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Collaboration with the Private Sector in Sweden's development cooperation

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Now Open for Business: Joint Development Initiatives

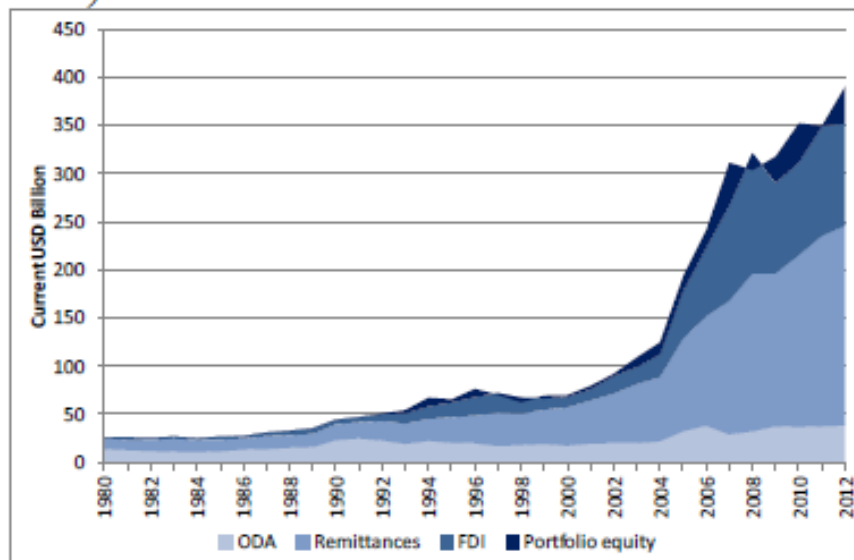
Sida, Stockholm
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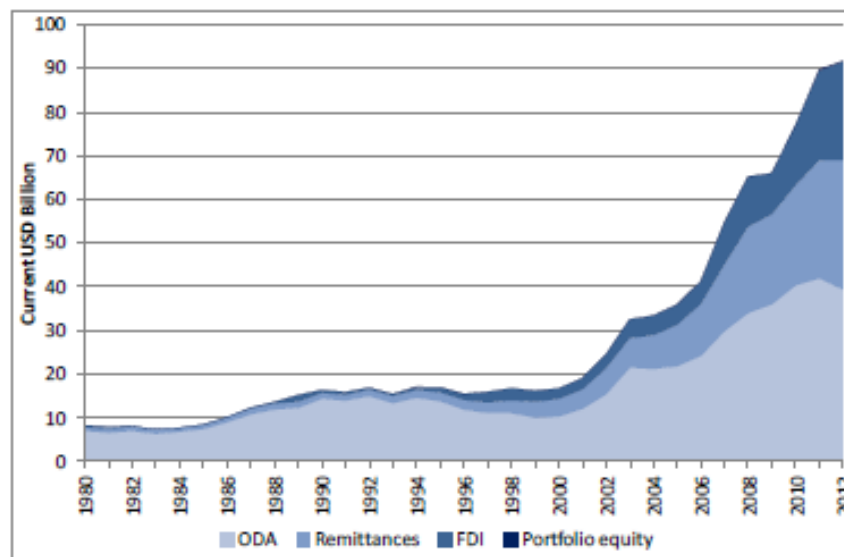
Changes in development landscape

Private capital inflows relatively more important, not only in middle income group, but also in low income countries

a. In lower middle income countries (billion USD)



b. In low income countries (billion USD)



Motives for partnerships between donors and private sector

Potential benefits from private sector activities

- Job creation
- Financial resources / investment
- Innovation
- Positive effects of responsible business practices (CSR) on human rights, environment, corruption, etc

+ growing ambitions in business sector to contribute to development

=> Potential for Joint Development Initiatives

What is a Joint Development Initiative?

- “A partnership for development between the private sector and the public sector”
 - The private sector is an active partner contributing to development objectives, not primarily a deliverer of goods and services
 - Direct business/investment involvement in areas with great significance for development and poverty reduction
 - Principles and practices, which improve the inclusiveness and environmental and social impact of the way private firms conduct business
 - The public sector contributes with funding, expertise, or networks
- The report is restricted to partnerships leveraged by Sida and Swedfund, excluding initiatives managed by the Foreign Ministry and other ministries
- The report excludes public-private partnerships (PPPs) in infrastructure and public services delivery
- The report does not discuss pure charity work financed by the business sector

Preconditions for partnerships: the donor's perspective

- Development – not commercial success – must be the primary objective of interventions
- Donor contributions should create value added – not finance activities that would take place anyway
- Partnerships should not distort competition in the market place – this is not meant to subsidize the activities of individual firms
- One of many potential instruments – not a silver bullet
- Need to manage risks – these are new instruments, and there are inherent contradictions between the objectives and principles of development cooperation and the conventional drivers of private business

The potential is clearly recognized in the Swedish aid policy framework

Box 2.1: New Partnerships in Swedish Development Policy

“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.”

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

Our objectives

- To review the relevance of JDIs with respect to the Swedish aid objectives
- To map existing JDIs in Swedish development cooperation
- To discuss how risks associated with JDIs can be mitigated in order to ensure effective aid delivery
- Due to the lack of systematic data and the paucity of earlier evaluations, we do not aim to assess the effectiveness and efficiency of different types of JDIs

Swedish development objectives

- ***Rights***
 - Democracy, gender equality, human rights, freedom from oppression
- ***Poverty reduction and inclusions***
 - Better opportunities for poor groups to benefit from economic growth and obtain a good education
- ***Environmental sustainability***
 - Better environment, limited climate impact, better resilience
- ***Health***
 - Improved basic health
- ***Conflict***
 - Security and freedom from violence
- ***Humanitarian***
 - Saving lives, alleviating suffering, and maintaining human dignity

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JDIs in Swedish development cooperation

- Several categories of partnerships
 - ***Innovative investments*** with a potential to promote development and leverage private financial resources
 - ***Sustainable business programs*** with focus on e.g. rights, labor standards, environmental protection, and anti-corruption measures
 - ***Partnership initiatives for development***, for the creation of public goods

See Annex 2

JDIs in Swedish development cooperation

No exhaustive list for partnership available

Consistent and comparable data hard to get

General picture

- Growing, but still modest, share of Swedish development cooperation
 - Sida + Swedfund (2014): 2-2.5% of ODA budget excluding guarantees
 - Rights, poverty reduction, environment, health
 - Innovative investment (Challenge Funds), Africa, global programs

Risks and challenges: meeting the principles of effective aid

- Targetting the most vulnerable
 - Clashes with commercial logic. Exception: Rights/CSR
- Leveraging synergies and complementarities for development
 - Bridging cultures: entrepreneurship vs development
- Developing, not disturbing, markets
 - Avoiding subsidization (micro as well as macro)
- Ensuring sustainability: local ownership, harmonization, coordination
 - Contradicts ambition to encourage business initiatives
 - Remedies: inclusiveness, dissemination, exit strategies
- Measuring results and fostering systemic impact
 - Dissemination, replication, knowledge transfer

Recommendations

- Documentation, reporting, dissemination
- Gradual development of programs
- Role of JDIs as a complement to traditional development cooperation
- Emphasis on catalytic role of civil society organizations
- Reach beyond largest Swedish multinationals
- Instruments for lower-middle income countries
 - Development broker facility?

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