Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung

International Learning Forum

Engaging Business in Development

Reviewing Best Practices – Exploring the Potential for Donor Collaboration

Summary of Proceedings

Berlin, May 3-4, 2007

Introduction

The international learning forum "Engaging Business in Development: Reviewing Best Practices – Exploring the Potential for Donor Collaboration" was organized by the Global Public Policy Institute (GPPi) on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ). The meeting took place on 3-4 May 2007 at the Harnack-Haus of the Max-Planck-Society in Berlin (Germany).

The conference brought together more than 30 representatives from donor agencies, international organizations, business as well as academia. The agenda for the meeting as well as a complete list of participants are provided in the appendix.

With this learning forum, BMZ pursued three objectives:

- To share the key results of the BMZ Benchmarking Study (conducted by GPPi between September 2006 and April 2007);
- To provide a forum for an exchange of best practices and new ideas on partnership approaches in development cooperation;
- And to offer an opportunity for exploring the potential of joint donor initiatives and enhanced donor coordination in this arena.

This report provides a brief summary of the proceedings of the learning forum.

Session 1: Building Partnerships for Development – What is State-of-the-Art?

During the first session, GPPi presented some of the key findings of its international benchmarking study, entitled "Engaging Business in Development: Key Results of an international benchmarking study."[1]

The presentation of that study revolved around two basic questions: First, what are the main drivers and levers behind the emergence of new partnership programs in development cooperation? And second, what are some of the best practices and lessons learned in donor program implementation?

With regard to the first question, the presentation outlined a basic model for understanding the emergence and structure of new partnership programs that have emerged during the past decade. That model is based on an analysis of the different interests that bring both donors as well as companies to the table. Building on that analysis of donor as well as private sector interests, the presentation highlighted three basic partnership program models (Probing Business Activity (PBA), Fostering Sustainable Business (FSB) and Corporate Development Responsibility (CDR)) that have been adopted by donors in recent years.

Partnerships for probing new business opportunities seek to leverage the overlapping interests of donors to selectively mobilize development relevant new investments for developing countries, and companies to identify potentially profitable business opportunities. In contrast, Fostering Sustainable Business partnerships provide actual investment support for the private sector, seeking to enable investments with high development value that otherwise would not have taken place. Finally, Corporate Development Responsibility suggests that companies – whether foreign or domestic – live their Corporate Social Responsibility (CSR) in the context of economic and social development. CDR partnerships embrace the development relevant work of business above and beyond a company's core business activities – via worker health programs, further education, and energy-saving production processes for instance.

Each of these partnership program models is characterized by a unique set of challenges, including for example issues related to program marketing; the necessity to maximize development relevance and impact; or risk and reputation management. With regard to the

[1] Based on the comments received during the learning forum, the report will be finalised by mid-June 2007. The report was prepared by GPPi on behalf of the German Development Ministry (BMZ).

second question, the presentation extracted some lessons learned and best practices based on the experiences donors have made in recent years.

The ensuing discussion in the plenary focused primarily on three different sets of issues: the scope of the model; overlap between the three ideal-typical partnership program models; and the significance of political factors behind existing donor programs.

With regard to scope, participants pointed out that the narrow focus on partnership programs in technical cooperation ignores a wide range of other potential forms of public-private cooperation, e.g. in the context of private sector participation in infrastructure development. It was also noted, however, that the restriction of the study was by design. Even in that fairly narrow area of partnerships in technical cooperation there is tremendous diversity. As such, BMZ decided to narrow the scope of the study accordingly.

Participants also noted that in practice it is not always easy to make a clear-cut distinction between the three ideal-typical partnership program models developed in the study. For example, almost all programs that are focused around Fostering Sustainable Business will also contain elements that are focused on Promoting Business Opportunities. The study takes note of that fact and demonstrates that most donor programs in practice pursue multiple objectives.

Finally, various participants raised questions about the "political content" of existing donor partnership programs. Noting that many programs are tied to donor country companies, it was questioned whether partnership programs really represent an effort designed to achieve development impact through novel means, or whether they in fact represent political bargains that are designed to build strong domestic coalitions for development cooperation overall. Other participants pointed out, however, that most donors have recently embarked on a process of untying their programs. Based on the discussion in the plenary it appears that the issue of tying/ untying partnership programs is a highly pertinent one.

Session 2: Different donor approaches to partnering with business

The second session was introduced by brief presentations of six existing partnership programs. These programs included:

- The Industrial Cooperation Program of Canadian International Development Agency (presented by Marc Blanchette)
- The B2B Program of Danish International Development Agency (presented by Janne Laigaard Schneider)
- The Business Linkages Challenge Fund of the UK Department for International Development (presented by Jack Newnham)
- The Development Grant Facility of the World Bank (presented by Paul Hubbard)
- The Dutch PPP Program of the Sustainable Economic Development Department of the Dutch Ministry of Foreign Affairs (presented by Thom Sprenger)
- The Global Development Alliance program of the US Agency for International Development (presented by Jim Thompson)

The individual presentations can be found on the CD-ROM that will be shared with all participants together with this conference report.

Each presentation introduced the key features of existing partnership programs, and highlighted strengths as well as weaknesses in implementation. Each presenter concluded with an outlook, outlining the key challenges donor will need to tackle in the months and years ahead.

Even though it became apparent that the various donor programs are quite distinct, it was also evident that they share a broad range of common features and challenges. The ensuing discussion highlighted three challenges in particular:

First, it was noted that it is often quite difficult to strike a good balance between flexibility and development orientation in the implementation of partnership programs. Various participants noted that companies are opportunities-driven, and that donors need to adapt to their ways of doing business in order to leverage their resources and expertise to pressing development challenges. At the same time, it was also emphasized that donors need to focus primarily on achieving development impact. As such, they need to ensure that their partnership work with business is closely aligned and integrated with their overall development strategies.

Second, and related to that, many participants noted that it can be quite difficult to tie partnership activities to the "core business" of donors, i.e. their regular bilateral programming and implementation work. In many instances, partnership programs operate in parallel to mainstream development cooperation. That does not necessarily imply that these activities do not generate development impact. However, operating partnership programs in parallel to existing delivery mechanisms usually generates additional costs and also does not provide opportunities to reap synergies.

Third, and finally, the discussion underlined a key finding of the benchmarking study prepared by GPPi, namely that all donors grapple with monitoring and evaluation of their partnership work. Various donors have either already completed preliminary evaluations of single partnership projects, or have recently launched such efforts. However, all donors recognize the methodological and practical challenges in monitoring and evaluating partnership programs, and see the urgent need for conceptual work in this arena.

Session 3: Working Groups: Building and Managing Partnerships

During the third session, participants split into three working groups. The working groups were set up along the lines of the three ideal type partnership models as developed in the benchmarking study (Probing Business Opportunities, Fostering Sustainable Business and

Corporate Development Responsibility). The working groups facilitated a more in-depth exchange of lessons learned in partnership program design.

The working group "Probing Business Opportunities" began with looking at Danida's B2B model more in-depth. Participants generally agreed that studies and/or pilots can be a very powerful development partnership tool, mainly because of their potentially quite significant leverage effect. While some donors, such as CIDA and BMZ, have experienced difficulties in reaching out to business (e.g. resulting in untapped budgets for investment studies at year end), Danida has made good experiences with providing proactive support for potential business applicants through a team of consultants. The working group agreed that the main risk involved in "Probing Business Opportunities" was that of windfall profits, related to the difficulty of donors and their implementing agencies to analyze whether a study or a pilot would have been implemented anyhow (i.e. without public co-funding) or whether business would see a study merely as a possibility to gain general insights (e.g. on market conditions) without actually ever planning any follow-up investment. Normally, donors and their implementing agencies simply do not have the necessary expertise and capacity for an in-depth business plan analysis that would allow for a deeper understanding. Inspired by the selection processes of DFID's Challenge Funds, the group agreed that one way to tackle the problem of potential windfall profits would be to use an independent advisory group of senior business professionals to help with the initial go/no go decision making.

In the working group "Fostering Sustainable Business", participants discussed a variety of pertinent issues related to optimal donor program design. It was emphasized that Fostering Sustainable Business programs need to look quite different depending on the target group that they are addressed to (local businesses versus international companies that consider investing in developing countries). In addition, the question was raised to what extent donor programs that focus on micro-interventions (i.e. promoting individual investments) have a role to play as opposed to macro-level interventions (e.g. programs designed to improve the enabling environment in developing countries for private sector development) that are increasingly becoming the "bread and butter" activities of most development agencies in the context of their private sector development work. Also, participants debated the extent to which grant mechanisms are suitable tools for promoting FDI into developing countries. When and under what conditions are grants preferable to other mechanisms, such as loans and guarantees? Finally, participants discussed the issue of market distortions that may be a result of Fostering Sustainable Business programs. The discussion revealed that all participants recognize the importance of the issues but that so far no appropriate remedy (above and beyond exhaustive market analysis that is time- and resource-intensive) has been developed.

In the third working group, participants discussed how donors can maximize the development impact of “Corporate Development Responsibility” (CDR) partnerships. First of all, it was emphasized that it may be useful to not just think about business as a partner but also to consider other actors that could contribute, including NGOs, foundations, diaspora groups etc. Through its Global Development Alliance program, USAID has gathered very positive experiences by broadening the set of potential alliance partners. Even though so far most CDR programs primarily facilitate partnerships between donors and companies outside the latter’s core business areas, it was emphasized that there is great potential development value by engaging companies in on their core expertise and core competencies. In addition, participants highlighted the challenge of marketing CDR programs to companies. Here it was emphasized that it is usually important to build credible commitments for partnerships at the very top of partners, i.e. at the level of the CEO. Some donors have made good experiences by directly engaging CEOs, e.g. through joint field trips. One of the most significant challenges raised related to the ways in which CDR programs can be linked to existing bilateral programming of the donor agencies. Engaging country and regional managers is key in order to build commitment within the donor/ implementing agency for partnership work. To ensure maximum development impact, it was also argued that CDR partnerships should only be developed in donor partner countries and in identified priority sectors. However, it was also recognized that this poses a number of serious challenges and in some cases also results in significant lost opportunities. Finally, as with the other partnership models, participants highlighted the need to develop practical and reliable Monitoring and Evaluation Tools.

Session 4: Development Alliances: How can we work together?

In the concluding session “Development alliances: How can we work together?” participants explored the potential for enhanced donor collaboration in the area of development partnerships.

There was broad consensus that an enhanced exchange of information, ideas and lessons learnt among donors would be useful. As such, it was agreed by participants that it would be desirable to meet on a more regular basis. In particular, three concrete work items were broached that could be addressed by future meetings:

- Monitoring and evaluation (M&E). As noted above, all donors are feeling pressure to report on impacts that are being achieved. Dialogue among donors could help to disseminate new approaches and good practice. Some participants noted there may also be scope for joint work in this arena, specifically with regard to some of the conceptual issues that underpin M&E in partnership programs.
- Sharing project data. Some donors suggested that it would be desirable to share information about the scope of individual donor programs (which countries, which sectors) in order to allow for collaborative work and to ensure that business can be referred.
- There was also interest from some donors to collaborate on program design, at least to align objectives and rationale. Further information-sharing would also be welcomed, beyond the current work of BAA, WBCSD etc.

It was proposed that the Donor Committee for Enterprise Development (represented by Jim Tanburn at the Learning Forum) become a focal point for convening a follow-up meeting; in addition, a sub-group consisting of BMZ, SDC, CIDA, Netherlands and USAID was formed, to guide the process.

Appendix

LEARNING FORUM AGENDA

M A Y 3 , 2 0 0 7

06.00pm **Arrival and Registration**

07.00pm I N F O R M A L D I N N E R

All learning forum participants are invited to join us for an informal dinner at the conference venue.

M A Y 4 , 2 0 0 7

09:00am W E L C O M E

Introduction to conference

Dr. Manfred Konukiewitz, Director Global and Sectoral Policies, Federal Ministry for Economic Cooperation and Development, Germany (tbc)

Ulrike Haupt, Head of Division, Federal Ministry for Economic Cooperation and Development, Germany

9:15am O P E N I N G P R E S E N T A T I O N A N D D I S S C U S S I O N

Building Partnerships for Development: What is State-of-the-Art?

Opening Presentation: Engaging business in development - Different models and lessons learned

Almost a decade after donors started to engage business in development, what is state-of-the-art in this arena? What different approaches have donors adopted? How do business and NGOs think about this topic?

GPPi Study Team

Q&A

10:15am P O S T E R V O T E

a) What approach to engaging business in development promises the greatest development impact?

b) Which approach is easiest to implement?

10.30am **Coffee break**

11.00am B R I E F S Y N T H E S I S O F V O T I N G R E S U L T S

11:15am P A N E L P R E S E N T A T I O N S A N D D I S C U S S I O N

Different donor approaches to partnering with business

All donors that have participated in the BMZ International Benchmarking Study will be asked to provide 5-minute introductions to their programs (based on templates provided by the conference organizers to ensure comparability). The goal of the session is to highlight strengths as well as weaknesses of individual programs, and to provide an assessment of likely development paths in the coming years.

Moderated by GPPi

Q&A

12:45pm **Lunch**

02:00pm W O R K I N G G R O U P S E S S I O N S

Building and managing partnerships: Tackling the key challenges

Discussion of lessons learned and challenges across different program models:

Working Group A

Scouting for partnership opportunities through study and pilot programs

Various donors have instituted partnership programs designed to support business investment studies and pilots. Donors use these programs to selectively push feasibility assessments for "in line" projects with the intention to foster corporate activity that generates significant development value. Companies draw on these partnership opportunities in order to receive co-funding for studies and pilots.

What is best donor practice in the design of such programs? What are key lessons learned in program implementation? What are the convincing strengths in such programs? Which problems and shortcomings arise? In addition to achieving development impact, what other goals can be reached through these programs? What measures can be taken to maximize development impact?

Working Group B

Lowering the barrier of entry through direct investment support

Some donors have launched programs designed to selectively reduce costs and risks for “in line” projects of businesses. In such programs, donor engagement is supposed to lead to an increase in private sector activity. The interest and incentive of the private sector in such programs is the reduction of risks and the lowering of start-up investments.

What is best donor practice in the design of such programs? What are key lessons learned in program implementation? What are the convincing strengths in such programs? How can distortions of competition be avoided or at least mitigated? Which other problems arise in such programs? In addition to achieving development impact, what other goals can be reached through these programs? What measures can be taken to maximize development impact?

Working Group C

Stepping-up the development value of business investment

Various donors have launched programs designed to enhance the development value of existing or new private sector investment. The interest of the private sector in such programs is to obtain public assistance for the improvement of operating conditions.

What is best donor practice in the design of such programs? What are key lessons learned in program implementation? How can such programs be successfully integrated into bilateral development assistance? What are the convincing advantages of such programs? What are the problems and shortcomings attached? In addition to achieving development impact, what other goals can be reached through these programs? What measures can be taken to maximize development impact?

03:30pm **Coffee break**

04:00pm FEEDBACK ROUND

Presentation of Working Group Results in Plenary & Discussion

04:30pm PANEL DISCUSSION

Development alliances: How can we work together?

During this concluding discussion we would like to explore the potential for enhanced donor collaboration in the area of development alliances.

Moderated by GPPi

Q&A

06:00pm CLOSING REMARKS

Ulrike Haupt, Head of Division, Federal Ministry for Economic Cooperation and Development, Germany

LIST OF PARTICIPANTS

NAME	FIRST NAME	AFFILIATION
BINDER	Andrea	GPPi (D)
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FURUKAWA	Mitsuaki	JICA (JAP)
GRUBER	Reinhold	BMEIA (AT)
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