skulle huvuddelen av Sidas finansiering istället vara inriktat på att stödja hållbara arbetsmetoder i näringslivets kärnverksamheter i utvecklingsländerna.
- d. I ett regionalt perspektiv är finansieringen mestadels riktad mot så kallade globala fonder; av de enskilda regionerna är Afrika viktigast. Över hälften av värdet av Swedfunds totala investeringsportfölj är också koncentrerad till Afrika och fokus på Afrika har ökat över tiden. På liknande sätt har garantier i första hand ett globalt fokus, följt av Afrika. Två tredjedelar av Sidas partnerskap är globala program. PPDPs är dock koncentrerade till Afrika och Asien.
- e. Även om JDIs, liksom Sveriges bistånd i stort, är obundet, har svenska företag flitigt förekommit i de olika samarbetena, särskilt inom PPDPs.

I vilken mån kan då dessa partnerskap möta Sveriges biståndsmål?<sup>3</sup>

- a. Sidas partnerskap fokuserar på att *minska fattigdom* och öka social integration, några genom direkta länkar till fattiga grupper (till exempel Challenge Funds som Innovations Against Poverty) och andra där länkarna till

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<sup>2</sup> Union to Union hette tidigare LO-TCO Biståndsnämnd.

<sup>3</sup> Notera att detta är en översikt över vilka mål programmen förväntas möta (i teorin); inte huruvida programmen i praktiken lyckas med detta.

fattigdomsminskning måste ses som mer indirekta (exempelvis yrkesskolor). Stöd till civilrättsorganisationer syftar till att stärka *mänskliga rättigheter*. Det finns däremot inga direkta länkar till biståndsmålen för *humanitär hjälp* eller *konfliktlösning*, förutom i den mån investeringar och program förläggs till postkonfliktzoner/länder.

- b. En översikt av Swedfunds investeringsportfölj visar att dessa investeringar i huvudsak kan väntas bidra till målet om att *minska fattigdom* (genom förväntade spridnings-effekter från allmän ekonomisk tillväxt och jobbskapande och andra positiva effekter från investeringar i industri, infrastruktur och energi).

## Joint Development Initiatives och principer för effektivt bistånd

Kartläggningen visar att de instrument som ryms inom ramen för JDI:s potentiellt kan vara viktiga inom några av de tematiska områden som prioriteras i svenskt bistånd. Huruvida dessa insatser de facto lyckas med detta förutsätter både bra projektplanering och implementering, och att insatserna klarar av att hantera de risker som kan uppstå. I vår rapport diskuteras principerna för effektivt bistånd och de konflikter som kan uppstå i ljuset av exempel från Sveriges nuvarande insatser. Några av huvudprinciperna kan sammanfattas enligt följande:

*Fokusera på de mest utsatta länderna och befolkningsgrupperna.* Svenska JDI:s har ett tydligt och vällovligt fokus på låginkomstländer, vilket är helt i linje med Sveriges biståndsmål. Koncentrationen till låginkomstländer i Afrika har ökat över tiden. Samtidigt står det också klart att fattigare länder, särskilt post-konflikt länder, lider av låg institutionell kapacitet och höga kostnader kopplat till privat företagsamhet, på grund av undermålig infrastruktur, korruption, svaga regelverk, och så vidare. Länder med små inhemska marknader, liten köpkraft, och instabila förhållanden är i allmänhet inte särskilt intressanta för näringslivssamverkan. Det är också tydligt att i de länder där JDI:s förekommer är de allra fattigaste grupperna sällan de som direkt kan förväntas gynnas av initiativen. Det är svårt att involvera dessa grupper som entreprenörer/producenter eller rent av som arbetskraft, eftersom de många gånger begränsas av lågt humankapital i form av sämre hälsa och lägre utbildning. För att de

fattigaste grupperna ska kunna dra nytta av JDIs krävs att insatserna skapar ekonomisk tillväxt som både omfattar stora befolkningsgrupper och har starka spridningseffekter. Detta är dock inte fallet i alla utvecklingsländer. Förväntningarna på de direkta effekterna av programmen för de fattigaste behöver alltså anpassas. Samtidigt bör projekten sträva efter att stärka systemeffekter och spridningseffekter så att deras indirekta påverkan blir starkare.

Samtidigt kan (svenska) företag vara mycket väl lämpade att hjälpa utvecklingsinitiativ i medelinkomstländer som inte längre kvalificerar för svenskt bistånd men som fortsatt kämpar med fattigdom, hälso- och miljöproblem för stora delar av befolkningen (Sydafrika och Indien är sådana exempel). Ett slags utvecklingsagentur, till exempel i form av en help-desk på svenska ambassader, skulle kunna öka sannolikheten att potentiella och värdefulla initiativ faktiskt kan genomföras även i sådana länder. Svenska företag, eller filantroper, skulle på så vis kunna få hjälp att slussas till lokala partners, såsom civilrättsorganisationer, andra givare på plats, eller likasinnade företag.

*Komplementaritet.* Kan givare bidra med annat än samfinansiering i JDIs? Frågan är särskilt relevant i de fall där projekten involverar stora internationella företag med egna resurser. Värdet av att ingå partnerskap är naturligtvis högre om det bidrar med mer än finansiella resurser. Privata företag och entreprenörer har teknisk och organisatorisk kunskap, förstår sin egen värdekedja, och utgör en källa till innovation. Men även biståndsorganisationerna kan också bidra med mera än finansiering. Erfarenhet visar att i samarbeten som Sidas PPDPs är givarsidans engagemang uppskattat därför att det innebär ett åtagande att bidra med utvecklingsexpertis, dela risker kring anseende, bidra med kunskap kring god praxis i andra länder, ge en godkännandestämpel angående utvecklingsvärdet av insatser, hjälpa till att engagera lokala partners, och ge tillgång till givar- och civilsamhälleliga nätverk. För de insatser som syftar till hållbarhet i företagen och rättigheter i samband med detta kan givarmedel även möjliggöra att organisationer från det civila samhället kan bidra med kompetens inom sina specialområden, så som barnrättigheter, genusperspektiv, hälsa, osv.

*Marknadsutvecklande, inte marknadsstörande.* Att binda bistånd till upphandling från givarländer innebär effektivitetsförluster. För det första innebär det ofta dyrare lösningar för mottagarländerna (det finns uppskattningar som visar på minst 20 procents överpriser) och för det andra snedvrider det användandet av biståndsmedel till

områden som passar givarens snarare än mottagarens behov. Med mycket få undantag är svenskt bistånd obundet. Trots detta har den svenska portföljen av JDI-insatser, särskilt PPDPs, hittills präglats av en relativt stor svensk representation. Detta framstår mer som en följd av en naturlig och stegvis process när det gäller både marknadsföring av samarbetsmöjligheter och identifieringen av möjliga partners, vare sig det gäller Challenge Funds, hållbar affärsverksamhet, eller PPDPs. När nu erfarenheterna från de första projekten och programmen utkristalliserar och en andra fas inleds har också programmen stegvis öppnats upp mera tydligt. För att fortsätta i den andan bör man nu försöka vända sig till nästa grupp av företag både i Sverige och från andra länder, såsom de som ännu inte utvecklat expertis eller avsatt större resurser till CSR, eller företag som har mindre press utifrån att stärka hållbarheten i sin verksamhet.

PPDPs är kanske den projektyp som löper särskild risk att subventionera individuella företags specifika behov. Risken för sådan subventionering kan minskas om man försöker strukturera projekten så att förmånerna är flyttbara till andra företag (till exempel teknisk utbildning som är relevant för många företag) och gärna också flera olika sektorer, och som maximerar systemiska effekter, till exempel genom att redan från början involvera flera olika företag i projekten.

*Hållbarhet: lokalt ägarskap, harmonisering och samordning.* Agendan för biståndseffektivitet fokuserar bland annat på att öka programmatiskt bistånd och minska projektorienterade ad-hoc insatser samt på att involvera och utveckla kapacitet i mottagarländerna. Dessa principer står delvis i motsats till den typ av projekt som ofta initieras av en allians mellan företag och givare, som riskerar att samvariera med konjunkturen, och som ibland omfattar företag med begränsad erfarenhet av att hantera lokala myndigheter och civilsamhället i mottagarländer. Det finns med andra ord en hög risk för att bistånd blir utbudsdrivet och fokuseras på områden som är relevanta för givarländerns kompetens eller kommersiella prioriteringar istället för de mest prioriterade områdena från ett utvecklingsperspektiv. Riskerna kan i viss mån kontrolleras, exempelvis genom att investeringarna styrs till särskilt utvecklingsrelevanta sektorer (detta är redan fallet för Challenge Funds och garantier, men skulle också kunna göras mer systematiskt också för andra former av partnerskap). Hållbarhet och lokalt ägarskap främjas även i de fall projekt och program involverar det lokala civilsamhället eller lokala myndigheter från ett tidigt stadium, samt i de fall det finns en tydlig exitstrategi för



givare från början. Breda samarbeten, med lokala företag eller andra utländska företag som är verksamma lokalt, kan också bidra till att projekten blir mera hållbara.

*Mäta resultat och öka systemeffekter.* Svenska JDIs, och i synnerhet Challenge Funds och PPDPs, utformas som piloter: projekt som i princip ska kunna skalas upp eller replikeras om de visar sig vara effektiva. Pilotansatsen förutsätter att programmen är sammansatta så att det är möjligt att dra tydliga slutsatser kring deras effektivitet och påverkan. Många analytiska verktyg har utvecklats för att tydliggöra projektens underliggande logik och mäta resultat, både på projekt- och systemnivå. Betydligt mer kan dock göras för att sprida resultat och uppmuntra till att projekt med goda utfall replikeras av andra länder, givare, och företag. Det är allmänt känt att givarsamhället i stort behöver koordinera och kommunicera bättre kring olika projekt. När väl projekt replikeras i olika miljöer (såsom Sida/Volvos PPDPs för yrkesutbildningar) uppkommer värdefulla möjligheter att byta erfarenheter mellan likartade projekt.

Biståndseffektivitet är också en funktion av redovisningsansvar och transparens, både med avseende på omfång och användande av resurser. Vare sig Sida eller Swedfund har för närvarande möjlighet att publicera lättillgänglig och tydlig information om partnerskapens utformning. Detta får anses vara ett resultat av svagheter i informationssystemen snarare än försök att dölja relevant information. Oavsett den underliggande orsaken är och förblir transparens en nyckelprincip för att öka förtroendet för effektivitet i utvecklingsarbetet. Inte minst är transparens viktigt i partnerskap med privata företag. I korthet innebär detta att ansträngningar med syfte att stärka rådande system för att både samla in och presentera information på hemsidor och i [Openaid.se](http://Openaid.se) bör öka.

## Rekommendationer

Rapportens huvudrekommendationer kan sammanfattas i sex punkter:

1. Det behövs tydligare ansträngningar för att dokumentera och rapportera kring JDIs, både med avseende på uppsatta mål, sammansättning, resursanvändning, ansvarsfördelning och eventuella kända utfall. Grundläggande fakta (budget, målgrupp, företagpartners, och liknande) för alla program under JDI-temat bör insamlas och

redogöras för som grupp; detta bör ske på ett konsekvent och lättillgängligt sätt. Utöver denna miniminivå är regelbundna och systematiska utvärderingar och övergripande analys av hela mängden pilotinsatser nödvändiga. Sådana ansträngningar hjälper till förbättra framtida projekt genom att visa hur hållbarhet och systemeffekter kan stärkas och hur man skalar upp och anpassar program till nya länder, sektorer, områden, osv.

2. Nya former av JDIs bör introduceras relativt försiktigt, såsom hittills skett. I dagsläget råder fortfarande brist på utvärderingar kring effekter och resultat som av JDIs, särskilt i vidare mening. Sett i termer av totalt svenskt bistånd förblir JDI-portföljen liten. Det är rimligt att fortsätta att utveckla dessa program gradvis, i takt med att information om vilka pilot projekt som varit framgångsrika för svenska så väl som andra initiativ utkristalliseras.
3. JDIs ska inte i huvudsak ses som ett substitut för traditionellt bistånd, utan snarare ett komplement. Inom flertalet viktiga områden för utveckling, till exempel institutionsstärkande instatser, är JDIs sannolikt inte effektiva.
4. Det finns anledning att ge särskild prioritet till samarbeten som omfattar civilsamhällets aktörer bland Sidas program. Denna typen av partnerskap har en stor potential för att stärka hållbart företagande, om organisationer får stöd för påtryckningsarbete, och i samarbeten där deras expertis används i företagens CSR-arbete.
5. Nya program, särskilt inom Sidas PPDPs, bör också söka samarbeten bortom de största svenska multinationella företagen. Man kan också fokusera på att involvera fler företag som ännu inte utvecklat expertis eller avsatt större resurser till CSR, eller företag som har mindre press utifrån att stärka hållbarheten i sin verksamhet.
6. En informell utvecklingsagentur kunde etableras i valda svenska ambassader i länder som inte längre kvalificerar för svenskt bistånd, men där utvecklingsproblem fortfarande kräver lösning, och där svenska företag kan vilja söka andra lämpliga partners för olika JDIs.

# Summary

## Development is opening up for business

Sweden's Policy for Global Development aims to ensure that actions across all policy areas work towards equitable and sustainable global development. The aim of Sweden's international development cooperation is to create preconditions for better living conditions for people living in poverty and under oppression. These objectives correspond well with those of the wider donor community (Swedish Government, 2014).

However, while the objectives of development cooperation have not changed fundamentally over time, there is an increasing recognition that new mechanisms and partnerships will be needed in order to achieve them. Private investment to developing countries has surged since the 1990s, reaching even low income countries, with notable impacts on local economies and living standards. Meanwhile, traditional official development assistance (ODA) has become relatively less important as a source of financing and a driver of change. These dynamics increase the pressure to form new partnerships between private and public actors in order to deliver more effective aid as well as to catalyze new sources of financing and knowledge for development.

As a result, in both the donor community and the business sector – in Sweden as well as in other countries – there is a growing interest in developing partnerships for development between the private sector and the public sector. This report refers to such collaborations as Joint Development Initiatives (JDIs). The potential benefits of making better use of the innovative and financial capacity of firms for development are clear. However, these partnerships may also be accompanied by a risk for conflicts and tensions between development objectives and business interests. In particular, there may be contradictions between the commercial objectives of the private sector and the (often) longer term concerns of the aid effectiveness agenda, which focus on objectives such as broad systemic change and spillovers, local ownership and harmonization, improved market efficiency, transparency, and untying aid from donor country commercial interests. Moreover, because of the rapidly changing and

diverse character of these new forms of collaborations, there are few comprehensive evaluations available as a basis for judging whether they actually are effective in meeting their objectives.

Against this background, this report provides a mapping of existing Joint Development Initiatives in Sweden, reviews their relevance with respect to the different objectives of aid set out by Sweden, and discusses whether, where, and how the associated risks can be mitigated in order to ensure effective aid delivery. Because of the evolving nature of collaborations and the paucity of evaluations – largely due to the fact that programs are too new to have been subject to systematic evaluations (yet) – this report does not attempt to provide any full assessment of the efficiency and effectiveness of the different instruments.

The report is based on the following pillars:

- a. *One overarching objective: Development.* Commercial interests may be a mechanism for attracting private sector engagement for the benefit of development, but this report does not consider it an objective in itself. For this reason, donor funding for JDIs is motivated if such funding enhances development effects and adds value by facilitating investments, which otherwise would not have taken place. It is not intended to subsidize commercial enterprise or corporate social responsibility activities that would be undertaken even without the partnerships.
- b. *Strong potential benefits.* The business sector can be a positive force and partner in development, both by contributing innovation and financial resources, and by ensuring sustainable business practices. It can address some of the areas under the six development objectives set up for Sweden's development agenda: (i) Strengthened human rights; (ii) Poverty reduction; (iii) Environmental sustainability; (iv) Improved basic health; (v) Reducing conflict, and; (vi) Humanitarian aid.
- c. *Not a silver bullet.* JDIs can only be expected to meet some objectives, in some areas, and under certain circumstances. It should be seen as a complementary engagement to other areas of development cooperation, not least to include the most vulnerable groups as well as providing safety nets for those who cannot take part in growth, institutional strengthening, and best-practices in public policy. Donors should therefore

seek broad and complementary engagements with the private sector and should aim to harness synergies between these, as well as other forms of partnerships.

- d. *Need to mitigate risks.* There is a need to avoid partnerships that result in ineffective or even harmful aid, uncompetitive practices, limited additionality of interventions, low value for money, unsustainable projects, and low partner country involvement and limited local ownership. These are obviously risks that may apply to all forms of development co-operation, not only those involving the private sector, but particular attention is warranted because JDIs are new forms of development cooperation.

## An inventory of Swedish partnerships

Mapping existing interventions is difficult for two reasons. First, JDIs are an evolving area and no comprehensive or exhaustive lists of partnerships are readily available. Second, there are difficulties involved in finding consistent and comparable data for different interventions. Thus, the data used in this report are likely to underestimate the total number of partnerships and related resources. Given these caveats, we have identified and summarized the most notable existing partnerships in Swedish development cooperation. They include:

- a. *Innovative investments* that pilot new and innovative investment initiatives with a potential for contributing to development and leveraging private financial resources. These investments encompass Enterprise Challenge Funds (CFs), guarantees and loans<sup>4</sup>, as well as equity investment, loans and grants through Swedfund. The reasoning behind the role of investments for development is that investments that carry large social benefits may need public funding or shared risk taking in order to be realized or to take off in the risky environments that characterize many developing economies.
- b. *Making business activities sustainable and supporting rights* by supporting industry cooperation around initiatives like labor

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<sup>4</sup> In addition, there are grants to supplement loans.

standards, environmental protection and anti-corruption measures in developing countries, aiming to create a “race to the top” in terms of good practices. In this area, Sida supports civil society organizations’ (CSO) advocacy and collaborations around such issues. In addition, Sida collaborates directly in areas of sustainable business practices through its Private Public Development Partnership (PPDP) modality. Here, the development impact is expected to evolve through increased attention to sustainable practices in the business sector, which will benefit workers directly, as well as local populations more broadly.

- c. *Partnership initiatives for development*, often in the form of a public good. Most of Sida’s PPDPs are used to leverage private financing for development benefits that have positive effects beyond those realized by the individual partner firm.

In sum, our mapping of Swedish JDIs highlights the following:

- a. Even if actual disbursements are higher than those estimated here, Sweden’s private sector collaborations are modest both as a share of development cooperation and with respect to other countries. In 2014 Sida’s direct and indirect collaborations, excluding guarantees, amounted to approximately 0.8 percent of Sweden’s total budget for development cooperation. Swedfund’s annual capital injection for the same year accounted for another 1.3 percent of the total. In comparison, spending on humanitarian aid and on collaborations with Swedish NGOs through Sida amounted to about 10 and 6 percent respectively of the total development budget. As an international comparison, business programs managed by Danida, Denmark, amounted to around four percent of the country’s total budget for bilateral and multilateral assistance.
- b. Sida’s collaborations have nonetheless increased recently, doubling from 0.4 percent to 1.1 percent of its total budget over the 2011-2014 period. The value of guarantees starting in 2011-2012 was only one-quarter of those starting in 2013-2015.
- c. Most of Sida’s funding, apart from guarantees, is directed to Challenge Funds – over 60 percent in 2013 and 2014. Here,

however, the mapping excludes the framework agreements with Union to Union (since Sida does not categorize it as a JDI). If these agreements were included – as they conceivably could be, being an instrument to strengthen rights in relation to private sector development – most of Sida’s funding would be directed towards sustainable business practices.

- d. In terms of regional focus, funds are largely directed to global funds, followed by African countries. Over half of the value of Swedfund’s total portfolio of investments is concentrated in Africa, and the focus on Africa is increasing. Similarly, guarantees largely have a global reach, followed by Africa. Two thirds of Sida’s other partnerships are in global programs. However, PPDPs are more significantly concentrated in Africa and Asia.
- e. Although programs are formally untied, Swedish firms frequently participate in these programs, especially in the PPDPs.

How well do these partnerships address areas of focus for Swedish development cooperation? Currently, JDIs focus largely on three broad development objectives: i) removing bottlenecks to growth (which is expected to result in poverty reduction through trickle-down effects); ii) rights connected with private business activities in developing countries (labor, land, and gender rights), and; iii) sustainable environment.<sup>5</sup> We find that Sida’s partnerships are focused on poverty reduction and inclusion, some with a direct link to the poor (such as challenge funds like Innovations Against Poverty) and others, where links must be considered as more indirect (for example vocational schools). Support to Drivers-of-Change addresses the agenda of strengthening rights. There are however, no direct or explicit links to humanitarian assistance or conflict resolution, except in those cases where some investments and programs are located in post-conflict countries or zones.

A review of Swedfund’s investment portfolio suggests that poverty reduction (through the assumed trickle-down effects from overall economic growth and job creation in addition to other positive

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<sup>5</sup> Note that this is a review of what objectives the program is attempting to meet, not whether it actually succeeds in doing so.

spillovers from investments in industry, infrastructure, and energy) is the main focus of these investments.

## Joint Development Initiatives and principles of effective aid

The overview shows that the instruments available for JDIs have the potential to address some of the thematic areas that are highlighted in Swedish development cooperation. Whether they will actually do so in each specific case hinges both on good project planning and execution, and on whether they can mitigate the risks and maximize the opportunities related to different forms of collaborations. This report discusses the principles of effective aid and potential areas of conflict, incorporating examples from the current Swedish portfolio of interventions. Some of the main principles are highlighted in the following paragraphs.

*Targeting the most vulnerable countries and groups.* Swedish JDIs have a significant and commendable focus on low income countries. Moreover, the concentration on low income countries in Africa has increased over time. However, poorer countries, and especially fragile states, suffer from low institutional capacity and high costs for doing business due to poor infrastructure, corruption, and weak regulatory frameworks. Countries with very small markets, limited purchasing power, weak institutions, and unstable conditions are not generally major recipients of programs involving private business. It is also obvious that the poorest groups in the countries that host JDIs are rarely likely to benefit directly from the programs: it is often difficult to involve the poorest groups as producers or even direct beneficiaries of job creation, since they are handicapped by low levels of skills and health. Inclusive economic growth and strong trickle-down effects are necessary prerequisites in order for the poorest population groups to be able to benefit from public-private partnerships. These prerequisites are not always in place. Hence, expectations regarding the direct impact of programs on the poor need to be moderate, and efforts to strengthen systemic effects and spillovers to increase the indirect effects need to be integrated in the projects.

It should be noted that Swedish companies may be well placed to further development initiatives in middle-income countries that no longer qualify for Swedish ODA, but where significant poverty,



health, or environmental threats still influence large parts of the population (e.g. South Africa and India). A development broker facility – e.g. a help-desk at the Swedish Embassy – that could help Swedish firms (or philanthropists) to identify potential local partners (CSOs, other donors, or like-minded private firms) would be of great value and would raise the likelihood that potential initiatives are realized.

*Partnership complementarities.* Do donors add value apart from co-funding? The question is especially pertinent when larger international firms with substantial financial resources are involved. Naturally, the value of partnerships is enhanced when more than funding is brought to the table. Private companies and entrepreneurs have technical and managerial know-how, understanding of their value-chain, and are the source of innovations. Donors may also bring a variety of resources to partnerships, aside from financial capital. Experience shows that donor involvement, such as in Sida's PPDPs, is valued because it implies a commitment to provide development expertise, share reputational risk, help form interventions that are based on best-practice examples from other countries, provide a stamp of approval in terms of development value for the interventions, help engage local governments, as well as offering access to donor and civil society networks. With regard to sustainable business practices and strengthening rights, the donors' contributions aid civil society organizations in using their technical competence in their specific areas of expertise (child rights, health, environment) in collaboration with the private sector.

*Developing, not disturbing markets.* Tying aid to procurement from donor countries carries costs in terms of efficiency. First, it imposes solutions that typically imply welfare losses for recipient countries, with mark-ups estimated to exceed 20 percent. Second, it diverts development funds to areas of donor country interest rather than recipient country needs. With very few exceptions, Swedish aid is untied; however, the Swedish portfolio of interventions and especially PPDPs has significant Swedish participation. This is the result of a natural step-by-step approach in terms of marketing and identifying partners, whether for challenge funds, sustainable business practices, or for PPDPs. As lessons from the first projects and programs are beginning to materialize, and programs are moving into a second phase, attempts to delink are in fact emerging. A way forward for increasing additionality of interventions in the area of sustainable

business practices and PPDPs may be to consider the next layer of firms, in Sweden and elsewhere, which do not yet have the expertise or resources dedicated to corporate social responsibility (CSR), or firms that are less affected by external pressure to act in a sustainable manner.

PPDPs in particular run the risk of subsidizing the specific needs of individual firms involved in the partnerships. These risks can be mitigated if projects are structured in a manner that allows benefits to be transferrable (for example, vocational training is relevant for different firms and ideally for different sectors), and that maximizes systemic effects, e.g. through broader partnerships with other firms.

*Sustainability: local ownership, harmonization and coordination.* The aid efficiency agenda focuses on moving toward more programmatic and less project oriented development cooperation, and on developing and incorporating recipient country competences in the process. This process is partly at odds with the fact that projects are often initiated by a firm/donor alliance, the risk that projects depend on business cycles, and the lack of experience among foreign firms in dealing with local government and civil society in recipient countries. The risk of aid being supply driven and focused on areas of competence or commercial interest rather than local development priorities is high. These risks can be mitigated, for example by steering investments to more development relevant sectors and areas (which has already been done with Challenge Funds and guarantees, but could be applied more systematically to other forms of partnerships as well). A set-up that involves capacity building with local NGOs and engagement with national authorities and civil society, in combination with a clear exit strategy, is likely to help build ownership early on. Collaborations with a wide group of partners, including other private firms, could also help ensure sustainability.

*Measuring results and fostering systemic impact.* Private sector partnerships in Swedish development cooperation, especially CF and PPDPs, take the form of pilots: projects that, in principle, can be scaled up or replicated if proven effective. The pilot approach, however, assumes that programs are designed to provide clear lessons for a wide range of stakeholders. There are different tools available with regard to articulating program logic and indicators of change, both at a project and system level. More emphasis will be needed on dissemination of results and replication of pilot projects. A comprehensive approach to identifying and disseminating lessons

learned is needed. Donors in general need to coordinate and communicate better across different projects. As projects become more streamlined (such as Volvo/Sida collaborations around technical schools), important opportunities for cross-project learning, which should be taken advantage of, arise.

Aid effectiveness also relies on accountability and transparency regarding the size and use of resources. Neither Sida nor Swedfund are currently able to provide readily available and transparent information on the different characteristics of partnerships, such as the identities of collaborating firms and total commitments. This lack is the result of weaknesses in information management, rather than explicit decisions to avoid disclosure of information. However, transparency remains a key principle for building confidence in development effectiveness and should be respected in each of these partnerships.

## Recommendations

The recommendations proposed in the report can be summarized in the following six points:

1. Better documentation, reporting, and use of information of programs is needed, and more discernible disclosure of information. Basic facts (costs, beneficiaries, private sector partners, and similar) for the entire set of programs involving JDIs should be collected and publically available under one program heading. Beyond basic program information, periodic and systematic evaluation efforts of the group of interventions are necessary, taking a wholesale look at the collected evidence of different pilot experiments. This will help strengthen the preparation of interventions by showing how systemic effects can be promoted, how sustainability can be ensured, and how replication and up-scaling can be achieved once/if pilots have proved to be successful.
2. New forms of public-private partnership forms should be introduced with caution (as has been the case so far). There is still a lack of comprehensive evidence on effects and results of JDIs. The portfolio of interventions is currently relatively small and it makes sense to develop it gradually, based on

what has shown to work with different pilots, for Sweden and other countries.

3. JDIs should not primarily be seen as a substitute for more traditional aid instruments, but rather as a complement. In many important areas of development cooperation, including institution building, JDIs are not likely to be efficient instruments.
4. Collaborations between civil society organizations and firms should receive particular priority in Sida's programs. There is a strong potential for strengthening sustainable business practices if selected civil society organizations get public support to carry out their watchdog and advocacy functions and/or to act as experts in collaborations with firms.
5. New programs should be designed to reach beyond the largest Swedish multinationals. Expansion both towards multinational firms that are active in partner countries, and towards the next generation of Swedish multinational firms, could be considered.
6. An informal development broker facility should be established in selected Swedish embassies in countries that have graduated from Swedish aid programs, to help firms identify other appropriate partners for such projects.

# 1 Introduction

The aim of Sweden’s international development cooperation is “to create preconditions for better living conditions for people living in poverty and under oppression” (Swedish Government, 2014, p. 13). With a foundation in the national Policy for Global Development, Swedish development cooperation is based on two perspectives: that of individuals’ living in poverty, and that of rights, notably human rights, democracy, gender equality and children’s rights (Swedish Government, 2003). The core of these ambitions and approaches has not changed fundamentally over the past decades and is well aligned with those of the wider donor community (The Busan Partnership Declaration, 2011).

In recent years, new approaches and mechanisms have emerged for achieving these development goals, prompted both by the globalization and interdependence of firms, jobs and information, and by the rise of both new actors and new challenges in the development agenda. Traditional official development assistance (ODA) is becoming less significant in terms of financing and delivering development (World Bank, 2013). These dynamics increase the pressure for delivering more effective aid, in addition to catalyzing new sources of financing and knowledge for development.

Private enterprise is a precondition for economic development. A vast majority of jobs in poorer countries are in the private sector, primarily low productivity sectors like agriculture and labor-intensive services. It is only through better jobs and higher earnings that poverty levels can be reduced over the longer term. Improving the business environment for both local and foreign firms, small as well as large (generally referred to as support to Private Sector Development, or PSD), has been a priority area in the development agenda for some time, including for Sweden.<sup>6</sup> The “theory of change” – i.e. the underlying model for how development is expected to happen – for improving conditions for innovation and private enterprise activity and job creation in developing countries is not controversial. Economies are expected to grow when individuals have the right to manage their own productive resources in an environment with

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<sup>6</sup> Specifically, Sweden’s official development aid has been focused on “making markets work for the poor”, or M4P, where the central idea is that interventions should help market systems work better for the poor so as to improve their livelihoods (Sida, 2003).

reasonable economic institutions and incentives, including private ownership rights and rule of law. While the theoretical foundation is sound, it is less clear what kinds of interventions involving private sector actors actually work in practice. There are few comprehensive evaluations of impacts, and although private sector development may be a necessary condition for economic development, it appears to be far from sufficient to ensure more inclusive growth (Sinha *et al.*, 2013).

The private sector is also a possible agent of change as a partner in the delivery of development benefits. Donors, including Sweden, now look to collaborate directly with international and domestic private companies, ranging from smaller firms to large multinational enterprises, in order to mutually increase the development impact of development finance, to strengthen the development leverage of private enterprises' core business activities, as well as to harmonize and align development oriented efforts. Specifically, in 2014, the Swedish government instructed Sida, the Swedish International Development Cooperation Agency, as well as other actors in Swedish development cooperation, to actively seek opportunities for partnerships with the private sector. The objectives were to leverage financial resources, technical competence, innovation/entrepreneurial spirit, and best-practice business standards available among private firms and business organizations (Swedish Government, 2014, p. 50). The rapprochement of business, traditional donors and civil society organizations (which have for a long time been collaborating with donors) reflects a global trend of partnering around common interests, manifested in e.g. the UN Global Compact. The increased focus on multi-partner partnerships is also evident in major global processes in development taking place in 2015, largely led by the UN: the Paris Climate Conference (COP21), the Financing for Development Conference in Addis Ababa, and the Sustainable Development Goals for 2015 and beyond, all of which demonstrate the increased role attributed to the private sector.

The growing interest in public-private partnerships in the development debate and the specific Swedish mandate to increase these collaborations, together with the focus on result-based aid, suggests that more information is needed on the different forms of public-private development partnerships. This report provides an overview of existing partnerships in Sweden, discusses how well they can be expected to meet different objectives of aid, and whether,

where, and how the associated risks can be mitigated in order to ensure effective aid.

## 1.1 Approach and delimitations

This report focuses on partnerships in development cooperation that involve the private sector as an active partner contributing to development objectives, and not primarily as a deliverer of goods and services. We refer to these partnerships as Joint Development Initiatives (JDIs). In Sweden, the increasing interest in these partnerships is anchored in the interface between the objectives of Swedish development cooperation and those of the private enterprise sphere. This interface includes direct business/investment interests in areas with great significance for development and poverty reduction. It also includes principles and practices that improve the inclusiveness and environmental and social impact of the way private firms conduct business, loosely defined as Corporate Social Responsibility (CSR).

The report is restricted to partnerships leveraged by Sida and Swedfund, excluding initiatives managed by the Foreign Ministry. We also specifically exclude public-private partnerships (PPPs) in infrastructure and public services delivery. These are defined as projects where private firms provide part of the services or works that fall under the responsibilities of the public sector, with long term agreement on the respective roles and responsibilities of both parties (building and operating a toll road, for example). Although Sweden in the recent past has contributed funds to multilateral programs for infrastructure PPPs, there is very little involvement of Swedish companies, no clear interface between Swedish development cooperation and the private enterprises that are involved, and no clear sharing of engagement or responsibility for development benefits. Another important reason for not focusing on infrastructure PPPs is that there are already relatively many studies of these types of partnerships in the literature (see, for example, OECD, 2007; Andrés *et al.*, 2008; Graeme *et al.*, 2012, and World Bank, 2012a). Studies of other types of partnerships are scarcer.

The report does not purport to provide a full evaluation of the effectiveness of the different initiatives for several related reasons. First, the number of public-private partnerships in development is expanding and existing partnerships take different forms with

different characteristics, rules of the game, and objectives. This makes it difficult to provide a comprehensive mapping let alone make general appreciations of outcomes. Second, several initiatives are comparatively new and the Swedish system is undergoing a gradual transformation. As a result, not enough time has passed in order to allow for informed conclusions with regard to their effectiveness.<sup>7</sup> Third, there is a paucity of broad systematic and comprehensive efforts to evaluate the outcomes of these forms of development partnerships, both in Sweden and globally.<sup>8</sup> A meta-level systematic review of existing program level evaluations in this area is much beyond the scope of the study, but would be a very useful next step on the research agenda.

Although we refer frequently to existing studies on various forms of public-private partnerships, we are not aiming to provide any exhaustive literature survey on the topic. This would also require a separate research effort that lies beyond the scope of the present report. As a result, we take a broad rather than deep approach. Our focus is on mapping out existing initiatives to the extent possible, discussing how to maximize opportunities and minimize risks, and exploring what can reasonably be expected from these partnerships. The report is based on a review of a sub-set of the literature on the topic, data work, and semi-structured interviews with a select number of donors, companies, and civil society organizations.<sup>9</sup>

## 1.2 Premises

The rationale behind exploring potential synergies between public and private actors – so called “win-win” situations – is clear. The private sector is a significant source of knowledge and financial resources, and coordination around the development agenda can be assumed to be beneficial. However, there are also potential conflict areas between specific development objectives and the objectives of private

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<sup>7</sup> Two critical reviews of public and private partnerships in Sweden, undertaken in 2011 and 2014, show important changes in the number and characteristics of projects in the portfolio of initiatives (Resare, 2011, 2014).

<sup>8</sup> This is despite ongoing efforts by the Donor Committee for Enterprise Development (DCED), shorter overviews of private sector involvement in Swedish development assistance including Resare (2011, 2014), Devfin Advisors (2014), Billing *et al.* (2012), Lindahl (2009), and work by Adam Smith International (2009).

<sup>9</sup> A list of interviewees is available in Annex 2.



enterprises. The aid effectiveness agenda has come to focus on broad systemic change and spillovers, local ownership, improved market efficiency, transparency, and untied aid. These principles can, at times, prove to be inconsistent with private firms' legitimate concerns regarding profitability and return on investment, competitive advantage, protection of brand specificity, and partnership with other actors, including local government and competitors.

The report is based on the following general assumptions.

- a. Development is the objective of JDIs. Using the example of Sweden, the report focuses on how public sector donors can collaborate more efficiently and effectively with the private sector for the purpose of improving development outcomes and reducing poverty. Commercial interests are not considered an objective from the point of view of donors. We acknowledge that partnerships are built on mutual benefits, but win-win situations are from this point of view a mechanism for engaging the private sector, rather than an objective in itself.
- b. A thriving and responsible private sector is a necessary condition for sustainable and inclusive development over time. It is a source of innovations, jobs and earnings, as well as tax revenues that can be used to support development friendly policies in general. There are strong arguments in favor of involving the business sector as a positive force and partner in development, to contribute know-how, technology, and financial resources, and to improve sustainable business practices and links between private enterprise and poor population groups.
- c. However, private sector collaborations are not a magic silver bullet for development: they complement measures to strengthen institutions and to introduce best-practices in public policy. Donors should promote broad and complementary engagements that focus on including the most vulnerable groups and provide safety nets for those who cannot take part in business activities and commerce.
- d. The choice between various forms of interventions and approaches in private and public collaboration matters. There is a need to avoid negative consequences, including uncompetitive practices, limited additionality of interventions

and low value for money, unsustainable projects, and low partner country involvement and limited local ownership.

### 1.3 Organization of the report

The remainder of the report is organized as follows.

- a. The second section provides *the framework* for discussing how the private sector can contribute to meeting Swedish development objectives, and how development cooperation can support that role. The section also identifies opportunities and risks related to JDIs.
- b. The third section looks at *the forms of partnerships that de facto exist* in Sweden's development cooperation today as well as those planned for the coming years. Here, we also discuss the theory of change behind the interventions, and how these correspond to the objectives of aid.
- c. Drawing on the framework presented in section 2, the fourth section *identifies the specific effectiveness issues that either have already emerged or can be expected to arise in these different forms of partnerships*, as well as what is known about their overall effectiveness (with respect to their individual goals) in delivering results and in meeting aid objectives. Due to the fact that many of these interventions are still in their early phase, this discussion is necessarily kept at a conceptual level.
- d. The fifth section highlights the main conclusions and findings of the report.

## 2 Leveraging Private Sector Involvement for Development

The interest in collaborations with the private sector is driven by the realization that the private sector has a significant and increasing influence on development through its commercial activities in poorer countries. The private sector also harbors strong innovative capacity that can be useful for resolving poverty related problems. At the same time, it is clear that public-private partnerships are not likely to be effective in meeting the full range of objectives towards sustainable development. This section provides a background to the growing interest in public-private collaborations and a discussion of where and how they can contribute to economic development and poverty reduction.

### 2.1 A changing landscape in developing countries

Private capital flows and transfers to developing countries have increased significantly over the past 25 years. Critical factors behind this surge include macroeconomic stability, reforms leading to the opening up markets to foreign investment, multilateral trade liberalization, in addition to other improvements in the business environment in the great majority of the world's developing economies. The globalization of value chains in the production of goods and services has encompassed poorer countries as well. The developing world is both a potential location for high yielding investments and a growing customer base for products and services.

As a result, private capital flows in the form of investment (primarily foreign direct investment, FDI, but to some extent also portfolio equity) and transfers (remittances) have become much more important than ODA flows as a source of external capital for developing countries as a whole. Because of the dominance of direct investment, these flows have not been debt creating, unlike capital inflows in the past (Dorsey, 2008). ODA is in fact becoming irrelevant as a source of capital for lower middle income countries (Figure 2.1, a). The significance of FDI is increasing rapidly even for

low income countries.<sup>10</sup> Together with remittances, FDI inflows are now as important as ODA inflows even for this country group (Figure 2.1, b). This shift in favor of private capital flows is a relatively recent phenomenon with a surge after 2000. The share of low income countries in global FDI and portfolio investment remains small, reflecting both the more risky business environments and the scarcity of business opportunities (Figure 2.1, c). Nonetheless, private capital is of major importance in developing countries, even the poorest ones. Enhancing the development effect of these flows has a significant potential for economic growth and poverty reduction, at a time when actual official development cooperation flows are leveling out.

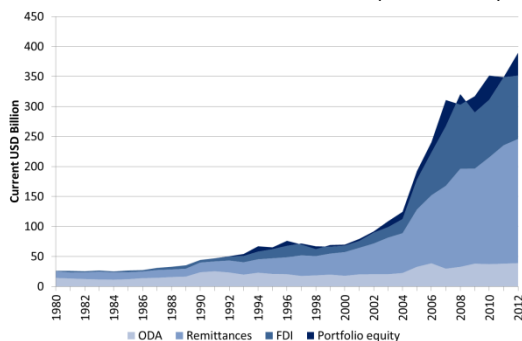
In addition, new actors and powers are emerging, both in the international business and the international development arena. The BRIC countries (Brazil, Russia, India, China), together with other economic powers like Saudi Arabia, Turkey and Indonesia, are increasing both their presence and influence in low income countries. Information on ODA from emerging economies is scant, since these new suppliers of development finance have chosen not to coordinate information through the DAC reporting system. Recent estimates nevertheless suggest that between 2000 and 2011, China committed USD 75 billion in official flows (development assistance and development finance) to Africa. This represents almost as much as US commitment and nearly one fifth of total OECD-DAC flows during the same period (Strange *et al.*, 2013). Total concessional flows from emerging economies to low income countries were estimated at around USD 12 billion in 2011 (World Bank, 2013). Similarly, private philanthropy flows are increasing, exemplified by the Bill and Melissa Gates Foundation. Private aid today is estimated at approximately USD 60-70 billion per year (World Bank, 2013).

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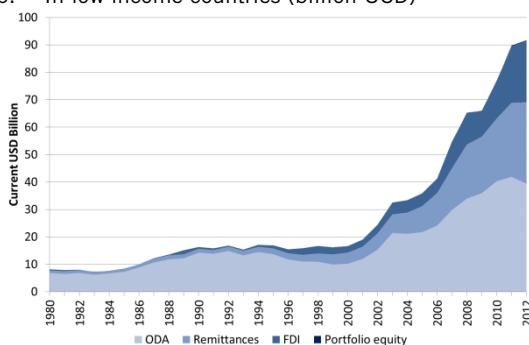
<sup>10</sup> The increasing importance of FDI for countries at low levels of income and development has been recognized also in the international business literature; see e.g. Narula and Dunning (2010).

**Figure 2.1: Flows of Investments and Transfers**

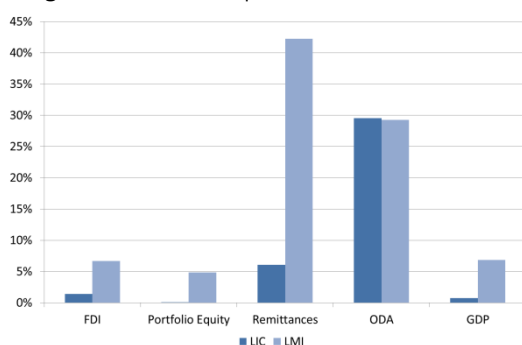
a. In lower middle income countries (billion USD)



b. In low income countries (billion USD)



c. Low income and Lower middle income countries, as share of global flows and output



Source: World Development Indicators, <http://data.worldbank.org/products/wdi>. For 2014-2015, lower middle income countries are defined as countries with per capita GNI between USD 1046 and USD 4125; low income countries as countries with per capita GNI of USD 1045 or less, as per <http://data.worldbank.org/about/country-and-lending-groups>.

## 2.2 New partnerships

In parallel with the increasing presence of international firms in low income countries, more attention has been paid to new partnerships for development. In 2000, the UN launched its *Global Compact*, which invited businesses to adopt and account for environmental and socially responsible policies, stating ten principles in the areas of human rights, labor, environment, and anti-corruption. Further, the *Aid Effectiveness Agenda*, which was also launched in the early 2000s, focuses on the modernization, deepening and broadening of development cooperation and the delivery of aid (OECD, 2014). The process of establishing principles for increasing the development impact of aid has been brought forward through several high level forums (in Rome in 2003, Paris in 2005, Accra in 2008, Busan, 2011 and Mexico City, 2014). The private sector has been recognized as a full partner in delivering and accelerating development at least since the high level forum in Busan, Korea, in 2011.

The opening up to private sector contributions is based on the growing importance of the business sector as a driver of growth and provider of jobs and product and services solutions that can help the poor. In addition, it is assumed that an ambitious development agenda will require financing flows of a magnitude that ODA is not likely to generate by itself. The focus, in other words, is not only on leveraging finance from the private sector, but also to make full use of the innovative capacity and know-how found in the business sector.

At the same time, private businesses have gradually developed their CSR activities from pure philanthropic engagements, where part of firm profits are used to support a development project, towards partnerships aiming to achieve broader development goals related to their core activities. A mix of factors is likely to motivate and form this development. Firms (or rather, their owners, managers, and employees) may have a genuine interest in contributing to poverty reduction and may therefore welcome the opportunity to bring their ideas and know-how to the table. Large multinational enterprises that are subject to public scrutiny may, at the same time, face pressure to account for the sustainability of the entire value chain related to their activities and those of their sub-contractors. In a long term perspective, they may look to contribute to building a future client base in developing countries; in a short term perspective, they are interested in building good-will at home and abroad. The rise of social

media as a global source of information on business practices and the role of different watchdog institutions in highlighting unsustainable practices contributes to these motives. There is also a new generation of entrepreneurial talent for whom social entrepreneurship is seen as a central and viable business idea.

In tandem, the vision of partnerships is slowly evolving from projects where the private sector is primarily a delivery mechanism of development cooperation to constellations where the private sector can also become a full partner in providing development benefits.

Sweden has also moved in this direction. The 2009 DAC peer review of Swedish Development Assistance recommended that Sweden invest in building partnerships that enhance the involvement of the private sector in development (OECD, 2009). The Swedish government's Aid Policy Framework, presented in 2014, emphasizes the role of private sector activities, both in terms of innovative capacity, and in terms of the impact private business has on social and environmental sustainability, as well as the inclusiveness of economic growth in their core business. The strategy stresses the importance of meeting the principles of effective aid also in these partnerships (Box 2.1).

### **Box 2.1: New Partnerships in Swedish Development Policy**

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“Sweden must also work in partnership with private enterprise. It is in private enterprise that the foremost opportunities can be found for creating employment that enables people who live in poverty to earn a living. The private sector also has a fundamental role to play in terms of contributing financing, new solutions, products and services that are adapted to the needs and purchasing power of people living in poverty. Private enterprise often also has an opportunity to directly affect areas that are central to people's living conditions, such as human rights, the environment and corruption. One fundamental principle when aid cooperates with actors in the business sector is that all cooperation must contribute towards the overarching objective of aid – the needs of people living in poverty and under oppression must be the starting point of all operations. In the same way as with collaboration with other actors, cooperation with the private sector must be characterised by openness, transparency and cost-efficiency. It must also be independent, results-focused and avoid disrupting the market. Cooperation with industry should be characterised by high requirements in terms of CSR.”

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Source: Government of Sweden (2014), p. 50.

With the exception of the very poorest countries, private capital inflows are likely to continue to outgrow inflows of ODA. These trends provide strong reason to focus on improving the development impact and quality of private flows, ensuring sustainable and inclusive economic growth patterns, strengthening human rights, and combating corruption related to their core activities. In addition, partnerships may help direct the innovative capacity and knowledge and the financial resources of the business sector to specific development projects.

In a parallel process, the internationalization of civil society has accelerated and international NGOs have become increasingly important partners in development cooperation. International organizations like the World Bank, the IMF, and the EU Commission were using international NGOs to carry out various development projects already in the 1980s, but changes in aid objectives have given a more central role for NGOs since that time (Siméant, 2005; Lindenberg and Bryant, 2001). As environment, sustainability, health, democratization, and human rights – areas traditionally championed by NGOs – have been included among the key ODA targets, NGOs have not only become more important for aid implementation: the development of civil society has become an end in itself.<sup>11</sup> The increasing concern among international investors for corporate social responsibility reflects these broader societal concerns, and has brought civil society also into the boardrooms of the world's leading multinational corporations. As a result, NGOs are increasingly interacting directly with the corporate sector, both in order to advocate their specific objectives and to provide advice and expertise for those firms that wish to establish more responsible policies.

The private sector, the public sector (donors), and civil society bring different advantages to collaborations, and gain different rewards (Table 2.1). Official donors can bring funding for projects as well as local connections and institutional knowledge. They can also bring legitimacy, from a sustainable development perspective, to the project, and development knowledge, including insights on relevant priorities and on program effectiveness, as well as the ability to scale-up successful initiatives. In return, donors may gain increased financial

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<sup>11</sup> In the Swedish case, it should be noted organized bilateral aid has always been closely linked with civil society, and that Sida actually traces its descent to a civil society organization established in 1952, the Central Committee for Swedish Technical Assistance (Centralkommittén för svenskt tekniskt bistånd). See e.g. Dahnsdotter and Ewald (2014).



and technical resources for development in areas and countries that benefit less from purely private investment flows, innovations to reduce poverty, and more sustainable economic development from private investment.

**Table 2.1: The Nature of Win-Win-Win**

	<b>Donor/Public sector</b>	<b>Private sector</b>	<b>Civil Society</b>
<b>WHAT THEY BRING</b>	Funding Development knowledge, program effectiveness knowledge, scale, Legitimacy and formal authority Local connections, institutional longevity and presence	Funding Innovation and technology, standards and business practices, know-how and expertise, efficiency Economic sustainability Local connections, especially in value chains	On-the-ground contacts, local context and expertise, Implementation capacity Convening, bargaining, facilitating power Legitimacy and credibility Watchdog/Whistleblower
<b>WHAT THEY WIN</b>	Increased private investment, especially in low income countries and in sectors where needed Higher development effect of private investment (e.g. through CSR) in focus areas Soft (organizational etc) and hard (technology) skills used to make ODA more effective	Cost sharing Risk and reputation sharing in CSR and other activities, legitimacy Help in the project process, Help in increasing development impact Good-will, long term market development, increased customer base through brand establishment and increased incomes [Reduced competitive pressures ]	Influence Higher development impact in focus areas New sources of financing

Source: elaboration by authors with input from [www.ppplab.org](http://www.ppplab.org)

The private sector brings financial resources, innovative capacity, business know-how, and commercial viability (where applicable). The potential benefits for the private sector include cost-sharing, as well as risk and reputation sharing for development oriented projects, good-will and long term market development, access to local stakeholders, and help in increasing the development focus of projects.<sup>12</sup> They can also potentially gain competitive advantages through reduced

<sup>12</sup> Interview with H&M, IKEA, Ericsson, Maersk, Löfbergs Lila and Tetra Laval.

competition, although this goes against the principles of effective aid. Civil society, finally, can bring the on-the-ground contacts and expertise including implementation capacity, raise issues and concerns, and contribute to legitimacy. Meanwhile, civil society stands to gain influence and achieve a higher development impact in their focus areas, and new sources of financing. Potentially, partnerships including the private sector, the public sector, and civil society may result in win-win-win situations, where all three partners gain various benefits in return for their contributions to projects or programs.

### 2.3 Race to the top or race to the bottom

As stated, this report takes its starting point in one primary target, namely improving the conditions for people living in poverty and under oppression. The Aid Policy Framework from 2014 establishes six more specific objectives for Swedish development cooperation to operationalize this goal. While the exact formulation and priorities among the specific aid objectives may change over time, they pertain to themes that have long featured in Swedish development cooperation and are likely to remain in one form or other.<sup>13</sup> The specific objectives are to: (i) Strengthen human rights; (ii) Reduce poverty; (iii) Achieve environmental sustainability; (iv) Improve basic health; (v) Reduce conflicts, and; (vi) Provide humanitarian aid.

The use of public funds for partnerships with the private sector would be warranted under two conditions: (i) The private sector has a role to fill in reaching some of these development goals; (ii) A partnership with a donor can raise the positive development impact of private business activities (in most case, by addressing some market or government/institutional failure) without endangering the principles of effective aid and without distorting markets and competition.

The Aid Policy Framework also sets the principles for delivering aid towards the development objectives as effectively and efficiently as possible. The principles aim to ensure that aid programs: (i) are targeted to women and girls in poor countries and people who live under oppression; (ii) are owned by the recipients; (iii) are harmonized, coordinated, and predictable; (iv) focus on results; (v) are characterized by transparency and shared responsibility; (vi) are

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<sup>13</sup> A new Aid Policy Platform is under preparation and will be presented in 2016.

innovative and flexible; (vii) are based on partnership; (viii) fight corruption, and; (ix) provide value for money without disturbing markets.

While there is general agreement that the private sector can do much for development, there is less evidence on how well partnerships using public funds meet the conditions of effective aid. There is a potential for a “race-to-the-top”, where firms improve sustainable business practices and increasingly use innovative capacity for development. At the same time, there may be a risk of a “race to the bottom”, where donors reverse the gains made in untying aid, and increasingly support companies from their home country to improve their international competitiveness. Risks include subsidizing companies’ commercial ventures, CSR practices, or social marketing campaigns, the high costs associated with tied aid, losing focus on other key development areas where private sector contributions are likely to be limited, as well as lower transparency in development finance, due to limited access to business accounts. It is also inherently difficult to prove that ventures are additional, both in the sense of adding value to development, and whether they would have happened without public funding (see e.g. Kwakkenbos, 2012; Resare, 2011, 2014; Byiers and Rosengren, 2012; and interviews as per Annex 4).

Annex 1, Table A1, provides an overview of aid objectives, the potential contributions of the private sector, and the role of development cooperation in a possible partnership with the private sector. A working hypothesis is that these types of partnerships work better towards some objectives than others, and that some risks with these partnerships can be mitigated better or more completely than others. Private sector collaborations have the potential of strengthening rights, especially those related to labor and land, and may also contribute positively to anti-corruption measures that ensure fairness in the use of public resources. They can help bring income opportunities to poor groups who act as workers or producers within the value-chains, or bring about innovative solutions to specific issues affecting the poor. The private sector can also provide technology and other solutions to enhance environmental sustainability and improve basic health. Their investments can potentially be targeted to particularly vulnerable countries and innovations related to the delivery of humanitarian aid can come from the private sector. Depending on the level of risk and the size of markets, many of these

collaborations can evolve without additional public funding. However, there are also instances where donor funding can help convoke different parties, position interventions within the long term development strategy of the country, and share financial and reputational risks related to desirable investments.

At the same time, there can be areas where the private sector is less able to improve development outcomes. The private sector may help promote sustainable business practices, but it is not obvious how business may contribute to democracy building and human rights more broadly. Projects with women and children as target groups, projects focusing on social protection and basic education, investments in conflict zones, and humanitarian aid are some other areas where JDIs involving the private sector are less likely to be common.

These opportunities for collaboration also need to respond to donors' commitments in order to deliver effective and value-for-money assistance. Based on the principles of effective aid delivery laid out in the Swedish Aid Policy Framework (which in turn stem from the international dialogue on aid effectiveness), it is obvious that private sector collaborations correspond well with the requirements to focus on innovative and flexible solutions, as well as broadening partnerships. However, with respect to other principles, both opportunities and risks can be identified.<sup>14</sup> Some of these are illustrated in Table A2, Annex 1.

A first area of potential conflict arises already when target groups are identified. Markets in low income countries, in conflict zones, in rural areas, and involving the poorest groups, are likely to be less interesting for private business. Targeted interventions can focus investment on poorer countries, but identifying interventions that directly involve the poor as employees or producers in value chains is challenging.

Another difficult issue concerns local ownership. The decision to allow private sector initiatives should ideally be anchored in local and long term agendas. However, since many JDIs are instigated by and linked to the commercial operations of the participating private sector

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<sup>14</sup> It is important to point out that some tensions between the principles may arise irrespective of who is delivering aid. For example, the requirements to be innovative and flexible yet results based, and to ensure harmonization, coordination and predictable aid flows at the same time, are not obviously easy to meet simultaneously.

firms, this may be hard to achieve in the early stage of projects. Particular caution is needed when aid programs involve areas where donors' home countries or specific home country firms are considered to have specific competitive advantages. The risk in these cases is that interventions are designed based on what donor country firms want to do rather than on what is most urgently needed for local development in the recipient country.

A related problem concerns the tying of aid. There are significant effectiveness and efficiency costs connected to tied aid, and evaluations suggest that mark-ups on procurement prices of tied aid exceed 20 percent, with even higher mark-ups for high technology goods or services (Clay, 2008). However, even if collaborations are not formally tied to donor country firms, there is still a tendency for these firms to be overrepresented in aid projects. This may be particularly pronounced for JDIs. When JDIs are established, it is natural that many of them will involve donors and their home country firms. If it is a private firm that initiates the collaboration, they will tend to seek collaboration with the donor that they are most familiar with – often the one in their home country. Similarly, where collaborations are driven by civil society organizations or public sector institutions, they are more likely to find partners from their existing networks, where home country firms are more prominent than others.

Differences between corporate and institutional cultures may also lead to complications. Firms exposed to competitive pressures have to deliver visible benefits in order to remain in business. Their actions and expectations tend to be permeated by a results-driven culture that may add strength to development strategies. At the same time, firms and donors may not agree on the definition of a satisfactory result for development or what constitutes a reasonable time lag to measure impact. Firms may find monitoring and evaluation procedures that meet donor requirements burdensome.<sup>15</sup> Moreover, firms may be even more sensitive to reputational risk than donors and therefore reluctant to divulge publicly learned lessons from different projects, if these are anything but successful. This hinders the sharing of information and experiences that can inform future projects. Another significant challenge is the lack of transparency that follows from mixing public funds with private business investment information, which is sensitive

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<sup>15</sup> These concerns were also reflected in several of the interviews with company representatives.

from a commercial point of view. Transparency regarding the use of public money, not only for donor partners, but also for external and independent actors like civil society, journalists, and researchers, is an important basis for effective public financial management.

In sum: there are ample opportunities for private sector collaborations to contribute to several of the objectives of Swedish aid. However, this does not apply across all areas of interests, nor for all target groups. In order to ensure effective aid delivery, there is a need to avoid or mitigate the risks that arise, especially with regard to focus, transparency, and impact on competition.

## 3 Joint Development Initiatives in Swedish Development Cooperation: An Inventory

This section provides an overview of key forms of JDIs, involving the private sector in Swedish development cooperation. It contains the history of the changing role of private sector involvement in Sweden's development cooperation, an overview of current programs and their focus and objectives, summarizes the size and direction of flows, and discusses how well this corresponds to the Swedish aid objectives. The purpose is to understand the significance of this phenomenon in the context of the overall size and direction of Swedish aid flows, the balance of different initiatives, as well as the relative weight of different development objectives addressed by the instruments under the broad JDI umbrella.

### 3.1 Background

Although the types of Joint Development Initiatives that are at the core of the present analysis are relatively new phenomena – for example, Sida's B4D platform was established in 2010 – it is important to note that collaborations with the private sector have a much longer history in Swedish development cooperation. The first government agency focusing on development cooperation was the Council for International Assistance, NIB (Nämnden för internationellt bistånd), established in 1962. The rationale for development aid and the framework for NIB's operations were summarized in a Government Bill from the same year (Government Bill 1962:100). The Bill stated that the overall objective of Swedish cooperation was to raise the standard of living of poor people, but that aid in itself would not be sufficient to achieve this goal. Instead, economic growth, which was a necessary prerequisite for poverty reduction, would require the joint efforts of many different actors, including local governments, private entrepreneurs from the developing country, as well as investors from other countries (see SOU 2006:108). The role of commercial actors from Sweden (and other developed countries) was perceived as particularly important. Foreign direct investment and other types of commercial contacts were to provide the capital, entrepreneurship,

technology, and vocational skills needed to accelerate the development process.

Thus, one of the objectives of Swedish development aid was to facilitate and support commercial relations between Sweden and developing countries. Liberal trade and investment policies were strongly promoted, in addition to other instruments like export credit guarantees and credits for investment in infrastructure and industry. Swedish industry was a natural partner in NIB's activities, as well as in the operations of the Swedish International Development Authority, SIDA, which came to replace NIB in 1965. The credits provided to partner countries were often used for contracting Swedish partner firms, although they were not formally tied to Sweden; the export credit guarantees were explicitly intended to help Swedish firms overcome the risk and uncertainty related to transactions with developing countries.

The role of the private sector was still emphasized in the early 1970s, when private sector development in partner countries was introduced as an explicit aid objective. The experiences from the 1960s suggested that liberal trade policies were not sufficient with to generate sustainable economic growth, and that more direct support for industrial development was needed. Two arguments were emphasized in particular.<sup>16</sup> First, against the backdrop of the increasingly radical political climate of the late 1960s, there was a perceived need to raise awareness about the importance of private sector development as an engine for economic development. Second, there was a belief that Swedish technological know-how could be particularly useful for the development process. The establishment of a development finance institution in the form of Swedfund in 1978 was also part of this process. According to its statutes, Swedfund was expected to "promote the establishment and development of industrial enterprises in developing countries" through equity investment, loans, and guarantees, as well as networking and funding of feasibility studies and pilot projects. The underlying assumptions were that many developing countries would welcome FDI from Sweden, and that these investments would contribute not only to job creation and tax revenue, but also to spillovers of technology and management skills.

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<sup>16</sup> The case for private sector development was made in the "Inquiry on Industrial Assistance" (Industribiståndsutredningen), SOU 1972:90.



Private sector participation was obviously essential to reach these goals.

There were also contradictory developments during the 1970s. The holistic approach to development cooperation that had characterized the 1970s began to change, and strong arguments were made in favor of separating development cooperation from commercial interests. The objective of commercial business – profit – was more and more frequently seen to be incompatible with the goals of development aid – economic and social development in recipient countries. Some of the instruments used during the 1960s were removed from the aid portfolio (export credit guarantees), and others disappeared entirely (investment guarantees). SIDA's organization changed, with a more defined separation between “pure” development aid and activities involving the private sector. For example, a separate agency was established with the purpose of managing technical training programs and collaborative projects and development credits (“u-krediter”). The development credits were given the dual purpose of promoting development in recipient countries and engaging Swedish industry in development cooperation. This new agency, known as BITS (Beredningen för internationellt tekniskt-ekonomiskt samarbete), became the main interface between the development sphere and the private sector. The macroeconomic developments during the 1970s and early 1980s, including the oil crises and the increasing debt burdens in developing countries, also shifted attention away from economic growth as the main objective of development aid. Structural adjustment, write-offs of debt, and increasing focus on democratization and human rights were strong characteristics of the Swedish aid portfolio from the early 1980s to the 1990s.

Further concentration of private sector oriented activities came about as a result of another reorganization of Swedish aid administration in the early 1990s. Swedecorp, the Swedish International Enterprise Development Corporation, was created in 1991 through the merger of SIDA's department for industrial development (Industribyrån), Swedfund, and IMPOD, an agency promoting imports from developing countries. The objective was to manage Swedish assistance in the area of private sector development, focusing on three areas: human capacity development, business development, and credits. After just four years, Swedecorp was absorbed in 1995 into the new development agency, which was established through the merger of SIDA, BITS, Swedecorp, and

SAREC (the Swedish Agency for Research Cooperation with Developing Countries). Sida represented, at least in organizational terms, a return to the holistic vision that had been drawn up in the 1960s with the first incarnation of SIDA – only Swedfund remaining separate from the Sida umbrella. However, the relationship between the aid agency and the private sector was less intimate than it had been in the early 1960s, and it was not uncontroversial within the Sida organization to argue that private business could be – or should be – engaged in international development efforts.<sup>17</sup> It is not until the recent decade that public-private partnerships have returned to the development agenda as potentially important mechanism for development aid.

### 3.2 A mapping of current partnerships

The mapping of ongoing partnerships is tentative, for several reasons. First, as discussed in the introduction, business partnerships are a moving target. Sida launched its Business for Development (B4D) program in 2010 as a pilot initiative, and the stepwise and flexible approach of the initiative has implied that the program itself has changed in character over time. Partly as a result of this, no comprehensive or exhaustive lists of partnerships are readily available. The mapping exercise is further marred by difficulties in finding consistent and comparable data on commitments.

With these caveats in mind, the map of Swedish partnerships below is loosely based on the following categorization from Adam Smith International (2009):

- a. *Innovative investments for development*: piloting new and innovative investment initiatives with a potential for contributing to development, including those that may have a positive “demonstration effect”, e.g. in environmental protection, and through leveraging private finance.

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<sup>17</sup> The view that Sida only had a limited interest in the potential contributions of the private sector until relatively recently was evident in several of the interviews with corporate representatives. One of the authors, who was a member of Sida’s Board of Directors during several years from the late 1990s, can report similar observations from inside the organization; it was not until after the turn of the millennium that the perception that commercial interests and development are contradictory began to fade away.

- b. *Making business activities sustainable and supporting rights:* including efforts to increase industry cooperation around initiatives like labor standards, environmental protection and anti-corruption measures in developing countries, to create a “race to the top” in terms of good practices.<sup>18</sup>
- c. *Partnerships to support development initiatives:* often aiming to create or strengthen a public good, with a positive impact on the business environment.

Using this typology, the most notable existing partnerships in Swedish development cooperation are summarized in Table 3.1. It includes programs defined as private sector collaborations by Sida, as well as Swedfund’s activities. It also serves the purpose of identifying the complementary role (potentially) played by development cooperation, which underpins the additional value of public funding.

What is the development logic behind these interventions and what are the underlying assumptions with regard to trickle down mechanisms from projects to the objectives of Swedish aid? The different approaches are briefly presented below. Where applicable, categories are illustrated with examples from the existing portfolio of interventions.

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<sup>18</sup> It should be noted that socially and environmentally responsible actions on the part of private companies are a prerequisite for all collaborations.

**Table 3.1: Swedish Development Cooperation: Joint Development Initiatives**

<b>Form of Partnership</b>	<b>Examples of programs</b>	<b>Role of Development cooperation</b>
<b>Innovative Investment</b>		
<b>Sida: Enterprise Challenge Funds</b>	Innovations Against Poverty, Africa Enterprise Challenge Fund, Seed Alliance, Powering Agriculture, Making All Voices Count	Co-funding, risk sharing, capacity building, Knowledge management, Scaling up
<b>Sida: Innovative finance/ guarantees</b>	Global Health Fund, Health Guarantee Uganda, African Guarantee Fund Wind Power in Pakistan	Risk sharing
<b>Swedfund: equity, loans, funds</b>	AfricInvest (equity fund) Various companies especially industry, energy	Co-Funding, risk sharing (financial), capacity building (strengthening sustainability, governance & social aspects)
<b>Swedfund: Swedpartnerships/ Grants</b>	Various sectors, strong focus on China, India	Co-funding, risk sharing, market knowledge
<b>Sustainable Business Activities</b>		
<b>Sida: Drivers of change (NGOs)</b>	Business Call to Action, Child rights and business program, Swedwatch, SWHAP (Swedish HIV and Work Place program)	Co-Funding, risk sharing (reputational, financial), knowledge management, development/institutional knowledge.
<b>Sida: PPDPs</b>	Coffee and Climate Initiative Market transformation Initiative Swedish Textile Water Initiative (STWI)	Co-funding, development/institutional knowledge
<b>Partnership initiatives to support development activities/public goods</b>		
<b>Sida: PPDPs</b>	Milk for Schools (Tetra Pak school feeding) Scania/Volvo vocational training schools	Co-funding, development/institutional knowledge, risk sharing (reputational, financial), knowledge management

Note: PPDP = Public-Private Development Partnership. Source: Compilation by authors.

## Innovative investments

*Challenge Funds* (Sida) are a financing mechanism with the objective of allocating (donor) funds for specific purposes, using competition among organizations. The purpose is to strengthen market outcomes with a developmental impact. Projects should have the potential to be commercially viable, but warrant risk sharing at early stages, without which activities would not take place or would be delayed (ODI, 2013). Challenge Funds (CFs) are used in a variety of contexts, also by Sida. The focus in the present analysis is on the CFs that involve businesses, under some or all windows. So called Social Funds, which focus on NGOs, are not included. Under this umbrella, Sida's CFs focus on innovations that benefit the poor population groups in general – Innovations Against Poverty, Africa Enterprise Challenge Fund – or rural populations and agricultural productivity in particular - e.g. Seed Alliance or Powering Agriculture.

The underlying assumptions are that (i) significant innovative capacity does exist in the private sector, and that this capacity can be harnessed with the purpose of resolving a development challenge; (ii) competition spurs innovation, and (iii) new partners – and their human and financial resources – which otherwise would not have been engaged in development-related work now can be brought into the process. The initiative (the identification of the development challenge) comes from the donor, but since the CF is defined with respect to a specified goal, while not defining the means to reach that goal, innovation and creativity can be unleashed. CFs also leverage funds because private partners are expected to provide 50 percent or more of total costs. In case they are geared to stimulating local partners and local solutions, the CFs can contribute to local ownership. The potential contribution to development objectives may vary depending on the “challenge”, which could be related to health, environment, or other innovations that can benefit the poor directly. The funding involved is never expected to subsidize firm operations per se, but rather focus on specific projects related to the Challenge. Challenge Funds could potentially be used by smaller firms; however, they require capacity within the firm to comply with conditions regarding, for example, measurement and reporting of results. Because of their focus on innovative firms, CFs must necessarily accept a relatively high level of risk. Examples of notable Sida programs are:

- *The Innovations Against Poverty* (IAP) program, which focuses on companies operating in poor countries. Innovation in any sector can be supported, as long as it is expected to benefit the poor directly. The program is set up as a risk sharing mechanism for sustainable business ventures that have strong potential to impact poverty – the interventions are focused at the innovation or development stage.
- *Making All Voices Count*, a global fund financed by, among others, USAID, DfID, and Omidyar Network. The fund supports innovative technical platforms to engage and improve the dialogue between governments and its constituents.

*Innovative Finance* (Sida) includes guarantees as well as grants to complement loans in areas and projects with a development focus.<sup>19</sup> Sida, together with USAID, appears to be unique among bilateral agencies in having an active guarantee program.<sup>20</sup> The purpose of guarantees is to leverage financing from the private sector where it can contribute to development goals, but share in risk taking in different forms. The guarantee instrument is very efficient in leveraging contributions by the private sector at potentially very low cost, since the guarantee may never need to be invoked. Guarantees take on different forms, including “first loss guarantees” that, from a financial stand point, resemble equity investment, albeit without ownership responsibilities; advanced market commitments, which guarantees a viable market, typically for a health related product like vaccines; or reinsurance guarantees, which provide insurance that need to be invoked in e.g. natural disasters (Devfin Advisors, 2014). Sida’s guarantee portfolio currently covers health, market development, environment, and infrastructure (Sida Guarantee Fact Sheet, provided by Sida).

The motivation behind these instruments is that the public benefit of the potential investment is larger than the benefit to the private investor, and that these investments would not have happened, or would not have happened as quickly lacking some form of risk sharing. The advantage from a development perspective is that, with a

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<sup>19</sup> No data has been made available to the authors on the amount or direction of grants used to complement loans.

<sup>20</sup> Sida has been able to use the guarantee instrument as a tool for development cooperation since 1999, and since 2009, independent guarantees are a permanent feature of Sida’s instruments (Devfin Advisors, 2014).

well managed risk portfolio, guarantees are likely to leverage considerable funding at a potentially low cost. As in the case of Challenge Funds, these programs can be focused on sectors with a social benefit or constructed to serve the poor directly. Sida funded examples include:

- *Global Health Fund*, set up by The Gates Foundation, which focuses on eradication of preventable diseases. Sida provides a first loss guarantee and subsequent risk sharing that encourages private firms to engage in business with a health focus, with strong potential commercial viability but high risk.
- *The Health Guarantee* in Uganda, which is used to encourage local banks to lend to borrowers within the private healthcare value-chain. To ensure a stronger focus on less well served areas, 50% of the guarantee portfolio is to be directed to projects outside the central (wealthiest) region.

*Swedfund*, playing the part of Sweden's Development Finance Institution, provides support to investments with a positive development impact. Swedfund invests through equity, loans, and in locally managed equity funds with a developmental focus. Equity investments range between 20 and 100 Million SEK. Swedfund's investments are no longer officially tied to Swedish companies. Since 2013, Swedfund has undergone reforms aiming at a stronger mandate to focus on positive development impacts with a special emphasis on investments with beneficial environmental, social, and governance effects. Under Swedfund's umbrella, but as a separate entity within the organization, the program *Swedpartnerships* offers grants for Swedish SMEs wishing to establish a presence in emerging markets where Swedfund is active. The grant, which ranges between 200,000 SEK and 1.8 Million SEK, requires a local partner and can be used for knowledge transfer (e.g. training of a local agent for distribution) or machinery and equipment. Between 2009 and 2014, 150 such collaborations were approved (Swedfund.se).

As in the case of Sida's guarantees and loans, the development logic behind Swedfund's activities is that investments that offer large social benefits may need public funding or shared risk taking in order to come to fruition or to take off in the risky environments characterizing many developing economies. Successful interventions can transfer knowledge and provide demonstration effects in productive and sustainable technology or business practices, as well as

create wage jobs. An underlying assumption is that there are strong indirect effects from sustainable economic growth on the poorest groups, i.e. those who generally lack the productive assets – skills and proximity to markets, among others – needed to participate in such investments and who mostly find themselves in the informal nonwage sector (World Bank, 2012b).

## Sustainable Business Activities

*Drivers-of-Change* is a set of programs where Sida collaborates with civil society organizations that focus on influencing the private sector with regard to their core business undertakings, in order to strengthen various dimensions of CSR. More particularly, these organizations aim to increase sustainable business behavior, as well as strengthening related human rights aspects including labor rights, child rights, and gender equality. While the beneficiary organization can be based anywhere, the activities must benefit poor people in low income countries. In some cases, the activities include direct collaborations between the private sector and civil society organizations. In other cases, civil society organizations instead fulfill an independent watchdog function, identifying and bringing attention to unsustainable business practices.

The development impact is expected to evolve through increased attention to sustainable practices in the business sector, which in turn will benefit workers directly, as well as local populations more broadly. Civil society organizations – including trade unions – often possess the necessary knowledge to help companies move in this direction.<sup>21</sup> Contributions from the development budget are motivated to facilitate match-making and to provide additional funding for initiatives. Examples are:

- *The Child Rights and Business Program*, managed by Save the Children, which aims to incorporate the ten child rights principles developed by Save the Children, UN Global Compact, and the UNICEF, to help businesses understand and improve their responsibilities vis-à-vis child rights along

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<sup>21</sup> In some cases, the partner organization may also represent another branch of the public sector. For example, the Swedish Ministry of Foreign Affairs has managed a CSR Centre in Beijing for a decade.



the value-chains in which they operate. The program works on advocacy, awareness, development of standards, and strategic support to businesses and investors.

- *Swedwatch*, a watchdog and whistleblower organization focusing on the activities of Swedish industry in developing countries and their impact on the environment and human rights.

*Public-private Development Partnerships, PPDPs.* Sida's PPDP's are a modality for direct collaboration between Sida and private sector partners, in which Sida supports private sector initiated projects that meet Sweden's development objectives. PPDPs encourage the private sector to identify and pro-actively create projects that improve conditions for people in poverty, by e.g. addressing environmental sustainability issues, or by improving general conditions in the business environment. Unlike the CFs, the challenge, or problem, is identified by the private sector partner who then proposes a solution. The PPDPs are considered most suitable for larger companies, and are currently undertaken mainly with large Swedish companies with a strong international presence, including retailers like H&M, Lindex, and KappAhl, as well as companies like Volvo, Scania, and Tetra Pak in the manufacturing sector. Sida's contribution to each project accounts for a maximum of 50 percent of the total project cost, with the remainder provided by the partner company. In order to avoid direct company support, the projects are always expected to provide some public good that is not intended to benefit the partner company alone, and projects are always implemented by a third party (such as an NGO, a local government, a UN agency, etc.). Some of Sida's PPDPs are intended to work specifically with increasing sustainability of business practices. A prominent example is:

- *The Swedish Textile Water Initiative (STWI).* A pilot program under the STWI umbrella, the Sustainable Water Resource Management (SWAR) partnership, teamed up Swedish fashion brands KappAhl, Indiska and Lindex, their Indian suppliers, the Stockholm International Water Institute (SIWI), Sida, and an India-based consultancy firm to work towards sustainable water management in the textile sector. Under the STWI, the initiative is now planned to be scaled up to include several Indian states, several other companies, and four other

countries in the world. Participating firms see increased cost savings as a strong benefit.

## Partnership initiatives for development

*PPDPs* (Sida). Apart from supporting sustainable business activities, there are also PPDPs that function as joint initiatives around the provision of some public good. Thus, PPDPs are used to leverage private resources with regard to some development benefits that have positive effects beyond the individual partner firm, under the assumption that markets and local competition are not negatively affected by the interventions. Examples of such programs include ongoing PPDPs with Scania, Volvo and Tetra Pak. These programs seek to harness initiatives from the private sector aiming to improve some market or institutional failure, taking advantage of the presence of private enterprises on the ground and their insights into local business conditions and limitations, as well as their experience from other countries/regions. The role of ODA is to provide complementary funding, pooling know-how including around development expertise, and sharing risks. Funds are managed by an external non-profit implementing partner. Examples include:

- *Vocational Schools in Mechanics*. Sida has established PPDPs with Volvo (Ethiopia, and Zambia) and Scania (Iraq) in the area of vocational training in mechanics. While the approach to the training set-up differs between schools, they are meant to assist local, regional and national economic development by removing bottlenecks in the area of basic mechanics skills, directly through training provided by the school, and indirectly, by providing an example of useful approaches to public-private partnerships in the vocational training sector. For the partner businesses, projects can build good-will as well as providing an increased supply of potential employees with adequate training.
- *Milk for Schools*. Tetra Pak, the World Food Programme (WFP) and Sida partner around a project that provides school milk in Zambia's Eastern Province. As a pilot, the project provides a model for delivering milk to in-school children, which could be scaled up nationally, improving nutritional status, and help small holder farmers diversify towards milk

production. For Tetra Pak, it offers good-will, and is expected to increase the demand for milk in the long run, including demand for packaging and distribution.

*Swedish Leadership for Sustainable Development* (Sida). In addition to these forms of partnerships, Sida has since 2013 engaged in high level dialogue with a number of Swedish large multinational firms, through the network *Swedish Leadership for Sustainable Development*, SLSD. This initiative cuts across sustainable business activities and joint initiatives towards development and is based on the interchange of best-practice. The network counts among its members many of the largest Swedish multinational companies, some of which are involved in PPDPs. A requirement for joining is that the business model must include Sida's target groups (as clients, suppliers/sub-contractors, etc.).<sup>22</sup> The purpose of SLSDs is to collaborate around leadership in sustainable development, poverty reduction, and long term solutions to development challenges. The network focuses on creating decent jobs, combating corruption and unethical behavior, reducing negative impacts on environment, as well as the integration of sustainable development into core business models and activities. While the CEOs of the participating firms' meet once a year, firms are generally represented by their CSR resource persons in the different working sessions.

### 3.3 Assessing the Inventory

How important are these flows in the aggregate volume of Swedish development cooperation? What countries and regions benefit most from these kinds of initiatives? And what kinds of development objectives do the different instruments correspond to? Annex 2 provides a detailed list of the different initiatives discussed above. The process for data collection and estimation is summarized in Annex 3. Due to the lack of a single, consistent and complete source of information as well as a necessary assumption that multi-year programs commit equal amounts of funds each year throughout the program period, the numbers presented below should be interpreted as broad approximations and it is likely that they to some extent

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<sup>22</sup> Axson Johnson, Boliden, Elekta, Ericsson, Företagarna, H&M, Ica, Ikea, Indiska, Investor, Löfbergs, Postkodlotteriet, Ratos, Sandvik, Scania, SPP, Swedfund, Systembolaget, Tetra Laval, 3W (the world we want) foundation, Unilever and Volvo Trucks.

underestimate the total volume of ongoing collaborations. We present information according to forms of collaboration, regional focus, and links to aid objectives.

*Sida's private sector collaborations*, including Challenge Funds, support to sustainable business activities and PPDPs, but excluding guarantees, amounted to 230 million SEK in 2014.

*Swedfund* received a significant amount in capital injections between 2010 and 2014, amounting to a total of 1.6 Billion SEK. In 2014, the cash contribution amounted to 400 million SEK. Most of the substantial increase in capital initiated in 2009 and onwards was left unused at the onset of the period, but investment levels have since increased.<sup>23</sup>

In the beginning of 2015, the value of *Sida's total guarantee portfolio* amounted to 4.3 billion SEK (Sida Guaranteed Fact Sheet, provided by Sida). However, data on the guarantee portfolio are not comparable to the figures above for two reasons. First, these guarantees are valid over several years (on average 11 years). A rough annual figure would be obtained by dividing by 11 – arriving at just under 400 million SEK. More importantly though, guarantees are not a large direct cost to the aid budget until invoked: the ODA component includes only the subsidization of premiums. They largely represent a potential cost, which in turn is mitigated by risk management strategies. For these reasons, we do not add them to aggregate flows but present them separately.

In view of these numbers, it seems fair to conclude that private sector collaborations currently account for a small share of total development cooperation in Sweden. In 2014, Sweden's budget for development cooperation amounted to just under 30 billion SEK. Set against the total budget, *Sida's private sector collaborations*, excluding guarantees, amounted to 0.8 percent of the total, and *Swedfund's* annual capital injection to 1.3 percent. The guarantees (annualized) are also roughly equivalent to just over 1 percent of the development cooperation budget. For comparison, spending on humanitarian aid through *Sida* reached about 10 percent of Sweden's budget for development cooperation; total spending on collaborations with

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<sup>23</sup> Swedish National Audit Office (2014), information provided by Ministry of Foreign Affairs. Note that it is relevant to focus on capital injections since these measure funds set aside for public-private sector collaborations – whether, in fact, they are used or not.

Swedish NGOs through Sida amounted to 6 percent of the aid budget.<sup>24</sup>

How does the budget for JDI collaborations in Sweden compare to the situation in other donor countries? Benchmarking JDIs is not straightforward, given the heterogeneity among private and public sector collaborations in development cooperation and the difficulties in documenting interventions under this umbrella. That said, the resources allocated to JDIs by Sweden appear to be low in both relative and absolute terms compared to Denmark and Netherlands. These two countries have traditionally had a similar focus in their development objectives as Sweden, both in terms of countries and issues, but are now placing increased attention on using business as a channel for aid, also by combining commercial and development objectives. Business programs under the umbrella of Danida amounted to nearly 700 million SEK in 2014, which is equivalent to four percent of the total budget for bilateral and multilateral assistance (Government of Denmark, 2014; Interviews with Danida). For the Netherlands, it is particularly cumbersome to identify total costs, but in 2011, the country spent around 400 million SEK, equivalent to one percent of the total development cooperation budget, through the Ministry of Foreign Affairs on public-private partnerships to execute aid programs (IOB, 2014). Another source suggest that in 2012, aid resources channeled through business collaborations (which may be broader than JDIs) amounted to around 9 percent of total ODA, compared to around 20 percent through civil society associations (NCDO, 2013a,b). The importance of business collaborations relative to civil society associations increased between 2010 and 2012 and is likely to have increased further in recent years with a parallel process of reductions in the Dutch budget allocated to development cooperation and a policy of increasing business collaborations as a delivery mechanism (NCDO, 2013a,b). More generally, the US, the UK, the Netherlands and Germany have developed public-private partnerships in development cooperation since the early 2000s. Over the past decade, Germany initiated more than 3300 and USAID more than 1600 such partnerships (Devfin Advisors, 2014).

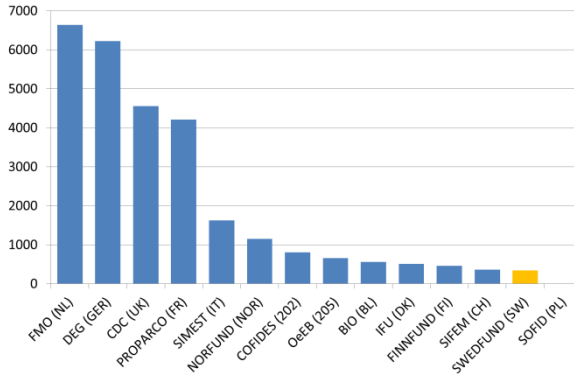
These numbers do not include additional government funds managed by IFU or FMO, the Danish and Dutch equivalents of

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<sup>24</sup> Note that these 1.6 billion SEK may include some of the partnerships classified as private sector collaborations on CSR in our study.

Swedfund. For comparison, funds provided from the government for management by the FMO amounted to approximately 1400 million SEK in 2014 (FMO Annual Report, 2014). From an international perspective, Swedfund’s portfolio of investment is in fact relatively limited in size, despite the recent capital injections (Figure 3.1).

**Figure 3.1: Development Finance Institutions, by Total Investments (Year-end 2013, in Million Euros)**



Source: Swedfund (2015)

*Innovative Investments* is the single largest category of these forms of partnerships, value-wise, when Sida’s guarantees are excluded (Table 3.2). Mostly, this is due to the importance of capital contributions to Swedfund, but also within Sida’s own portfolio, Challenge Funds are a dominant form of collaborations. Between 2011 and 2014, Challenge Funds accounted for 52 percent of Sida’s spending, while rights and corporate social responsibility work through Sida/NGOs and PPDPs accounted for 21 and 13 percent of total partnerships, respectively.

While limited in size, these collaborations appear to have increased in recent years. As previously mentioned, the capital injections to Swedfund were significantly stepped up between 2009 and 2014 as part of the government’s development cooperation strategy. Focusing on interventions through Sida’s budget, Challenge Funds account for the most significant increase since 2011 – this largely reflects long term commitments made as of 2012 to the Africa Enterprise Challenge Fund (AECF), the Global Innovation Fund, and the Securing Water for Food Challenge Fund. Since its inception, the Public-private Development Partnership Program has also increased each year as more companies have become involved. The funds allocated to the

Rights/CSR group of interventions peaked in 2012-2013, at 44 million SEK, but were slightly lower in 2014.

**Table 3.2: Swedish Development Cooperation: Partnerships with the Private Sector 2011-2014, by Key Forms of Partnerships**

	2011	2012	2013	2014	2011-2014	2011-2014
	Million SEK				% total	% Sida
					(Sida & Swedfund)	
<b>Innovative Investments (excl guarantees)</b>	<b>314</b>	<b>488</b>	<b>533</b>	<b>540</b>	<b>84</b>	
-Challenge Funds (Sida)	14	88	133	140	17	52
-Swedfund, capital injections	300	400	400	400	68	
<b>Sust. Business Activities</b>	<b>29</b>	<b>44</b>	<b>43</b>	<b>32</b>	<b>7</b>	<b>21</b>
<b>PPDP</b>	<b>6</b>	<b>16</b>	<b>30</b>	<b>43</b>	<b>4</b>	<b>13</b>
<b>Other*</b>	<b>16</b>	<b>36</b>	<b>37</b>	<b>15</b>	<b>5</b>	<b>14</b>

\* Includes among other things Support to Chamber Trade Sweden, International Council of Swedish Industry, and the Private Infrastructure Development Group.  
Source: Estimates as per Annex 3.1

The relative importance of projected increases beyond 2014 (shown in Table 3.3) needs to be interpreted with caution, as the Table only shows projections of annualized flows of commitments that have already been made. In fact, Challenge Fund commitments already made represent long term commitments – often over 6-7 years.

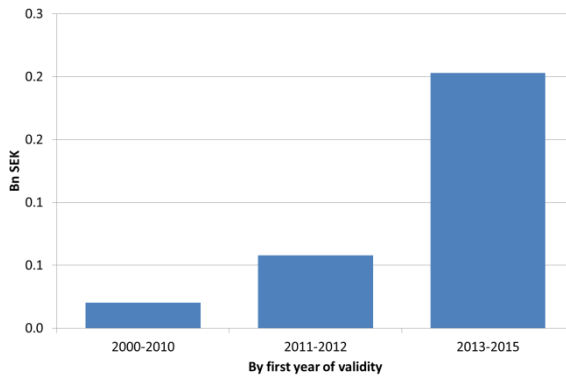
**Table 3.3: Sida, Key Forms of Partnerships 2011-2014, with Projections for 2015-2016 (excluding guarantees).**

Million SEK	2011	2012	2013	2014	2015	2016
Challenge Funds (Sida)	14	88	133	140	140	136
Sustainable Business Activities	29	44	43	32	23	14
PPDP	6	16	30	43	27	23
Other	16	36	37	15	104	0
<b>Total</b>	<b>64</b>	<b>184</b>	<b>242</b>	<b>230</b>	<b>294</b>	<b>173</b>
% of Sida's budget	0.4	1.0	1.3	1.1	1.6	0.8

Source: Estimates as per Annex 3. Budget data for 2015 and 2016 represent respectively prognosis and proposal from Sida.

However, it should be noted that PDPs that have not yet been implemented and collaborations with NGOs that have not yet been renewed are not included here, which means that these items are underestimated in the Table. Sida’s Guarantee Scheme, finally, has also been expanded. While there is no available data on the development of the portfolio of guarantees over time, a review of the current commitments shows that the value and number of projects with a starting date in 2013 and beyond are much more significant than those with a starting date in 2011-2012 (Figure 3.2).

**Figure 3.2: Sida. Value of Guarantees (current portfolio)**



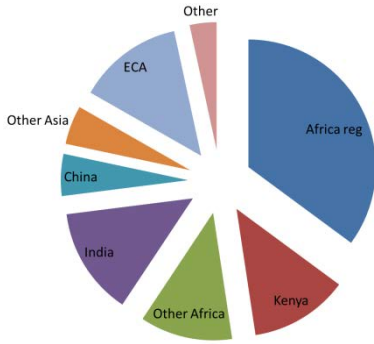
Source: Estimates based on Sida Guarantee Fact Sheet, provided by Sida.

In terms of geographical distribution, the volume of support largely has a global reach, which makes it impossible to discern any specific direction of investments, although interventions and programs with a regional focus appear to be increasingly focused on Africa. Over 50 percent of the value of Swedfund’s total portfolio of investment (the earliest project dates from 1990, but 44 percent of projects have been initiated after 2010) is concentrated to Africa, mostly through pan-regional investments (Figure 3.3). However, two individual countries, Kenya and India, stand out, accounting for 12 and 13 percent of the value of investments respectively. In the past few years, in parallel with the reform process within Swedfund, an increasing number of projects have been located to Africa, partly through the investments in regional funds. Sida’s Guarantee Portfolio has a similar structure to Swedfund’s, with a strong global focus, followed by pan-African initiatives, and those related to individual countries (mostly in Africa).

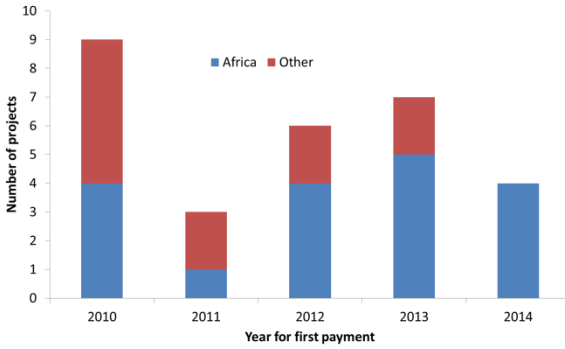


**Figure 3.3: Sida Guarantees, Swedfund and Swedpartnerships: Regional Direction.**

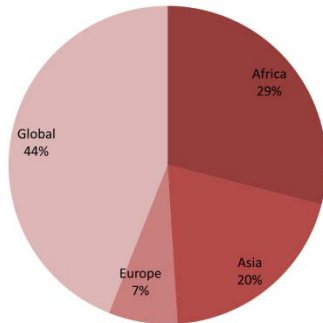
Swedfund, total portfolio (value of investments)



Swedfund: Number of projects, Africa and other, by first year of payment, 2010-2014



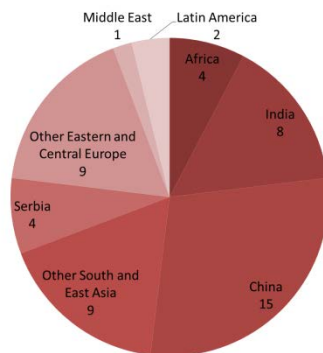
Sida Guarantee portfolio (value of investments): by region



*Figure 3.3 ctd. on next side*

**Figure 3.3 ctd.**

Swedpartnership, number of projekts approved in 2014, by region/country



Source: Estimates on data provided by Swedfund, Sida Guarantee Fact Sheet, and Swedfund (2015)

Swedpartnership’s grants, involving Swedish SMEs in joint ventures or other forms of collaboration with local recipient country firms, exhibit a higher concentration to middle income and larger markets, especially China and India. In 2013, China accounted for more than half of all projects approved in Swedpartnership. Partner countries prioritized in Swedish development collaboration are rarely involved.<sup>25</sup>

Programs with a global reach also feature strongly in Sida’s partnerships and collaborations (see Table 3.5). More than half of total programmed spending is directed to global initiatives, and another third to Africa. Commitments to the AECF are reflected in significant representation of Africa in Challenge Funds, of which one window focuses on post-conflict countries.<sup>26</sup> Two thirds of collaborations on rights/CSR are global in scope, mainly as a result of the dominance of large-scale programs like Business Call to Action, Child Rights and Business Program, Market Transformation Initiative, and the Global Reporting Initiative. For apparent reasons, it is more common that PPDPs involve specific countries. Africa remains the most important

<sup>25</sup> Exceptions are Kenya, Mozambique, Uganda, Bosnia, Serbia, Ukraine, Bolivia and Colombia.

<sup>26</sup> AECF’s Post Conflict Window, funded by Sida, focuses on agri-businesses programs in Somalia, South Sudan, Liberia, Sierra Leone and the Democratic Republic of Congo.

region for interventions, and they involve several of Sida’s partner countries, such as Ethiopia, Mozambique, Uganda and Zambia.

**Table 3.4: Sida’s Collaborations with The Private Sector: Regional Focus (percent of total funding per program type)**

	<b>Challenge Funds</b>	<b>Sustainable Business</b>	<b>PPDP</b>	<b>Other</b>	<b>Total</b>
Global	68	69	26	84	<b>64</b>
Africa	29	24	37	16	<b>27</b>
o/w Post conflict*	18	-	-	-	<b>9</b>
Asia	-	-	21	-	<b>4</b>
Other	3	7	16	-	<b>5</b>

Source: Estimates as per Annex 3. See also Annex 2.

Following the principles governing Sweden’s development policy, programs in the inventory are generally not formally tied to Swedish business, with the exception of the Swedpartnership program and a few other programs.<sup>27</sup> However, it is clear that Swedish business nonetheless is represented in different programs, especially the PPDPs (Table 3.5). Information is not readily available on the HQ location for partners or investing firms in Swedfund’s portfolio. However, background research on a random sample of firms suggest that the prevalence of firms that have their origin in Sweden is significant, possibly reflecting past requirements to seek collaborations with Swedish firms to the extent possible that were in place earlier.

The overall impression is that, compared to Denmark and the Netherlands, there is less pressure in Sweden to combine commercial interests with development cooperation. Unlike the situation in the two comparator countries, Sweden has chosen to maintain separate ministers for international trade and development. Public opinion in Denmark and Holland appears to have contributed to a stronger focus on involving local business and showing benefits for donor country’s economy. The Netherlands has chosen to focus on a few strategic areas close to “Dutch competence” including infrastructure sectors like energy and water. Compared to these countries, Sweden appears to allocate comparatively less resources to private sector partnerships,

<sup>27</sup> The BiH Challenge Fund, Meeting Points Mining, and Swecare involve a direct instruction to work with Swedish firms, the Swedish mining sector, and the Swedish health sector respectively.

and so far also maintains a more clear division between development goals and business promotion.

**Table 3.5: Prevalence of Swedish companies per instrument (Sida)**

	<b>Challenge Funds</b>	<b>Rights/CSR</b>	<b>PPDP</b>	<b>Other</b>
Total no. of programs	9	9	13	7
Involving predominantly firms with Swedish links	1	1	11	5

Source: Annex 2.

How well do the different partnerships match Sweden’s focus areas for development cooperation? Partnerships with the private sector are focused largely on three areas: i) removing bottlenecks to growth (which is expected to result in poverty reduction through various trickle-down effects); ii) rights connected with private business activities in developing countries (labor, land, and gender rights), and; iii) sustainable environment. The focus of different programs managed by Sida and their match to aid policy objectives are presented in Table 3.6. Note that the matrix is an attempt to provide a best match of program objectives and aid objectives, and is not an assessment of whether the programs de facto deliver the intended results. The table does not include an evaluation of Swedfund’s investments, which would require a detailed review of each investment project in the portfolio – this information is not readily available and such an analysis is well beyond the scope of the present study. An overview of the current portfolio by sector focus suggests that poverty reduction (through the assumed trickle-down effects from overall economic growth and job creation by supporting investments in industry, infrastructure, and energy) are the main focus areas of these investments.

**Table 3.6: Partnerships and Development Objectives**

<b>Development Objectives</b>	<b>Sida, Partnerships excluding Guarantees</b>	<b>Sida, Guarantees</b>
<b>RIGHTS</b> Focused on labor rights and other rights related to private sector activities in developing countries	CF: Innovations for Peace Rights/CSR: Child Rights and Business Program, Swedwatch, HERproject, Global Reporting Initiative, SWHAP PPDPs: Civil Registration in Nampula (Mozambique)	---
<b>POVERTY REDUCTION AND INCLUSION</b> Includes instruments directed at increasing economic growth in sectors with relevance for poor and poverty reduction	CF: Innovations against poverty, AECF, Seed Alliance, Global Innovation Fund, BiH Challenge Enterprise Fund, Powering Agriculture Rights/CSR: Business Call to Action PPDPs: A Working Future for Uganda, Vocational Training, Ethiopia, Iraq, and Zambia, Free milk in Zambia Schools, Small Scale Dairy Business in Bangladesh, Sustainable Design in Vietnam	Market development: Loan Portfolio Guarantees for Economic Growth and Agriculture; Agriculture/Tourism Guarantee in Mozambique; Agriculture Guarantee in Zambia; Agriculture Guarantee in Kenya; Commercial Microfinance Consortium; Essential Capital Consortium; Socremo Guarantee; Agriculture Guarantee in Mali; African Guarantee Fund Infrastructure: African Infrastructure Fund; Energy Platform NamPower; Angola Telecom Guarantee; Housing Guarantee Facility
<b>ENVIRONMENTAL SUSTAINABILITY</b>	CF: Innovations against poverty, AECF, Global Innovation Fund, Securing Water for Food, Powering Agriculture PPDPs: Tongol Tuna in Thailand, Sustainable Water Resource Mgmt in India, Sustainable design in Vietnam, Water Resources Group	Wind Power in Pakistan; Global Guarantee Facility for Renewable Household Technologies; Loan Portfolio Guarantee for Energy Efficiency; Nordic Environment Finance Corporation Portfolio Guarantee
<b>HEALTH</b>	CF: Innovations against poverty, Global Innovation Fund, HERproject, SWHAP PPDPs: Free milk in Zambia schools	The Implant Access Program; Health Guarantee; Global Health Investment Fund
<b>CONFLICT</b>	---	---
<b>HUMANITARIAN</b>	---	---

Source: Authors' tabulation, based on information provided by Sida

Sida partnerships are also largely focused on poverty reduction and inclusion, some with a direct link to the poor, and others where links must be considered to be more indirect. The former include some of the Challenge Funds, such as the Innovations Against Poverty program that is directly focused on solving poverty-related problems. Among the latter are e.g. vocational schools for mechanics in heavy industry, which rely on a transmission of benefits from general economic growth to job creation and poverty reduction. As expected, the initiatives under “Drivers of Change” provide the closest match to the agenda on strengthening rights. By nature (focusing on the private sector, and not on institution building), these are rarely directly focused on democratic processes and institution building, but rather on civil and political rights, empowerment, right to organization, and pluralism in civil society. Unsurprisingly, there are no direct links to humanitarian assistance or conflict resolution, except in so far as some investments and programs are located in post-conflict countries or zones.

In addition, Sida provides significant support to trade union development through Union to Union (collaboration through multi-year framework agreements). This program is not included in our overview, since it is funded through the civil society organizations budget line and strategy (with its specific objectives) and thus not included among Sida’s business collaboration programs. The Union to Union Secretariat provides support with the objective of developing free, democratic trade unions, including through training and capacity building in basic trade union operations, human rights, leadership, the work environment, equal opportunities, the effects of globalization and HIV/Aids, ILO’s Decent Work Agenda. As such, it serves as a potential force for strengthening labor and other human rights, which is in accordance with the first objective of Swedish aid and with the same logic as “Drivers-of-Change” collaborations.

## 4 How Effectively Can Joint Development Initiatives Address Development Challenges?

The overview of Swedish development cooperation shows that, the instruments available for public-private collaboration can, in principle, contribute to the broad Swedish development objectives. It is possible to identify Challenge Funds that encourage the private sector to efficiently address challenges related to health and environment, and that promote the development of products serving the poor. Socially responsible business activities are at the core of labor rights, health and sustainability efforts working to ensure both that the increasing international presence in developing countries represents sustainable businesses, and that such practices are taken up in the business community at large. Public-Private Development Partnerships can address different constraints in new and innovative ways, drawing on insights and experiences from private sector actors that would not have been involved in development related efforts otherwise. Innovative finance can help spur much needed investment in neglected areas, and generate jobs and develop markets.

As discussed in section 2, in spite of these potential strengths, public-private sector collaborations in development cooperation, are motivated if, and only if, they can be expected to use aid money in ways that ensure additionality – the positive net difference that is expected from a donor-business partnership as a result of the donor intervention (Heinrich, 2013a) – and if they can also help fulfill aid objectives effectively and in harmony with established principles of focused and effective development cooperation.

The literature on the effectiveness of public-private partnerships, including JDIs, is wide, but in general neither deep nor necessarily conclusive, and certainly not capable of (nor necessarily seeking to) determining whether partnerships are a good or a bad thing. A key reason for the lack of in-depth evaluations is the fact that the forms of collaboration, while a long-standing feature of development cooperation, have changed and continue to change over time, and that many of new forms are still pilots and have not been in place for long enough to permit a full evaluation of impacts, effectiveness of aid resources, and additionality. Another and related reason is that some

of these programs and partnerships – especially those involving market development or changes in the value chain – require skills acquisition and changes in behavior and technology that can take long time to bear fruit, even in comparison with normal project-impact cycles. Finally, the portfolio of interventions tends to be diverse in terms of focus, sector, country, approaches, etc., which precludes strong conclusions with regard to the overall results. Much like this report, the literature tends not to focus on whether JDIs are “good or bad” but how to increase their effectiveness when they occur. Given the heterogeneity and dynamics of interventions, generalized conclusions regarding best-practice need to be interpreted with caution, and most overviews therefore relate to process and organization. Drawing on the more recent literature, which reasonably helps capture current developments, together with interviews with firms, some takeaways on the efficiency and effectiveness of Joint Development Initiatives include:<sup>28</sup>

- a. *Results measurement remains a weakness.* Little is known about actual results achieved by collaborations or their development impact; examples of replication of successful cases are still rare. As a result, it is difficult to assess program effectiveness. Important issues such as additionality of interventions, displacement, and deadweight losses are rarely addressed. Attempts to establish additionality, *ex ante*, or in evaluations, *ex post*, center on commercial viability or broad development impacts. Few assessments establish criteria for -or measure financial additionality, i.e. whether the private sector partner would have made an investment anyway. Standards have been developed (e.g. the Donor Committee for Enterprise Development, DCED standards for results measurement) which aim to help articulate results measurement, but these have yet to be widely adopted. There is also ongoing work at the OECD/DAC, as well as in the post-Busan P4P group. The development of new methods and approaches in this area should be followed closely.
- b. *The potential and expected development impacts need to be clearly accounted for in preparation of projects.* Partnerships

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<sup>28</sup> Reviewed studies include Brain *et al.* (2014), Kindorney and Reilly (2013), Kindorney *et al.* (2014), Forss and Schaumburg-Müller (2009), di Bella *et al.* (2013), Heinrich (2013, a. b), IOB (2013a,b, 2014), Allison (2012), USAID (2015), and interviews as per Annex 4.



assume, *a priori*, a strong role of private sector development for poverty reduction, and in some cases, even for conflict resolution and peace building. However, while there may be effects on technology transfer (see e.g. Blomström and Kokko, 1997, 1998, 2002), the literature review suggests that the transmission to poorer groups (consumers, small holder producers, etc.) is not automatic. Similarly, while pilot projects tend to list systemic effects as an ultimate objective, it is difficult to measure and ascertain large scale impacts. Business to business projects, in particular, may provide strong benefits to participating local partners, but do not necessarily translate into any further spillovers. Broadening the development impact requires dissemination, advocacy, and knowledge sharing. It also calls for strengthening the bargaining power and innovative capacity of specific groups along the value chains. The expected modes of reaching these groups, and the ways of measuring impacts need to be made explicit in the project.

- c. Cultures and knowledge differ between the world of development cooperation and that of private business, and it is important to *establish trust and shared values from the outset*. Buy-in of common objectives needs to be established not only between partners, but also within different hierarchies in donor agencies as well as in private companies (head quarters, local representatives/embassies).
- d. Potential win-win situations still need *clear agreements from the outset*, to make it easier to deal with uncertainties as they (inevitably) arise. There is a need to invest time and effort at the beginning of joint projects to agree on responsibilities and complementarities, resources, objectives, sharing of learned lessons, collaborations with other companies, and, importantly, on exit strategies.
- e. Private partnerships is merely *one of several possible* routes toward solving a development challenge or problem – *other alternatives*, with or without private sector participation or broader constellations, should also be evaluated to ensure the best value for aid money. In addition, harmonization with other forms of support, such as institutional capacity building or regulatory reform, is important.

The sections below discuss some of the challenges related to Sweden's ongoing JDIs, with the principles of effective development cooperation as a backdrop. As noted earlier, it is beyond the scope of this study to assess the actual efficiency and effectiveness of these different projects. In what follows, we therefore discuss principles and potential areas of conflict using examples from the current Swedish portfolio of interventions. We group the relevant aid principles as follows:

1. Targeting the most vulnerable
2. Leveraging synergies and complementarities for development
3. Developing, not disturbing markets
4. Ensuring sustainability: Local ownership, harmonization and coordination
5. Measuring results and fostering systemic impact

#### 4.1 Target groups and beneficiaries

To what extent do JDIs reach the identified target groups for aid – the poorest countries, fragile and conflict ridden states, and, within these countries, women and girls and people living under oppression? Technology transfer is a leading argument behind many of the interventions. However, it is also clear that the ability to transmit sustainable practices or productivity developments through technology also depends on the absorptive capacities of host countries. In particular, ventures involving smaller companies (such as those engaged through Swedpartnerships) are likely to require a more conducive business environment in order to succeed.<sup>29</sup>

Poor states, and especially fragile states, have by definition low institutional capacity and high costs for doing business due to poor infrastructure, corruption, as well as the lack of appropriate regulatory frameworks.<sup>30</sup> Low labor productivity and weak effective demand for products and services (due to high poverty rates) further contribute to reducing the expected profitability of scalable business ventures.

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<sup>29</sup> See e.g. an evaluation of Start Syd, a predecessor to the Swedpartnerships program, by Andersson *et al.* (2006).

<sup>30</sup> The World Bank's classification of fragile states includes low institutional rankings as one criterion.

While private sector development for these very reasons is an important objective, the consequence for enterprise Challenge Funds is that there are likely to be relatively few initiatives from the private sector focusing on the poorest states. Collaborations that focus on sustainable business by and large require that businesses of significant size are already present in the country. PPDPs tend to focus on specific bottlenecks to a potential market, under the assumption that removing the constraint will improve business conditions.

This notwithstanding, some projects currently do take place in low income countries, and the focus on poorer countries is increasing. Section 3 above showed that Sweden's private sector collaborations largely take the form of globally directed programs. For the share that focuses on regional or country-specific support, many projects are found in low income countries in Africa, which have yet to benefit from significant private investment inflows. Several projects are also found in middle income countries like Zambia (IAP) and Kenya (IAP, Swedfund).

Meanwhile, it is notable that a number of Swedish partner countries are apparently not involved in any JDI programs (including Burkina Faso, Mali, Rwanda, Zimbabwe), and another set of countries are only marginally involved in single programs. With the notable exception of the AECF window focusing on post conflict zones, the coverage of fragile states appears to be very low.<sup>31</sup> For example, the IAP does not work in fragile states, nor are there any PPDPs present in such countries. Out of Swedfund's portfolio, only four out of more than 60 projects are in countries defined as fragile.

Moreover, many of the projects involving the private sector, especially those aiming at increasing productivity and growth in the local private sector or improving business conditions generally, rely on strong assumptions about the diffusion of economic growth to the intended beneficiaries, i.e. poor and vulnerable population groups. In principle, the very poorest groups, including children and women, can of course be customers and beneficiaries of innovative products and services. Such requirements can also be fitted into e.g. Challenge Fund objectives or other forms of innovative financing. As a successful example, the Tetra-Laval PPDP in Zambia is reaching 18,000 children

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<sup>31</sup> Sida counts nine fragile states among its partner countries: Afghanistan, DRC, Liberia, Mali, Myanmar, South Sudan, Sudan, WBG and Iraq.

in basic education in rural areas, school enrolment, as well as school performance, have increased in program schools, and the nutritional status of children has improved.<sup>32</sup> The IAP program has, *inter alia*, provided support to projects specifically geared to improving the situation for women in low income families, and with caveats regarding the reliability of measurement, most projects have been making progress and expanding their reach to low income populations (Andersson and others, 2014).

This notwithstanding, it has proven more difficult to involve the poorest groups as agents, i.e. as producers, recipients of grants, or primary beneficiaries of job creation, than as consumers and indirect beneficiaries (Sinha *et al.* 2013). While the IAP grantees report strong relevance for the poorest as clients, projects rarely include the poor as producers or distributors. In NIR's Sida-supported programs in developing countries, the primary beneficiaries were local private sector partners, not poor people (Bryld *et al.* 2013). More generally, in poorer countries, the formal wage sector is small, and women in particular are more likely to work on the family plot or in informal sectors. There are still obstacles constraining women's ability to act as independent entrepreneurs (Hallward-Driemeier and Hasan, 2013) and basic skills like literacy and numeracy are scarce among adults and even among youth (World Bank, 2012b). The most vulnerable groups, which have limited access to CF grants, are less likely to become employees in the firms included in Swedfund's investment portfolios, and are also less likely to be targeted by projects involving large multinational enterprises looking to develop local markets. Vocational training programs will primarily provide direct benefits to youth with secondary education in urban or peri-urban areas, a group that is not likely to include the poorest.

Many of the ongoing initiatives in the area of improving sustainable business practices are directly focused on improving rights for women and children. For example, the Health Enables Returns (HER) project aims to improve reproductive health, and the Child Rights and Business Program is developing methods to assess and to counteract (both direct and indirect) negative impacts on children of various inappropriate business practices.<sup>33</sup> However, there is a general scarcity

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<sup>32</sup> Impact evaluation fact sheet provided by Tetra-Laval.

<sup>33</sup> An evaluation of the program suggested more emphasis should be placed on reproductive rights to correspond to Swedish Aid Objectives (Bryld *et al.*, 2014).

of evaluations (even globally) addressing impacts at the individual, or household, levels of these instruments (IOB, 2013b).

Sweden's JDIs thus have a significant focus on low income countries, and the concentration on low income countries has increased over time. Yet, successful and sustainable business ventures and technology spillover effects require some basic standards when it comes to the development of the business environment, and countries with very small markets or unstable conditions are not major recipients of these programs. The most vulnerable groups can potentially be reached as clients of Challenge Funds and other instruments and they may benefit indirectly from the development of sustainable business practices, but they are less likely to benefit from these programs as entrepreneurs or employees. Hence, expectations regarding the direct impact of programs on the poorest need to be moderate, and efforts to strengthen systemic effects and spillovers to increase the indirect effects need to be integrated in the projects.

The opportunities – and interest – for JDIs are more significant in middle-income countries, the vast majority of which no longer qualify for Swedish ODA. However, many of these countries harbor large groups facing poverty, health and exclusion, on the one hand, and face significant bottlenecks to improving business conditions on the other hand. Swedish businesses seeking JDIs in these areas face a void. An international development broker facility – a form of “one-stop-shop” for development and business – would help guide such interests to appropriate partners, whether they are other donors active in the country, local government authorities, civil society, or other firms that have already established similar initiatives.

## 4.2 Complementarities for Joint Development Initiatives

JDIs are based on the logic of exploring synergies and complementarities. Companies and entrepreneurs have technical and managerial know-how, understand their value chain, and are the source of innovations and entrepreneurship. In the case of smaller companies, public partnerships can help alleviate financing constraints and share risk for innovative investments with a development benefit. In Denmark, participating businesses, especially smaller ones, have over time gained a better understanding of the importance of, and the

challenges involved in, development (Interview, Danida). For larger companies, additional finance per se probably plays a less important role. Instead, donor involvement, including project funding, is valuable because it implies a commitment to provide development expertise, share reputational risk, assist in designing interventions building on best-practice examples from other countries, provide a stamp of approval in terms of development value for the interventions, and help to engage local government structures. In the case of collaborations around sustainable business practices, public funding helps civil society organizations use their technical competence in their specific area (child rights, health, environment) in collaboration with the private sector. A recent meta evaluation showed that donor contributions in this area are more effective when focusing on a mediating role, strengthening communication and collaboration between partners such as civil society, the corporate sector, and (other) local stakeholders, as well as when they engage in promotion and advocacy of corporate social responsibility principles (IOB, 2013b).

Tapping into innovative capacity, while balancing risk and value, is not a trivial endeavor. The IAP, for example, is set up to capture the innovative capacity of firms by alleviating their financing and technical constraints, in addition to providing advisory support on how to reach the poorest. However, innovation accounts for only 20 percent of the eligibility criteria, raising questions as to whether the most innovative and commercially viable projects are supported. Another partly neglected aspect of collaborations concerns capacity building for business development. Here, donors could potentially play an important complementary role with regard to raising the odds for projects being commercially successful (Andersson *et al.* 2014). The experience of partnerships involving smaller Swedish SMEs in investments in developing regions also point to the value added of good technical support from the perspective of firms (Kokko *et al.* 2015).

Ongoing PPDPs appear to have successfully leveraged knowledge from the private sector, by both identifying a development problem – market or institutional failure – and providing a solution. Volvo and Scania have worked to remove bottlenecks to skills development in interesting markets (Ethiopia, Zambia, Iraq) and Tetra Pak has developed markets and built a client base for improving nutrition (Zambia). Firms bring technological know-how and contribute to

capacity development/training. Donors, and sometimes implementing partners, provide critical experience of government processes, direct links to necessary counterparts, and help structure projects towards more developmental benefits, as well as providing guidance in monitoring and evaluation. In other words, donor participation is warranted for more than financing; they also contribute reputational risk sharing, with their convoking power to broader partnerships, and with knowledge of development effectiveness.

### 4.3 Developing, not disturbing markets

It is well established that aid that is tied to procurement from donor countries carries costs in terms of efficiency. As noted earlier, tied aid removes the level playing field and imposes choices and solutions that typically impose welfare losses on the recipient country. Tied aid is also the mark of supply driven development cooperation, identifying programs and sectors on the basis of donor country industry interests rather than recipient country needs. Within OECD's Development Assistance Committee (DAC), initiatives aiming to untie aid have been going on since the early 2000s. A tenant of the current study is that development partnerships should have one objective – development – and that commercial interests should be kept subordinate to this objective, functioning instead as a mechanism for engagement.

Aid can be formally tied to Swedish firms, or informally tied so that non-Swedish firms in practice have little access to different instruments, although no official restrictions exist. According to DAC statistics (Table 4.1), Swedish aid became fully untied between 2006 and 2011, but as of 2012, one percent was still formally tied.<sup>34</sup> Without more information, it is not possible to ascertain to what extent the remaining tying of aid is due to the private sector collaboration forms examined here.<sup>35</sup>

The governments' instruction to Swedfund, to seek collaboration with Swedish firms, while not tying aid to Swedish business interests, has been removed (with the exception of the Swedpartnership

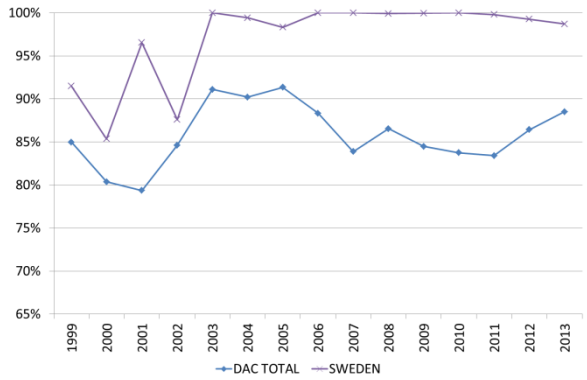
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<sup>34</sup> Mainly consisting of technical cooperation (e.g. courses in Sweden for participants from partner countries). Information provided by the Ministry of Foreign Affairs.

<sup>35</sup> For example, collaboration with Scania and Volvo that are managed by UNIDO are recorded as multilateral assistance in [openaid.se](http://openaid.se).

program). This notwithstanding, the inventory clearly showed that JDIs de facto involve firms with strong Swedish links, be it multinationals or smaller firms. However, this is the natural consequence of a mutual effort to seek partners with high trust and shared values, frequent contacts and exposure to different initiatives, and – in the case of Swedfund – lingering effects of earlier instructions to seek collaboration with Swedish firms.

**Figure 4.1: Tying Status (% untied) of Swedish Bilateral Aid and Total DAC Aid.**



Source: DAC Aid Statistics, <http://www.oecd.org/dac/stats/>.

As programs are moving into a second phase, there are efforts to explore opportunities beyond Sweden. In particular, Sida’s PPDP program is planning to open up more partnership dialogues with non-Swedish firms. Along the same lines, H&M, Volvo, Scania and other international firms are involved in PPDP-type projects with USAID and other donors. There does not seem to be a high risk of reducing aid effectiveness by tipping Swedish development cooperation towards sectors where Swedish business competence is considered to be strong (rather than to sectors where cooperation is most needed), not least since the resources allocated to these partnerships are limited.

For sustainable business practices, one way forward could be to consider the next level of firms – those that (unlike the large multinational firms) do not yet have a large resources dedicated to CSR, or those that are less exposed to public opinion in their internationalization, and therefore face less external pressure to act in a sustainable manner. An interesting, and somewhat unexpected, example here is provided by the Save the Children’s activities in



China, where large Chinese firms active in Africa have been provided with training and information focusing on Child Rights and Business Principles.

To what extent do projects risk turning into subsidies for companies, replacing interventions and activities that would have taken place anyway? For example, technical schools in mechanics, following a Scania or Volvo based curriculum, will benefit these companies if they can hire better trained workers, and company goodwill is likely to increase locally if projects are seen as successful. However, these types of projects can be designed in ways that mitigate the risk that they simply provide subsidies to the companies involved. This requires e.g. that: (i) training is kept at a general level and focuses on transferable rather than firm specific skills; (ii) trainees are free to seek employment wherever they choose and employment services can be included in the project to facilitate placement, and; (iii) the projects include broader partnerships with other firms, lowering the risk of firm specific advantages and improving the chances for broader sector wide or systemic effects. Support to initiatives that engage multiple firms with the aim of supporting sustainable business practices, such as business call to action projects, or advocacy for child rights programs, also serves to lower the risks of providing direct company subsidies.

To some extent, most PPDPs are intended to have an impact on other firms. PPDPs can provide positive examples of useful partnerships and approaches to training, ensuring sustainable fisheries, or improving water management in the entire value chain, all of which are expected to raise industry standards through positive demonstration effects. These advantages can be strengthened with efforts to put more emphasis on collaborations and information sharing within and across industries.

#### 4.4 Sustainability: Local ownership, harmonization and coordination

Local ownership is fundamental in order to ensure that projects are well adapted to local needs and remain viable beyond the period for development funding. It is also essential for project replication and scale-up, which are important assumptions underlying the planned development benefits of many projects. Ensuring ownership among

local partners can be a critical issue in JDIs involving firms from donor countries, and especially so in the case of joint projects providing public goods (e.g. PPDPs) where commercial viability – which can be a force for project sustainability – is not necessarily factored in from the outset. Where initiatives are focusing on improving the development impact (e.g. environmental or social impact) of the business of (Swedish) firms, it is understandable that the initiative is centered in the firm. The move towards more programmatic, and less project oriented development cooperation – in combination with the emphasis on constructing and using recipient country competences in the process – is partly at odds with the proposed initiation of a project from a firm/donor alliance. Local ownership can also be inconsistent with companies' desire for controlling the timing and development of a process where their business interests and/or reputation are at risk. In addition, the private sector is often reluctant to deal with local governments' or indeed development agencies' generally slower decision-making processes. Furthermore, private initiatives tend to be opportunity driven – this is, as explained above, one of their strengths – and will therefore occur mainly in countries and sectors with a strong market potential. If a market becomes less interesting for a particular firm, e.g. due to business cycles or political events, and if long term commitments have not been established clearly from the outset and the local ownership is fragile, the prospects for project sustainability are also weak.

The risk for supply driven aid projects is significant. At the recipient country level, initiatives based on donor country competencies – such as energy, water, food security – may be part of the country's development needs, but are unlikely to consistently match these challenges. (For example, in general, private sector collaboration activities appear to be virtually absent in sectors like basic education and social protection – which are often critical for long term development – however, these sectors may simply not be suited to these forms of partnerships). For Sweden, projects need to fit into country or sector strategies to motivate funding. The risk that recipient country ownership is weak can be mitigated, for example in CFs or other forms of innovative finance, in case a stronger match can be achieved by focusing on more development relevant sectors/areas, as has been done with e.g. the conflict window of AECF. Similar filters, in terms of countries or sectors, can also be applied to other forms of partnerships. Moreover, these types of initiatives highlight

the need for even stronger harmonization and coordination between donors as well as between donors and local stakeholders (government, NGOs, and the private sector) when identifying priority sectors, as well as complementarities between different donor programs.

How can private sector initiatives translate into local ownership? Local ownership and the chances for systemic impact are likely to increase with the perceived development benefits, early consultations around the project design, and involvement of local partners as implementers. One specific challenge is to ensure that local ownership can be both constructed and maintained throughout a project; another is to devise a clear exit strategy. An evaluation of the HER project, focusing on information and awareness-building regarding reproductive competence and rights in different work places, suggested that in order to secure the systemic impact of the project as well as sustainability, more capacity building with local NGOs, and more engagement with national authorities and civil society would be required. A set-up that relies on third-party external implementers, which are not necessarily local (UNIDO, World Food Programme in the case of PPDPs) needs to explicitly consider the importance of anchoring initiatives locally throughout and beyond project duration.

In addition ownership needs to be ensured within firms. A lesson from existing and attempted Swedish JDIs is a need for appreciation of the value of the intervention, primarily good-will, to the firm.<sup>36</sup> Local representatives, market directors, as well as general management all need to be on board.<sup>37</sup>

The mechanics schools in Iraq and Ethiopia also illustrate that both systemic effects and sustainability (other firms joining a project, or imitating it) would be much increased if the projects had been based on building partnership among several firms from the outset (the Coffee Climate Initiative and up-scaling of the Swedish Textile Water Initiative project are two examples of such inclusive processes, where several firms have been involved from the outset). However, there can be reluctance, especially among large multinational firms, to engage with other firms that could potentially serve as competitors in the target markets.

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<sup>36</sup> For example, the Child Rights and Business Program and a postponed PPDP for a technical school in Tanzania.

<sup>37</sup> One NGO representative working on sustainable business practices commented that “I don’t come to the meeting if only CSR people are present”.

In sum, while it is necessary to allow initiatives to arise from the private business sector – which is an important logic behind their involvement as partners in the first place – local ownership, project sustainability, and systemic effects are at risk, as is the case in all donor driven aid. Mitigating strategies would include a clarification, up front, local engagement points, on how partnerships will be broadened and inclusive in the projects, and how they fit within the broader development priorities of the aid recipient country. Prior agreements need to be made as to the how – as well as the where – results and lessons learned should be disseminated.

## 4.5 Measuring results and fostering systemic impact

JDIs, especially Challenge Funds and PPDPs, have generally taken the form of pilots: projects that, in principle, can be scaled up or replicated once proven effective. Pilot projects are now a mainstream approach to testing new programs in development cooperation (Box 4.1), and form an integral part of the increased emphasis on evidence-based aid. Pilot programs, however, are not merely small programs: the purpose is to provide systematic evidence on effectiveness in order to support or refute a specific model for replication or scale-up.

### **Box 4.1: Pilot Projects and Development Programs**

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A pilot project is (i) Innovative, testing a new, promising approach; (ii) Replicable - the program can be scaled up or can be applied in a different setting; (iii) Strategically relevant; (iv) Influential for policy decisions, and: (v) Previously untested.

A pilot is thus a small scale program that can provide a rigorous, fast and relatively inexpensive testing ground for larger scale interventions. Because of the emphasis on evaluations, a pilot is generally expensive on a per-beneficiary basis. Without careful planning, implementation and follow-up, pilots are likely to fail, in that they may not be able to provide sufficient grounds for judging effectiveness. A pilot that shows program failure is not automatically a failure: instead, a pilot failure occurs when the program evaluation cannot provide answers to the question it had intended to address, wasting resources instead of supporting judicious use of development funds.

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Source. Gertler et al., 2011.

As discussed, many activities presume developmental effects through spillovers and transmission of good practices along value chains. This raises questions at two levels. First, are programs set up to in order to

be able to provide clear lessons for the relevant industry, other stakeholders, and for the donor and business community at large? Second, are programs likely to lead to replication or scale-up?

Some programs lend themselves to rigorous impact evaluations – Tetra Pak’s Milk for Schools-project is one such example. This project shows clear and verifiable results in terms of nutrition and school attendance, but also replication in the form of government programs based on the same model (Tetra Pak evaluation fact sheet). Other programs are not necessarily suitable for such statistical methods. Instead, the PPDP proposals discussed earlier (Volvo in Ethiopia/Zambia; Scania in Iraq) include a logical framework with indicators of expected program objectives and outcomes, as well as established processes for monitoring and evaluation. Most indicators are relevant and attributable to projects. Still, more frequent recourse to established standards on results measurements, such as the DCED standards, would most likely help establish project impact and aid in the articulation of expected changes and key assumptions from the outset. Box 4.2 summarizes the DCED standards for results measurement.

**Box 4.2: The Donor Committee for Enterprise Development: Standards for Results Measurements**

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1. Articulating the Results Chain or program logic
  2. Defining indicators of change based on the logic
  3. Measuring changes in indicators, applying good practice
  4. Estimating attributable changes
  5. Capturing wider changes in the system or market
  6. Tracking associated program costs
  7. Reporting results in a responsible way
  8. Managing the system for results measurement
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Source: Donor Committee on Enterprise Development

Nonetheless, more emphasis will be needed on dissemination and replication of pilots. For example, the cost-per-beneficiary of a multi-year training program in mechanics is high, compared to other forms of interventions. Strong systemic effects would better motivate funding of these projects. As previously pointed out, successful scaling up requires the engagement of other firms, local NGOs, and/or local authorities from the outset, whether in Challenge Funds, PPDPs, or collaborations around sustainable business practices. Many of the grantees in the IAP report difficulties when efforts are made to

move beyond the pilot stage (Andersson *et al.*, 2014). An action plan with steps to ensure that projects are well anchored and that lessons learned are disseminated, locally (as well as at an international level if relevant), should be part of the project set-up. Again, this may be an area of tension between business objectives and priorities on the one hand, and development objectives on the other hand, and should be carefully clarified from the outset of the program planning process.

Platforms for exchange of knowledge between projects carried out by the same donor, and between donors, will also be needed. At the moment, the *Donor Committee for Enterprise Development* (DCED) serves the purpose of being one such “hub” for the exchange of lessons learned. In addition, Sida has co-financed the *Learning, Knowledge and Development Facility* (LKDF) managed by UNIDO, which works to collect and manage information regarding PPDPs in vocational training programs financed by USAID and Sida. These platforms have the potential to coordinate stock taking across both donors and firms. Sida is planning to collaborate with Volvo around several training centers in Africa. When projects become streamlined in this way, there are considerable opportunities for cross-project learning. More streamlined approaches may also help in engaging local partners as formal project managers, while establishing a hands-on support/mentoring function in the knowledge platform. Nonetheless, coordination mechanisms around knowledge management and dissemination, especially with respect to project outcomes and sustainability, appear relatively weak so far.

Aid effectiveness also relies on accountability and transparency with regard to the size and use of resources. Whereas Swedfund has previously not divulged details on investment volumes in individual firms, the most recent annual report (for the fiscal year 2014) contains this information, in accordance with the changing reporting principles laid out in the Owner’s Instructions. However, as discussed in annex 3, information on different forms of partnerships such as collaborating firms and total commitments, whether for Sida or Swedfund, is not readily available in a transparent manner through [openaid.se](http://openaid.se). This is probably the result of weaknesses in information management more than anything else. Nevertheless, transparency remains a key principle for building confidence in development effectiveness and should be respected in each of these partnerships.

## 5 Conclusions and Recommendations: The Nature of the Win-Win

Our overview has shown that there is growing attention in the development community regarding the potential for leveraging private sector contributions for development. The increasing interest is driven by a global acknowledgement of the need to seek out new and broader partnerships to further development, the fact that private businesses account for a major share of resource flows into developing countries, as well as a growing focus on sustainable business practices and social entrepreneurship in the business community. The report has identified both good reasons for the donor community to collaborate with private firms and positive examples of such collaborations. At the same time, we have also stressed that expectations need to be realistic as to when and where they will work best.

There is a significant, albeit small role for aid in supporting the involvement of the private sector in improving the development impact of private business activities. Aid donors can support the development of more sustainable business practices, and strengthen the rights of other stakeholders in their relations with the business community. The donors' contributions can also go beyond financing. They can complement the private sector with development expertise, entry points to national and local authorities, harmonization with other donors/projects, and knowledge management around effectiveness regarding the design, implementation, monitoring and evaluation, replication, as well as scaling up of projects. Among bilateral donors there is a growing trend to seek out collaborations with the private sector in the form of various Joint Development Initiatives, although the objectives and approaches vis-à-vis development and business differ significantly across countries.

This report has aimed to map out the landscape of activities in Swedish development cooperation in this area. However, presenting a detailed and comprehensive picture of Swedish JDIs proved to be difficult, mainly because data on these types of collaborations are not readily available. The lack of published information may be understandable, given the broad scope of initiatives together with the demand-driven and innovative nature of the programs. Nevertheless,

transparency is an important objective of aid effectiveness, and a first recommendation is that efforts aiming towards better comprehensive and consistent reporting of the programs are needed. This does not only refer to quantitative information on total expenditure, or evaluations of the development effects of projects. To motivate increases in public funding, more work is also needed regarding the management of JDIs, e.g. on how to strengthen preparation of interventions, how systemic effects can be promoted, how sustainability can be ensured, and how replication and up-scaling can be achieved once pilots have proved to be successful. Rather than spreading limited budgetary resources over many programs, focus should be on monitoring and evaluating pilot experiences and sharing these results widely.

Our overview, which includes many caveats on data accuracy, suggests that a comparatively small share (just over two percent, excluding guarantees) of Sweden's development cooperation is currently focused on Joint Development Initiatives. Most of these two percent reflect a (temporary) increase in funds available for Sweden's development finance institution, Swedfund. Programs managed by Sida account for less than one percent of the total aid budget. Some of these limited funds are directed through civil society organizations working with responsible business practices. These numbers are low compared to levels in Denmark and the Netherlands, countries which historically have tended to focus on similar countries and issues as Sweden, but whose strategies to increase ties to national businesses in the development agenda are more explicit. The relatively small share of Swedish aid directed to JDIs (so far) is explained by several factors: (i) The programs are recent and under development; (ii) The initiative in several cases comes from the private sector, which sets the volume and pace of expansion; (iii) Programs leverage additional funding from the private sector, and; (iv) Programs have limited applicability in many key sectors and – in the case of Sweden – should fit into the strategies set for different development partnerships at country, sector or regional level.

Most of the funds allocated to JDIs are directed to global funds, followed by partnerships with a focus on Africa. Overall, there is an increasing concentration on bringing these initiatives to low income countries, and (through a specific challenge fund window) to post-conflict countries, where they may have more significant additional effects. Currently, partnerships are focused largely on three broad



development objectives: i) removing bottlenecks to growth (which is expected to result in poverty reduction through trickle-down effects); ii) rights connected with private business activities in developing countries (labor, land, and gender rights), and; iii) sustainable environment.

Swedish aid does not seem to lean strongly towards increased informal tying by concentrating on Swedish business areas of competence. This is a good thing: the costs of tying aid, formally or informally, are well documented and should be avoided. At the same time, it is to be expected that public-private partnerships will tend to have a bias towards home-country firms. When more and more donors are introducing similar partnership mechanisms, it is natural that donors will primarily collaborate with their home country firms that are networked not only with the donor organization, but also with other public sector institutions and civil society organizations in the home country.

The lack of comprehensive evidence on the performance of JDIs reflects changing approaches over time – including the introduction of new programs, such as PPDPS, and a reform to Swedfund's instructions – and the fact that most initiatives are relatively recent – effects are expected to be visible only over the long term (systemic effects, scalable effects, value chain effects, and so on). It is therefore premature to undertake full assessments of the external validity of programs. A second recommendation is that the pace of expansion of the new forms public-private partnership forms should be relatively cautious until more comprehensive evidence on effects and results are available – the step-by-step approach that is already implemented is warranted at this stage.

However, although program effectiveness (with a few exceptions) cannot be ascertained yet, it is possible to evaluate the applicability of instruments against Sweden's aid objectives and against broadly accepted principles of delivering effective aid, through locally owned, transparent, untied, and results driven approaches.

The instruments used in Sweden – innovative finance, challenge funds, collaboration around public goods or strengthening of sustainable practices – can certainly be tailored to work towards aid objectives. However, they work less well in some development areas, and many of them rely on strong assumptions of market-wide spillovers and trickle-down effects from private sector development to

poverty reduction. The present programs will, in general, not reach the most vulnerable and are not likely to benefit the poorest groups directly. Several areas for development that are obviously important – in general and as complements to objectives related to a favorable business environment – are not well addressed with the existing instruments, for example basic education, institution building, and public financial management. The solution must not necessarily be to seek public-private instruments that address these questions, but rather to be realistic about when and where the existing instruments are likely to effectively address development constraints. Hence, our third recommendation is that JDIs should not primarily be seen as a substitute for more traditional aid instruments, but rather as a complement.

Given the size of private financial flows directed toward developing countries, efforts focusing on sustainable business practices and improving the quality of private investment (increasing environmental awareness and technology transfer, resource management, labor rights, and health initiatives within firms) have great potential for development and a wide constituency of beneficiaries. This leads to our fourth recommendation: we see particularly strong reasons to support civil society collaborations, with civil society organizations carrying out their watchdog and advocacy functions and acting as experts in collaborations with firms.

The majority of private firms involved in Sweden's existing JDIs are large multinationals from Western countries. Although their collaboration with donors and civil society organizations can be expected to add value, it is also clear that this group of firms has strong motives and substantial own capacity to engage in CSR activities that promote development. Our fifth recommendation is therefore to reach beyond the largest Swedish multinationals in the design of future partnership programs. These efforts may include funding programs that reach out to other multinationals, including firms from BRIC countries. They could also include programs aiming to engage medium and large firms in Sweden, which are present in developing countries but lack the internal CSR capacity needed in order to identify the way forward in terms of sustainable business practices.

Finally, the opportunities – and interest – for JDIs are likely to be significant in countries that have graduated from the Swedish ODA portfolio, but where many development challenges remain to be

tackled. Swedish businesses seeking JDIs in these areas have few opportunities to engage with Swedish ODA community. It is premature to recommend that the group of Sweden's partner countries should be extended to middle-income countries to accommodate more JDIs. However, we recommend that an informal development broker facility be established in selected Swedish embassies in countries that have graduated from Swedish aid programs, to help firms identify other appropriate partners for such projects.

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# Annex 1. Objectives and Principles of Aid: Overview Tables

**Table A1: Objectives, Potential Contribution of The Private sector, And Value-Added from Involving ODA Agencies**

Objectives of (Sweden's) aid policy and areas of action	Where can private sector contribute through improved business practices and new solutions to development problems?	Are there opportunities for donor partnerships?
<p>1. <b>RIGHTS:</b> Strengthened democracy and gender equality, greater respect for human rights and freedom from oppression</p> <ul style="list-style-type: none"> <li>• Greater opportunities to assert civil and political rights, exercise democratic influence and organise</li> <li>• More robust democratic processes and institutions and greater respect for the principles of the rule of law</li> <li>• A vibrant and pluralistic civil society and strengthened democratisation actors</li> <li>• Greater gender equality, rights and empowerment for women and girls</li> <li>• Greater access to free and independent media, both new and traditional</li> </ul>	<ul style="list-style-type: none"> <li>• “Race to the top” in good business practices, e.g.: Improved labor rights in respective industries</li> <li>• Work on gender equality in access, pay and conditions</li> <li>• Anti-corruption</li> <li>• Access to ICT as a tool for democracy development</li> </ul>	<ul style="list-style-type: none"> <li>• Facilitator and matchmaker: Support to dialogue and sharing of best-practice</li> <li>• Support to civil society re. sustainable business</li> <li>• Risk sharing (finance, reputation)</li> <li>• Strong fiduciary systems</li> <li>• Support access to ICT</li> </ul>
<p>2. <b>POVERTY REDUCTION AND INCLUSION:</b> Better opportunities for people living in poverty to contribute to and benefit from economic growth and obtain a good education</p> <ul style="list-style-type: none"> <li>• Improved access to good quality education</li> <li>• More and better jobs</li> <li>• More inclusive and efficient markets</li> <li>• More liberalised trade</li> </ul>	<ul style="list-style-type: none"> <li>• Inclusive economic growth and job creation</li> <li>• Skills and technology transfer</li> <li>• Improved working conditions</li> <li>• Innovative products and services reaching the poor</li> <li>• Research and development /innovation</li> </ul>	<ul style="list-style-type: none"> <li>• Facilitator, matchmaker</li> <li>• Risk sharing (finance, reputation) in priority sectors, countries, groups.</li> <li>• Partnering with private sector to solve specific development challenges</li> </ul>



<ul style="list-style-type: none"> <li>• Improved food security</li> <li>• High-quality research relevant to the fight against poverty</li> <li>• Improved access to social protection</li> <li>• Improved access to open and secure ICT</li> <li>• Greater capacity to tackle the opportunities and challenges brought about by migration and mobility</li> </ul>	<ul style="list-style-type: none"> <li>• Access to ICT</li> <li>• Capacity building to public and private institutions through private sector</li> </ul>	
<p>3. <b>ENVIRONMENTAL SUSTAINABILITY:</b> A better environment, limited climate impact and greater resilience to environmental impact, climate change and natural disasters</p> <ul style="list-style-type: none"> <li>• Greater resilience to environmental impact, climate change and natural disasters, and a reduced environment and climate impact</li> <li>• Strengthened institutional capacity in environmental management and environmental institutions</li> <li>• Sustainable cities</li> <li>• Improved access to sustainable energy sources</li> <li>• Sustainable management of ecosystems and sustainable use of ecosystem services</li> </ul>	<ul style="list-style-type: none"> <li>• Transfer of sustainable practices</li> <li>• Investment in sustainable business</li> <li>• Capacity building to public and private institutions through private sector</li> </ul>	<ul style="list-style-type: none"> <li>• Facilitator</li> <li>• Risk sharing (finance, reputation) in priority sectors, countries, groups</li> <li>• Support to civil society</li> </ul>
<p>4. <b>HEALTH:</b> Improved basic health</p> <ul style="list-style-type: none"> <li>• Improved access to sexual and reproductive health and rights and reduced vulnerability to HIV and AIDS</li> <li>• Improved survival and healthier lives primarily for women and children</li> <li>• Improved access to clean water and basic sanitation</li> </ul>	<ul style="list-style-type: none"> <li>• Innovation, research and development</li> <li>• Sustainable business practices</li> </ul>	<ul style="list-style-type: none"> <li>• Risk sharing (finance, reputation) in priority sectors, countries, groups.</li> <li>• Partnering with private sector to solve specific development challenges</li> <li>• Support to civil society, e.g. Health initiatives as labor rights</li> </ul>

<p>5. <b>CONFLICT:</b> Safeguarding human security and freedom from violence</p> <ul style="list-style-type: none"> <li>• Reduced vulnerability to conflict and lapsing back into conflict</li> <li>• Greater human security in conflict and post-conflict situations</li> </ul>	<ul style="list-style-type: none"> <li>• Inclusive economic growth</li> <li>• Sustainable business practices</li> </ul>	<ul style="list-style-type: none"> <li>• Risk sharing (finance, reputation) in post-conflict countries</li> </ul>
<p>6. <b>HUMANITARIAN:</b> Saving lives, alleviating suffering and maintaining human dignity</p> <ul style="list-style-type: none"> <li>• Humanitarian aid based on humanitarian needs, including the special needs of women and children</li> <li>• Improved food security in conjunction with humanitarian crises and disasters</li> <li>• Effective protection of refugees and internally displaced persons</li> <li>• Greater respect for humanitarian principles and international humanitarian law</li> <li>• A strong and coordinated international humanitarian system</li> </ul>	<ul style="list-style-type: none"> <li>• Innovation in delivery mechanisms of food aid, IDPs , etc.</li> </ul>	<ul style="list-style-type: none"> <li>• Risk sharing (finance, reputation)</li> </ul>

Source: Columns 1: Swedish Aid Policy Framework (Government, 2014). Columns 2 and 3: authors' interpretations, interviews.

**Table A2: Principles of Effective Aid and Collaboration with The Private Sector**

Principles of Swedish aid	Collaboration with private sector	
	<i>Opportunities</i>	<i>Risks</i>
The most important target groups for Swedish aid: women and girls in poor countries and people in different places who live under oppression.	Collaboration and focus on targeted “challenges” can bring private investment there	This is not where private investment is focusing The poorest lack assets to participate in markets
Ownership of development priorities by developing countries: Countries should define the development model that they want to implement.	Private firms have a complementary view of what is needed on the ground	Initiative from donor country, less focus on country/regional/thematic strategies, especially in focusing on sectors/areas with a comparative advantage
Harmonization, coordination and predictability in aid	Coordination between private and public sector in global policy	Conflict between innovation and flexibility, vs. predictability Donor country driven
A focus on results: Having a sustainable impact should be the driving force behind investments and efforts in development policy making	Results driven culture	Limited access to project process, different views on “results”, time lag, monitoring and evaluation. Reputational risk and resistance to dissemination
Transparency and shared responsibility: Development cooperation must be transparent and accountable to all citizens		Private business investment information
Innovation and flexibility	Private business sector is a key force for innovation;	
Partnerships for development: Development depends on the participation of all actors, and recognizes the diversity and complementarity of their functions.	Collaborating with new actors, donor can contribute with knowledge about development or efficient programs	Donor coordination around target areas Collaboration with other actors
Fight against corruption	Good business practices transmitted	Poor practices
Untied aid (value for money) and effects on local competition (disturbing markets)		Risks (for some forms of partnerships): de facto tied aid and company subsidies

Source: Columns 1: Swedish Aid Policy Framework (Government, 2014). Columns 2 and 3: authors' interpretations, interviews.

## Annex 2. Sida Programs: Joint Development Initiatives.

<b>Challenge Funds</b>	
Innovations Against Poverty	Sida
AFRICA Enterprise Challenge Fund	Multi-donor
SEED Alliance	Multi-donor
Global Innovation Fund	USAID, DFID
Securing Water for Food	USAID, MFA-NL
Bosnia Herzegovina Challenge Enterprise Fund	
Innovations for peace	GIZ
Powering Agriculture	USAID
Making all voices count	USAID and others
<b>Sustainable Business Practices (CSR, Drivers of Change)</b>	
Business Call to Action	Business Call to Action, H&M, Ericsson
Child rights and business program	Save the Children, Sweden
Swedwatch	Swedwatch
Health Enables Returns (HER) project	Business for Social Responsibility, H&M, Lindex
Outreach Accelerator Programme	Social Entrepreneurship Forum
Global Reporting Initiative	Global Reporting Initiative
Swedish HIV and Aids Workplace Programme (SWHAP)	NIR, IF Metall, Scania, Sida
Market Transformation Initiative	WWF
Study: Instrument to assist business in conflict and post conflict zones	Diakonia
<b>Private Public Development Partnerships</b>	
A working future Uganda	Accenture, Plan Sweden
Coffee and Climate Initiative	Lofbergs Lila, GIZ, etc.
Vocational training, Iraq	Scania, MOLSA , UNIDO
Vocational training, Ethiopia	Volvo, UNIDO, Selam Technical Academy
Tongol Tuna, Sustainable fishery in Thailand	Abba Seafood, Sustainable Fisheries Partnership
Free milk in Zambian schools	Tetra Pak, WFP, PROFIT, Government of Zambia
Small scale dairy business in Bangladesh	Tetra Pak, PRAN, UNIDO

Swedish Textile Water Initiative	Indiska, Lindex, Kappahl, SWRI
PPDP Civil Registration Nampula	Green Resources, UNICEF
Vocational Training, Zambia	Volvo, Salem School, UNIDO
Water Resources Group	IFC, Coca Cola, Pepsico och Nestlé
B4D PPP Vietnam	Design United, UMA.
Vocational Training, textile sector, Bangladesh	H&M, ILO, IF Metall
Industrial relations and rights, garment sector, Cambodia	H&M, ILO, IF Metall
Business in development hub facility	
Learning, knowledge, development facility (knowledge management)	UNIDO
<b>Other</b>	
Chamber Trade Sweden	Chamber Trade Sweden
NIR	NIR
Demo Miljö	Tillväxtverket
PIDG (Private Infrastructure Development Group)	PIDG Trust
Land related investments	
Meeting Points Mining	SGU
Network Health	Swecare Foundation

Source: Elaborated based on a mapping exercise by Lisa Román, Resare (2011, 2014), Openaid.se, and input from Sida's Department for Partnerships and Innovation.

## Annex 3. Inventory of Joint Development Initiatives: Collecting Data

Consolidated data for private sector collaborations are not readily available from one coherent source, such as an annual report, a budget proposal, or an online information system, but have to be collated and estimated from a variety of sources. The problem of identifying, classifying and evaluating program commitments and disbursements appears to apply to development cooperation programs overall and is not unique to Joint Development Initiatives. However, research in this area is complicated by the fact that although these programs are presented under one umbrella title, systematically grouped information is not available within Sida, partly reflecting the facts that many interventions are pilots, that programs have sequentially been incorporated under this heading, and that there is no longer a specific strategy or budget governing these instruments – they have to fit into country/sector/regional strategies.

The data used in the report were arrived at as follows:

- The focus is on commitments and not actual disbursements, because of a lack of a consistent and complete data on disbursements.
- Overview data for Sida guarantees were provided in a fact sheet by Sida's Loan and Guarantee unit on request, and overview data for Swedfund's portfolio were provided electronically by Swedfund on request and complemented with information from Swedfund's annual reports for the periods 2010 -2014.
- For Sida's B4D program, including in particular Challenge Funds, Drivers for Change, and Private Public Development Partnerships, no consolidated information has been found (and probably does not exist). Hence, a first table identifying programs was prepared using programs listed as public-private partnerships on Sida's website and in the overview provided in Resare (2014). This information was complemented with a series of detailed searches on the openaid.se website (both data and documentation) to identify program contents,

partners, years active, regional focus, value of program commitments, and yearly disbursements. The resulting table was sent to Sida for review. The table was further complemented with data some programs by Sida. However, data from the original table were not revised due to lack of time and resources at Sida.

- Where possible, data provided by Sida's departments or from documentation on Sida's website were used. When not available, data on total commitments from [openaid.se](http://openaid.se) or as reported in Resare (2014) were used. As a last resort, annual disbursements identified from [openaid.se](http://openaid.se) were added up as an estimate of total commitments for a specific time period.
- In order to estimate data on yearly average flows for Sida's programs (to assess broad trends over time) total commitments were divided by number of years the program was/will be active, and allocated in equal amounts to each year of the program. Thus, a program with a total commitment of 100 million SEK for 2011-2014, would be allocated 25 million SEK for 2011, 2012, 2013 and 2014 respectively. This implies that if programs are frontloaded in terms of payments (all or most funds disbursed early on in the project period), estimated commitments are an underestimate of actual disbursements for the first years of the program.

It is important to point out that [openaid.se](http://openaid.se) is an imperfect source of information for individual programs, whose classifications and denominations seem inconsistent between different sources. There is no index and programs have to be identified through the search function. In order to identify some programs, it was necessary to use a variety of search strategies, including several different versions of program names – in English, Swedish, abbreviated or not, by main partner, etc. Swedfund data are not available in the system. Numbers reported in the data-registry of [openaid.se](http://openaid.se), moreover, are not always consistent with those reported in program documents available on the same site (also through searches).

Work is nonetheless underway to improve transparency. For example, Swedfund's new Owner's Directive (adopted in 2014) specifically states that Swedfund's information should be provided to the [openaid.se](http://openaid.se) system, and the most recent annual report contains relatively detailed information on the investment portfolio.

## Annex 4. Interviews

Sida	Henrik Riby, Project Leader, Swedish Leadership for Sustainable Development
Sida	Ola Pettersson, Section Head, Partnership and Innovations
Swedfund	Niclas Düring, Program Director
Swedfund	Pernilla Bard, Member of the Board
Union to Union (former LO-TCO Secretariat of International Trade Union Development Cooperation)	Ann-Katrin Koskinen Dolium
CSR Centre, Swedish Embassy, Beijing	Maysoun Jabali
DANIDA	Jorn Olesen, Chief Technical Adviser, Technical Advisory Services
DANIDA	Lars Christian Oxe, Senior Advisor, Evaluations Department
DANIDA	Line Brøgger, Special Advisor, CSR and Danida Business Partnerships
DANIDA	Camilla Valeur Nygaard, Senior Technical Advisor
Netherlands Ministry of Foreign Affairs	Anno Galema, Coordinator Public Private Partnerships
Netherlands Enterprise Agency (RVO)	Astrid Broeckhurst, Programme Coordinator, Department of International Development
Rädda Barnen	Mattias Forsberg, Manager, Child Rights and Business
UNICEF	Christina Heilborn, Program Director
UNICEF	Lotta Lindén, Partnerships Director
Tetra-Laval	Ulla Holm, Global Director, Food for Development Office
Tetra-Laval	Katarina Eriksson, Senior Project and Partnership Development Manager, Food for Development Office
H&M	Hanna Hallin, Social Sustainability Coordinator at H&M
Maersk	Jens Munch Lund-Nielsen, Head of Emerging Market Projects, Lead Enabling Trade , Group Sustainability