Partners in Development

How Donors Can Better Engage the Private Sector for Development in LDCs

United Nations Global Compact

Bertelsmann Stiftung

United Nations Development Programme

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Content

Executive summary

Least developed countries (LDCs) are considered to be the "poorest and weakest segment" within the international community, as their level of development substantially trails other categories of countries, and they have failed to emerge from poverty. Currently, 48 countries are classified as LDCs. In 2008, more than 815 million people around the world lived in these most vulnerable countries.

Although a number of LDCs have made reasonable economic and social progress during the past decade, some critical challenges remain that constitute major barriers to sustainable private investment and thus broader development. First, LDCs show low levels of economic growth, low export levels, and low rates of foreign investment. Second, extreme poverty, high levels of income inequality, and unequal access to social services, education, and health care marginalize substantial portions of the population, preventing them from participating fully in the country's economic life. Third, LDCs face a variety of structural and supply-side constraints such as weak physical infrastructure, insufficient financial resources, environmental degradation, low technological capacities, and a dependence on a narrow range of primary commodities. Fourth, poor governance structures and a high incidence of corruption threaten political stability in many of these countries.

It is not LDCs alone that can address these challenges. Donor agencies and the private sector too can play an important role in spurring development within these nations. The private sector can be a crucial driver of development and wealth creation by providing employment, income, products, and services.

Donors can help improve the business environment by creating enabling conditions and incentives for the private sector to achieve sustained growth. For their part, companies engage with donors in LDCs in order to secure core business goals, improve enabling environments for investments, or maximize reputations through philanthropic activities.
In addition, with official development assistance (ODA) coming under increased scrutiny due to budget constraints in donor countries, new approaches based on collaborative relations with other stakeholders are becoming more important in the context of international development cooperation.

As a consequence, a growing number of donor agencies have started to establish public-private collaboration aimed at boosting investment and meeting development challenges in LDCs. While these collaborative ventures differ in many different respects, they share one key feature: They allow businesses and donor agencies (as well as other stakeholders such as LDC governments, NGOs, foundations, and universities) to combine their unique competencies in order to address the special challenges of LDCs. Despite rather small sums of money invested, public-private collaboration can have a major impact.

Public-private collaboration approaches

The past 15 years have seen a rise in collaboration between donor agencies and companies. A variety of approaches in implementing public-private collaboration have emerged over the last decade.

One-to-one approach: Many public-private collaboration programs are designed for interaction between one donor and one company. The donor usually provides a portion of the funds, contacts on the ground, and development know-how, while the company provides its economic power, technical expertise, and operational capacities.

Multi-stakeholder initiatives: Some challenges are too complex to be addressed solely by a single company or single donor. Public-sector and private-sector participants can join forces in multi-stakeholder initiatives to overcome these challenges through joint efforts. For example, they might collectively address the various elements of a complete value chain, from production to consumption, thus enabling the creation of a new market.

Platforms for achieving global development goals: Global platforms have proved an effective instrument in the achievement of broader development goals and in channeling philanthropic activities. They act as a focal point, enable coordination, spread know-how, and have the ability to catalyze collective action.

Transformational partnerships have evolved only recently as a new trend in public-private collaboration. They strive to change entire systems. Thus, they become a trigger for fundamental change, through means such as demonstrating innovative models or creating incentives for government action, for example.

Private sector contributions in public-private collaborations

Public-private collaborations combine the complementary resources and capabilities of two or more partners. In the collaboration projects analyzed, the private sector made the following contributions:

Provision of expertise, funds, and other resources: Companies can contribute to the costs of a public-private collaboration either in money or in kind. They can also leverage their distribution system to reach into remote villages or to provide expert knowledge.

Purchase and sale of goods and services: Through inclusive business models, the private sector can provide low-income people with goods and services that fulfill social and economic needs.

Implementation of projects, and bringing them to scale: Companies are driven by the necessity to allocate resources efficiently. They therefore have the knowledge and skills to implement projects in set time frames, the ability to adapt to changes in market environments or needs, and the economic power to bring projects to a larger scale. This can be a valuable asset when a particular program or service is being designed to reach a large number of people.

Advice to governments and organizations on creating a business friendly environment: Companies know how to create incentives and business friendly environments. Public-private collaboration in the field of advocacy and public policy can be beneficial for both sides. The private sector carries significant political weight and is able to call attention to development challenges and market constraints.

Donor programs for public-private collaboration

Donors contribute four types of support in programs for public-private collaboration:

Funding: All donors participating in this type of activity use grants, loans, or guarantees to support companies that engage in ventures contributing to societal development or growth. However, this support goes only to tasks that fall outside the companies' core businesses, in order to avoid market distortions. Particularly in LDCs, the ability to share risk is a powerful incentive for companies to seek out collaboration.

Advice and brokerage: Donors are familiar with local social problems, the challenges of the political environment, and the needs of the people, and can thus play an important role in gathering and communicating this information. Donors also facilitate partnerships with actors such as LDC governments, NGOs, political figures, and academic institutions. Their neutral role encourages trust and openness between actors.

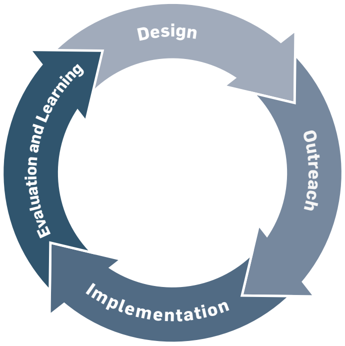
Implementation support: Donors play a vital role in implementing collaboration projects on the ground. They have offices all over the world, highly skilled local staff, technical experts, and important networks.

Policy dialogue and enabling environments: Donors can play an advisory role in developing regulation and other measures designed to create favorable business and investment climates. They can also help to establish intermediaries such as business associations or chambers of commerce that can facilitate dialogue between policymakers and the private sector or multi-stakeholder dialogue.

Shortcomings and promising approaches

The private sector faces significant challenges within LDCs, both in pursuing core business activities and in making additional contributions to economic and human development. For the most part, existing donor programs for public-private collaboration do not yet reflect these special challenges. Shortcomings are identified along the four stages of the program life cycle:

Program life cycle



Design: Program design defines the structure and content of a program, and determines how it is linked to other programs. Today, programs largely fail to reflect the special challenges, risks, and uncertainties associated with LDCs. This is true both within financing schemes and in donors' failure to highlight the potentially complementary nature of contributions in the areas of policy dialogue, advice, brokerage, and implementation support, particularly with respect to private sector development. Donor countries' policies and programs lack coordination and in some cases are even contradictory.

Promising approaches: Several development agencies are now starting to support broader market and value-chain development approaches that bring together large and small companies, government authorities, donors, and other stakeholders in coordinated and integrated efforts with realistic timelines, aimed at strengthening specific sectors. Some programs' terms and conditions also reflect the challenging environment of LDCs.

Outreach: To attract program participants, donors must reach out to the target group and communicate the offering. However, donors rarely employ targeted "marketing strategies" for their programs. This makes it hard both for companies to understand what options are available, and for donors to attract the companies they want to work with. An artificial divide between collaboration programs and private sector development (PSD), as well as between foreign and indigenous companies, limits the effectiveness of both approaches. Nor should philanthropy be discounted when it comes to involving the private sector in LDCs.

Promising approaches: A platform that presents and describes 40 different programs has been developed by the Donor Committee for Enterprise Development. Some donors reach out directly to companies in business forums. Approaches which do not distinguish between working with international or domestic companies, and which also seek to engage companies of different sizes, linking engagement with "traditional" private sector development initiatives, are showing promising results. Global platforms channel philanthropic contributions toward activities providing effective and long-term solutions, thus increasing their impact.

Implementation: Once a participant decides to join a program, a concrete project needs to be designed and implemented. Implementation of collaboration projects suffers primarily from a lack of coordination. Donors often focus on a one-to-one approach, a strategy prone to failure in LDCs where the creation of new markets typically requires the collaboration of several partners. Projects are not systematically matched with the development priorities of the countries where they are implemented, which limits the support they can attract and diffuses the attention and resources of governments and donors. Finally, donors often fail to coordinate their collaboration programs, thus leading to competition instead of synergies.

Promising approaches: Multi-donor initiatives that seek to engage numerous companies, public authorities, and other relevant stakeholders hold comparatively stronger potential to address system-level issues, grow to scale, and have an appreciable impact. Using innovative instruments such as "challenge funds" have also shown promise, as they provide implementation incentives for private sector leadership and an ability to align business and development priorities.

Evaluation and learning: At the end of the program cycle, individual projects as well as overall programs must be evaluated in order to enable learning and continuous improvement. Public-private collaboration is still a comparatively new approach in the development arena, and one that is highly complex. Systematic learning from ongoing experience is required in order to improve the design of programs and projects, and thus to enhance overall collaboration performance.

Promising approaches: Donors are increasingly developing ways to measure the performance of their collaboration projects and to share experiences and lessons learned. Specialized methodologies and platforms are being developed for this purpose.

Recommendations

Based on the analysis and evaluation of donor programs, several recommendations can be derived that apply to each donor agency on an individual level. In addition, donors can and should work together to enhance the benefits of collaboration programs for LDCs.

Design: Take a more strategic approach. Programs can be more effective when they set and pursue clear priorities, both in terms of countries, sectors, and development issues. These priorities should be aligned with the development plans of the specific LDC, with the donor agency's overall priorities, and ideally the priorities of other donor agencies. Clear priorities make it easier to target specific companies, integrate various programs, and coordinate the contributions of multiple stakeholders, including philanthropic contributions. In addition, programs should aim for transformative results that can enhance the functioning of the larger system.

Outreach: Communicate in a targeted and transparent way. Making programs more transparent and simpler lays the foundations for effective communication. Donors should reach out to companies using established business channels and forums. Brokers that understand both worlds can help to bridge the cultural divide. Finally, a collective platform that includes a variety of donor programs can help companies navigate the complicated donor landscape.

Implementation: Reflect the special characteristics of LDCs. Projects in LDCs often require longer time horizons, greater flexibility, and more non-monetary contributions to come to fruition. Local companies in LDCs often have the greatest potential and most incentive to contribute to their country's development. Thus, they should also be able to benefit from collaboration programs. Lastly, philanthropy can make an important contribution to LDC development, and should therefore be leveraged systematically.

Evaluation and learning: Implement practical knowledge-generation and management tools. Performance-management tools should be embedded in each project's structure from the beginning. Measurement is not only important for accountability reasons, but also to steer a project towards success. Knowledge exchange can be enabled by linking existing projects and contact persons. In addition, donors should invest in extracting lessons that can be applied beyond the context of the original project, and make this knowledge available in accessible and action-oriented formats to the practitioner community. Learning platforms can be effective tools in organizing knowledge creation and exchange.

A call for collective action

While many of the above recommendations can be implemented by each donor individually, others require collective action. Donors are called upon to coordinate their programs and join forces to accomplish these tasks, thus making each of their individual programs more effective. In particular, they are called upon to:

- Align programs and define roles and priorities for each donor agency.
- Create a joint information portal detailing various donors' collaboration programs.
- Create and sustain joint funds with a special focus on LDCs.
- Create and advance learning platforms focusing on the development issues most relevant to LDCs.

Public-private collaboration holds great promise to advance development in LDCs. Without the involvement of companies, economic and human development cannot be sustainable. However, the approach has yet to prove its potential in LDCs. Difficult market and governance conditions pose significant challenges to companies that seek to invest and thrive in these environments. Donors should intensify their efforts to attract companies willing to engage in development activities within LDCs. Funding is just one factor leading to success. At least as important are improving coordination, planning interventions more strategically, and systematically applying lessons learned from past experience. Where the power of the private and the public sector join forces behind a common goal, development will take place.

Introduction

Least developed countries (LDCs) comprise a specific group of developing countries that are regarded as the most vulnerable members within the international community. Major challenges faced by LDCs that hamper private investment and thus broader development include comparatively low growth rates, a lack of effective governance systems, limited infrastructure, flawed or undeveloped institutions, extreme poverty, and unequal access to public sector services such as education or health. Some LDCs face particular challenges due to geographical handicaps (small islands or landlocked states) or political history (post-conflict or conflict-prone states).

For LDCs, overcoming these challenges requires not only the support of institutional development partners, but also a stronger role for the private sector, which can be a crucial driver of economic growth by creating jobs and affordable or innovative goods and services. However, the domestic private sector in LDCs is predominantly informal and in need of strengthening for it to play a greater role in development. In recent years, many companies from developed and emerging markets have expanded their globalized value chains into least developed countries such as Tanzania, Mozambique, or Cambodia in order to explore new business opportunities or to secure their supply chain. These kinds of foreign investments can serve as a catalyst in building local entrepreneurship by transferring skills and technologies and by facilitating access to capital. In order to fully leverage the role of foreign investors, government agencies and donor parties must collaborate. Engaging the private sector in development is crucial to ensuring the growth and sustainability of business operations as well as to the advancement of development goals.

Over the last decade, many multilateral and bilateral donors have started to engage the private sector through public-private collaborations in LDCs. Many of these collaborative ventures have generated notable results, as illustrated by a series of evaluations and a rich anecdotal literature. In these partnerships, donors support companies by providing funding or advisory services, or by facilitating implementation and creating a company-friendly environment.

However, establishing collaborative ventures in LDCs seem more difficult than in other developing countries due to their challenging economic, social, and political contexts. For donor countries and their respective development agencies, it is therefore crucial to mobilize existing knowledge, capacities and resources aimed at collaborating with the private sector in LDCs in order to jointly promote economic growth and the achievement of the Millennium Development Goals (MDGs).

The overall aim of this research is to explore how donors can effectively support public-private collaboration efforts in order to attract sustainable investments and foster development in LDCs. To this end, the paper takes stock of existing donor programs aimed at engaging the private sector in development activities, identifies shortcomings and promising approaches, and offers recommendations on how donor programs can attract more public-private collaborations into LDC environments.

The report is targeted explicitly at bilateral international donors and their respective development agencies in order to leverage their potential with respect to engaging companies in LDC development. Therefore, the research has not looked at programs for private sector development or aid effectiveness, or at the role of LDC governments. Nor does it examine the engagement of actors other than companies, such as NGOs or universities. It is not the goal to offer a quantitative analysis of all public-private collaborations within LDCs.

Rather, the intention is to identify good practices and promising approaches, and to provide a qualitative and comprehensive analysis of donors' current public-private collaboration activities within LDCs. The report adopts an explicitly narrow focus in order to enable an in-depth look at existing public-private collaboration programs, and on this basis extract insights and recommendations. Interfaces with other approaches to development cooperation and collaboration are highlighted, but are not explored in detail. The report thus aims to provide a solid basis for discussion on how to improve on existing public-private collaborations as they relate to LDCs.

The results of the paper are based on extensive desk research, synthesized knowledge of related studies, and qualitative questionnaires and interviews with business representatives, donor agencies, and independent experts in the area of private sector collaboration.[1] The companies interviewed were selected because they had implemented at least one successful partnership project with an international donor. They include large multinational companies as well as small or medium-sized enterprises (SMEs) from a variety of sectors. All of the companies are based in industrialized countries. The best practice cases illustrated in the paper were chosen by donor agencies and authors based on criteria of sustainability and the effectiveness of their various approaches.

The state of public-private collaboration in LDCs

Engaging the private sector in development in LDCs is crucial to ensuring the growth and sustainability of business operations as well as to advancing development goals. Current examples of public-private collaboration show that a variety of approaches to collaboration are applied, with a focus on special regions and industrial sectors. In addition, private sector contributions to these collaborations differ.

Special challenges in LDCs

Since 1971, the United Nations has recognized the group of least developed countries (LDCs) as the "poorest and weakest segment" of the international community. Compared to other countries, LDCs confront multifaceted challenges such as extreme poverty, weak human resources, political instability, and high economic vulnerability. According to the UN Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries, and Small Island Developing States (UN-OHRLLS),[2] 48 countries are today classified as LDCs, with 33 of these countries in Africa, 14 in Asia, and one in Latin America.[3] In 2008, more than 815 million people around the world lived in LDCs.[4]

In recent decades, some LDCs have made notable economic and social progress in areas such as economic growth, export growth, foreign direct investment, institutional capacity and education. Yet for most of these countries, achievement of the Millennium Development Goals (MDGs), as well as the Program of Action for the Least Developed Countries for the Decade 2001 – 2010 (Brussels Program of Action, BPoA),[5] remains an unfinished task. Since 1971, only three countries – Botswana, Cape Verde, and the Maldives – have graduated from LDC status.

Though LDCs are lumped into a single category, they are hardly comparable. Every LDC is characterized by a distinct context that embodies varying geographical, historical, political, social, and economic particularities. For example, landlocked developing countries such as Malawi, Mali, or Rwanda or small island developing states such as Samoa, Vanuatu, or Tuvalu face special constraints such as remoteness and isolation from world markets, high transit costs, and higher exposure to natural disasters and the effects of climate change. Nevertheless, a number of challenges can be identified that constitute major barriers to sustainable private investment and thus broader development in all 48 LDCs.

First, many LDCs lack the positive economic performance shown by other developing countries due to low levels of economic growth, low export levels, and low rates of foreign investment. Though some LDCs have made progress in improving growth rates and increasing investment ratios, most have not experienced the kind of sustained economic growth that can be transformed into poverty reduction. This lack of growth was further exacerbated by the effects of the global economic and financial crisis that started in 2007.[6]

Second, although the number of people living on less than $1 a day in LDCs has declined, the proportion of people living on under $2 a day has remained constant.[7]

Table 1: List of least developed countries

	Landlocked developing countries	Small island developing countries	Other least developed countries
Africa			
	Burkina Faso Burundi Central African Republic Chad Ethiopia Lesotho Malawi Mali Niger Rwanda Uganda Zambia	Comoros Guinea-Bissau São Tomé and Príncipe	Angola Benin Democratic Republic of the Congo Djibouti Equatorial Guinea Eritrea Gambia Guinea Liberia Madagascar Mauritania Mozambique Senegal Sierra Leone Somalia Sudan Tanzania Togo
Asia			
	Afghanistan Bhutan Laos Nepal	East Timor	Bangladesh Cambodia Myanmar Yemen
Oceania			
		Kiribati Samoa Solomon Islands Tuvalu Vanuatu	
Americas			
			Haiti

Source: www.unohrlls.org/en/ldc/25/

Poverty is still one of the most pressing challenges in LDCs, with 31 percent of the population in LDCs undernourished as compared to 17 percent in other developing countries.[8] High income inequality combined with unequal access to social services, education, and health care further marginalizes huge portions of the LDC population, preventing these individuals from participating in the economic life of their countries. According to the UN, 46 percent of girls in the poorest LDCs still have no access to primary education, and around 4 million people with AIDS are in immediate need of life-saving anti-retroviral drugs.[9]

Third, many LDCs face a variety of structural and supply-side constraints to economic growth and sustainable development, such as flawed physical infrastructure, low productivity, insufficient financial resources, a lack of skilled human resources, degradation of the environment, low technological capacity, and the lack of an enabling environment to support entrepreneurship. According to the UN, only 16 percent of the population in LDCs has access to electricity, and only 22 percent of roads are paved.[10] As an additional burden, most LDC economies are highly dependent on a narrow range of primary commodities (i.e., minerals), low-tech manufacturing (i.e., garments), or agricultural products (i.e., seeds, fruits).

Fourth, though many LDCs have taken measures to promote democracy and strengthen the quality of governance, efforts to impose the rule of law, fight corruption, and adhere to human rights standards still represent a major challenge. According to Transparency International’s Corruption Perception Index, LDCs are among the countries with the most significant problems with corruption.[11] LDCs affected by conflicts or post-conflict environments often experience difficulties in promoting the peaceful settlement of disputes, establishing lasting reconciliation, and building post-conflict peace.

The potential of public-private collaboration

It is not LDCs alone that can address these challenges, but also donor agencies and the private sector, each of which can play an important role in spurring LDC development. Private sector activity – whether on the part of large multinational companies, local enterprises, small and medium-sized firms, or individual entrepreneurs – reduces poverty and improves the economic situation of LDCs. This can take place through job creation, technology transfer, and capacity building, for example. Through inclusive business models, companies can engage low-income communities across the value chain as consumers, employers, or suppliers, thereby improving their standards of living.

Donors can help to improve the business environment by creating conditions under which the private sector can achieve sustained growth. Companies engage with donors in LDCs in order to secure their supply chains and explore new markets or investment opportunities, improve the enabling environment for their investments, and maximize their reputation through philanthropic activities.[12] In short: In public-private collaborations, both sides join forces for a particular task.

Although official development assistance (ODA) is still the predominant source of capital for many LDCs, the composition of development cooperation is changing and private capital flows are growing in importance. Indeed, ODA can play a catalytic role in assisting these countries in fostering sustainable growth, reducing poverty, improving health and education, promoting foreign direct investment, and building institutional and physical infrastructure, among other tasks. However, according to the United Nations, “only nine out of 22 donors of the Development Assistance Committee of the Organization for Economic Cooperation and Development met the target of providing at least 0.15 percent of their gross national income in ODA to LDCs in 2008."[13] As a consequence, other sources of capital such as foreign direct investment, as well as other forms of development cooperation involving the private sector, have gained importance over the past decade with respect to their ability to achieve broad-based economic growth and international development goals in LDCs.

In order to leverage private sector developmental potential in LDCs, a number of multilateral and bilateral donor agencies have started to engage international companies in public-private collaboration. Although collaborative approaches between the public and the private sector are not a new phenomenon in developing countries, they are a rather new approach in international development cooperation targeted at LDCs. Certainly, in some LDCs, ODA still represents the most significant inflow of capital. Nevertheless, donors are recognizing the potential of public-private collaboration as a means toward combining foreign direct investment and the achievement of development goals.

There is already a broad range of examples of public-private collaboration in LDCs, as the cases cited in this report illustrate. While these collaborative ventures differ in many respects (as the following chapters explain), they do share one key feature: They allow business and donor agencies (as well as other stakeholders at times, including LDC governments, NGOs, foundations, and universities) to combine their unique competencies in order to address the special challenges of LDCs.

Approaches to public-private collaboration

The past 15 years have seen a rise in collaboration between donor agencies and companies. The German Federal Ministry for Economic Cooperation and Development (BMZ) now has a portfolio of 1,400 development partnership projects with the private sector, the United States Agency for International Development (USAID) has forged over 1,000 alliances with 3,000 individual partners, and Denmark's DANIDA had struck 300 partnerships by 2008.[14]

A number of different approaches to implementing public-private collaboration have emerged over the last decade. These can be

Firmenich Denmark, Uganda

Improving the lives of Ugandan vanilla farmers

Under its Business-to-Business (B2B) Program, DANIDA has helped to support a partnership between Firmenich Denmark and the Uganda Vanilla Growers Association (UVAN). The partnership is designed to develop UVAN as a secure and sustainable (socially, environmentally, and economically) source of high-quality vanilla for Firmenich, which is one of the world's largest fragrance and flavor companies.

This has been achieved through improvements in the quality of the vanilla beans, rationalization of the harvest process, and improvements in farming practices through transfer of know-how. The partnership has proved successful in terms of scalability, and is now responsible for 5% of the global vanilla trade. The partnership also improves the lives of Ugandan vanilla farmers, reaching out to approximately 6,000 farmers who receive a premium price for their vanilla. Moreover, up to 500 women are today actively engaged in village savings and loan associations established and supported by the partners.

Source: Ministry of Foreign Affairs of Denmark, DANIDA, www.um.dk

Water and Sanitation for the Urban Poor

Partnering for healthy cities

Water and Sanitation for the Urban Poor (WSUP) is a tri-sector partnership between the private sector, civil society, and academia focused on addressing the increasing global problem of inadequate access to water and sanitation for the urban poor, and aimed at attaining the MDG's water and sanitation targets. WSUP members include Unilever, Halcrow, Borealis & Borouge, CARE International, World Wide Fund For Nature (WWF), WaterAid, Cranfield University and International Water Association (IWA).

Private sector expertise from WSUP members feeds into the design and implementation of performance-based improvement programs in partnership with local communities and service providers. Private sector participants provide expertise in financial and business planning, construction design, operations, and innovative approaches to hygiene promotion.

Civil society members provide expertise in developing community-level linkages, promoting community mobilization and participation, stimulating CBOs, and monitoring the performance of small independent providers. WSUP's academic member serves as a guarantor of rigor in program design and implementation, and plays a pivotal role in program monitoring, evaluation, and the injection of new approaches and techniques.

This approach and partnership ensures that more can be accomplished than each partner could have achieved alone, and allows the program to aim at achievements on the appropriate scale. In Madagascar, WSUP has improved water services for 106,000 poor urban city dwellers and sanitation for 15,000 members of this population, demonstrating models replicable for the city's 600,000 low-income consumers.

Source: WSUP, www.wsup.com

classified by the number of actors involved, resulting in a one-to-one approach, a multi-stakeholder approach, and a platform approach.

One-to-one approach
Many public-private collaboration programs are designed to support interaction between a single donor and a single company. The donor usually contributes a portion of the project's financing, contacts on the ground, and development know-how, while the company provides its economic power, technical expertise, and operational capacities. This approach often addresses a specific challenge within the company's value chain that also has social and/or ecological impacts. As an example, a company might encounter problems in finding qualified employees, and choose to collaborate with a donor to finance and organize vocational training.

Multi-stakeholder initiatives
Some challenges are too complex or too big to be addressed solely by one company or one donor. Often, no single player can make a difference in a particular market due to widespread chicken-and-egg problems. A classic example: Farmers will not invest in seeds or irrigation until they have a market to sell their products, while buyers will not create a market where there is no supply. Public and private players can gather in multi-stakeholder initiatives to overcome these challenges through joint efforts. Coordinated approaches can bring the various elements of a value chain together, thus enabling the creation of a new market. Donors may act as brokers and coordinators in such multi-stakeholder initiatives, while the private sector implements the projects, as illustrated above by the example of Water and Sanitation for the Urban Poor.

Platforms for achieving global development goals

Global platforms have proved an effective instrument in achieving broader development goals. Donors either fund or organize these platforms. They act as a focal point for companies and other stakeholders, enable coordination, spread know-how, and have the ability to catalyze collective action and systemic approaches. They are especially valuable in channeling the philanthropic activities of companies in such a way as to increase their effectiveness, by combining the resources and capabilities of many players.

Transformational partnerships – the next frontier

Transformational partnerships have only recently evolved as a new trend in public-private collaboration. Like multi-stakeholder initiatives, transformational partnerships include more than one company and often several other key stakeholders. In addition, they strive to change entire systems, such as health-care or education systems, or regional agricultural networks as in the Southern Agricultural Growth Corridor of Tanzania case study described on page 18. Thus, the collaboration becomes a trigger for fundamental change, through the demonstration of innovative models or the creation of incentives for government action, for example. Donors have begun designing transformational partnerships, defined in a study by the UN Global Compact and Dalberg as "those that change rules of the game by utilizing the core competencies of the organizations involved to affect an entire value chain or market rather than an individual company or its supply chain."[15]

Global Alliance for Improved Nutrition (GAIN) and Unilever

Platform to fight malnutrition

The Global Alliance for Improved Nutrition (GAIN) is an alliance of governments, international organizations, private sector companies, and the civil sector, driven by the vision of a world free of malnutrition. GAIN is a Swiss foundation, headquartered in Geneva. It brings together a wide range of multi-sector stakeholders and forges public-private cooperations on both the national and regional levels. GAIN supports the GAIN Business Alliance, which mobilizes businesses to play a greater role in combating malnutrition.

This business network is dedicated to promoting market-based solutions, and offers a platform for companies to network, build partnerships, and learn about the issue's opportunities and challenges. It also promotes knowledge-sharing and enables partners to get in touch with governments, non-governmental organizations, international organizations, and academics.

The Amsterdam Initiative against Malnutrition (AIM) was launched in May 2009 during the GAIN Business Alliance Global Forum. In cooperation with partners such as Unilever, which chairs the GAIN Business Alliance, AIM intends to reduce the incidence of malnutrition for 100 million people in Ethiopia, Mozambique, Tanzania, and other African countries by 2015.

Sources: GAIN, www.gainhealth.org; Unilever, www.unilever.com

Global platforms to coordinate multi-stakeholder activities targeting the MDGs:

Global platforms have been created around each of the eight MDGs. The list below gathers some of the most important examples. It is based on a report of the UNDP's Growing Inclusive Markets Initiative that seeks to guide companies in their search for support to contribute to the MDGs.

- **MDG 1 – Eradicate extreme poverty and hunger:** The Sustainable Agriculture Initiative (SAI) Platform, a non-profit organization designed to support sustainable agriculture practices involving various food chain stakeholders. Created in 2002 by Nestlé, Unilever, and Danone, the SAI Platform today counts 25 members, with estimated sales of $300 billion.
- **MDG 2 – Achieve universal primary education:** UNICEF works with corporate partners, such as IKEA, to help the partners eliminate child labor from their supply chains while at the same time creating opportunities for children and their families.
- **MDG 3 – Promote gender equality and empower women:** The United Nations Entity for Gender Equality and the Empowerment of Women (UN Women) provides financial and technical assistance to innovative programs and strategies that foster women's empowerment.
- **MDG 4 – Reduce child mortality:** Project Laser Beam (PLB) is a five-year, $50 million partnership of UN agencies and private companies seeking to eradicate child malnutrition.
- **MDG 5 – improve maternal health:** The Campaign to End Fistula was launched in 2003 by the United Nations Population Fund (UNFPA) and partners to eliminate obstetric fistula by 2015. Though preventable and treatable, obstetric fistula often leads to the death of both baby and mother.
- **MDG 6 – Combat HIV/AIDS, Malaria, and other diseases:** The Global Business Coalition on HIV/AIDS, Tuberculosis and Malaria (GBC), the Stop TB Partnership, the Roll Back Malaria (RBM) Partnership, and the Global Alliance for Vaccines and Immunization (GAVI) each bring hundreds of partners from the private sector together with other stakeholders to combat communicable diseases.
- **MDG 7 – Ensure environmental sustainability:** The Global Water Challenge (GWC) aims to accelerate access to safe drinking water and sanitation for the most vulnerable communities. The CEO Water Mandate and Caring for Climate are both platforms by the UN Global Compact that help companies to develop more environmentally friendly practices.
- **MDG 8 – Develop a global partnership for development:** The Global Alliance for ICT and Development provides an open, inclusive platform for broadening dialogue on using ICT for development.

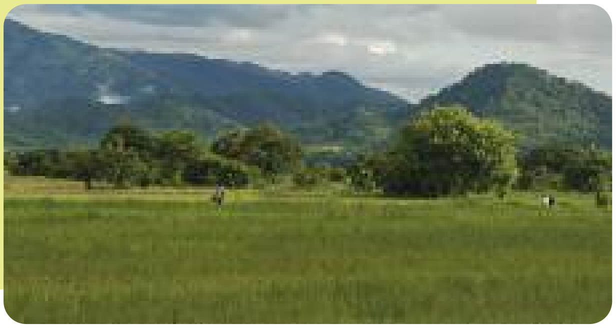
Source: UNDP (2010) The MDGs – Everyone's Business

Southern Agricultural Growth Corridor of Tanzania (SAGCOT), Tanzania

Clustering small-holder production into a transnational agricultural corridor

The Southern Agricultural Growth Corridor of Tanzania (SAGCOT) is a new partnership between local and international agri-businesses, the government of the Republic of Tanzania, and donor organizations. Launched in 2010 during the World Economic Forum in Dar es Salaam, the initiative has developed an investment blueprint that promotes clusters of profitable agricultural farming and services businesses, with major benefits intended for small-holder farmers and local communities. To advance market development, SAGCOT promotes the commercialization of smallholder production by fostering the creation of clusters. A cluster is an interconnected grouping of farming and processing businesses. Each cluster requires various investments along the agricultural value chain from both the public and the private sector. USAID has committed to providing $2 million to the Corridor's $50 million catalytic fund. Corporate partners include Unilever, Yara International, Diageo, DuPont, Monsanto, SAB Miller, Syngenta, and Standard Bank.

Sources: Africa Corridors, www.africacorridors.com/sagcot; Prorustica, www.prorustica.com



Patterns of public-private collaboration in LDCs

The collaborative ventures in LDCs analyzed for this report reveal certain patterns with respect to the sector of the companies involved and the regions in which the partnerships take place.

Regions

Most of the donors have been very active in LDCs with their "traditional" work, as the social, political, and economic problems there are more pressing than in other countries. Companies, on the other hand, often do not perceive LDCs as a first choice for engagement. They need to see some kind of market interest or business case in a country. This criterion is reflected in donors' current public-private collaboration portfolios.[16] In general, collaborations in LDCs are more the exception than the rule. In addition, existing projects focus on a relatively small number of countries.

Countries such as Tanzania and Mozambique that show a relative political stability, a flourishing agricultural sector, or promising domestic markets top the list of public-private collaboration efforts in LDCs. The variety of projects is most substantial in these nations. Some address underserved markets in products or services such as electricity, while others aim at bringing small-holders into international agricultural supply chains or try to create new markets through capacity building and community-level private-sector development.

A second cluster of public-private collaboration projects can be found in countries such as Bangladesh or Cambodia that provide industrial production for developed and emerging markets, as typical in the textile sector. Public-private projects in these countries aim at improving labor and quality standards throughout supply chains.

Other countries that offer raw materials such as oil (Angola), certain crops such as cocoa (Liberia) or cotton (Mali), fish (Uganda), or ingredients for medical products (Madagascar) also appear on donors' project lists. Public-private collaboration in these countries aims at linking local farmers with international supply chains or local manufacturers. There are also efforts to set up production plants, seeking to add value within LCD borders rather than simply exporting raw material.

In countries that are very small (Tuvalu), politically very unstable (Somalia), or in a generally tenuous situation (Haiti), few collaboration projects exist. For most companies, the risk associated with investing in these countries is too high. If there are public-private projects, they are often found in the realm of philanthropy, focusing on issues such as education, health, or humanitarian aid.

Sectors

The largest group of public-private collaborations in LDCs analyzed here is drawn from the field of agriculture – mainly sourcing projects from the food or beverage industry – followed by projects aimed at providing clean and affordable energy to LDCs. The health care sector is also represented, with numerous projects intended to improve access to pharmaceuticals or improve health services generally. Companies that offer financial services and firms from the information and communication technology sector are also starting to seek out public-private collaboration.

Natural resources extraction and agriculture
Many LDCs are rich in natural resources such as minerals, precious stones, oil, or agricultural products. Often, companies have created more harm than good when seeking to exploit this natural wealth, damaging the environment, employing workers under harmful or dangerous labor conditions, or bringing in workers from other countries, causing social and health issues.

Increasingly, companies have come to understand the benefits of a more sustainable approach, seeking to reduce the negative effects of their work in collaboration with donors and to use their power to support social development. On the macro level, the Extractive Industries Transparency Initiative (EITI) and similar programs work to ensure that national income from resource extraction is invested in host country development.[17] On the micro level, companies seek within their operations and supply chains to adhere to certain minimum standards, to protect the environment, to create jobs and ensure labor rights, and to work with communities to find equitable solutions for land conversion. On the meso level, companies are exploring ways to increase the level of local value creation by using local SMEs as suppliers and by adding more production steps within the host country.

Hasenkopf GesmbH, Sudan

Joint Venture for quality improvement of natural stone products

Hasenkopf is an Austrian stone masonry business. It is constantly seeking new sources of high-quality natural stone products for their customers worldwide. To that end, it launched a joint venture in Sudan with the medium-sized Farasin Trade and Contracting company aimed at improving the quality of natural stone products in Khartoum.

The project was cofinanced by the Austrian Development Agency (ADA). The project mainly focused on improving and stabilizing supply-chain management by transferring know-how at all levels, including the creation of a stonemason's school. The school's first year of students has already completed the training course.

Implementing this apprentice teaching project has helped create jobs, while the new skills possessed by the trained craftsmen are appreciated locally by customers.

Source: Interview with Christina Hasenkopf, March 14, 2011

Textile industry and labor-intensive manufacturing

LDCs also offer an abundance of workers at comparatively low cost. The textile industry in particular has become fully globalized in the search of ever-cheaper labor. Textile manufacturing is constantly relocating from one country to the next under the pressures of global price competition. Hence, poor labor standards and the use of child labor have been endemic in this sector. Producers find themselves engaged in fierce competition in a legal environment that does little to enforce labor rights.

Retailers in industrialized countries have responded to NGO campaigns and customer demands, taking measures to improve their supply chains by adhering to certain standards regarding working conditions, pay, and labor rights. Initiatives such as Better Work, a partnership between the International Labor Organization (ILO), the International Finance Corporation (IFC), and many textile companies, aim to improve compliance with labor standards and competitiveness in global supply chains.

Tourism

A number of LDCs are already well known as tourist destinations. Tanzania and Madagascar in Africa, Nepal and Laos in Asia, and the Oceania island states of Samoa and the Solomon Islands are all good examples of this. Yet the quantity of this tourist spending that reaches the poor – either directly or indirectly via improvements in overall development levels and infrastructure – crucially depends on the management of tourism projects. Donors help to establish private sanctuaries for animals for tourism companies, train employees for hotels, and set up institutions such as business associations.

Energy, telecommunications, and financial services

LDCs have not traditionally been viewed as holding valuable market opportunities. However, an increasing number of companies are today discovering these markets' potential. People in these countries are severely underserved even with respect to basic goods such as electricity, water, or sustainable housing, and have a high willingness to pay for productive services such as energy, telecommunications, and financial services. Viable business models have been developed for many developing countries, and though activities in LDCs remain limited, momentum in these nations may grow with time. The case study of EDF's rural electrification project on page 21 shows the potential for such activity.

Health and education

Many companies have defined health and education as the focus of their philanthropic activities. Companies seek to "give back" particularly to individuals – above all women, children and youth – whose opportunities are constrained because they suffer from ill health or limited education and vocational training. Companies provide financial and in-kind support such as pharmaceuticals or volunteer time to organizations that provide education and health care to these people.

Companies can be motivated by humanitarian reasons to direct their attention to LDCs. But there are also business reasons for doing so: In highly underdeveloped environments, companies can demonstrate their capabilities and achieve significant impact, enhancing their own competencies and brand while exploring new partnerships and innovative solutions. Some donors already channel these contributions in such a way as to pool resources, and support companies in creating lasting programs. They thus increase the impact of these activities for LDCs.

EDF, Africa

Rural electrification in Africa

In Mali, about 80 percent of the 12 million Malian inhabitants live in rural areas. However, only 13 percent of the rural population has access to electric power. Because the provision of electricity is a prerequisite for development and the creation of economic opportunities, Electricité de France (EDF) has been active in Mali and other African countries since 1996, providing energy for development while gaining new customers.

Instead of using car batteries, kerosene lamps, and candles, all of which are expensive and partially harmful, EDF has worked with Dutch energy company NUON and the French TOTAL in Mali (as well as TOTAL in Morocco, TOTAL and Calulo in South Africa, the utility BPC in Botswana, and Matforce in Senegal) to establish a number of rural energy service companies (RESCOs) as providers of low-cost solar or low-voltage energy, following a successful 1999 pilot project. This concept was designed with the close collaboration of the French Environment and Energy Management Agency. Since the program's start, various public donors including the World Bank, the French Development Agency, KfW, AfDB, and the Dutch government have supported these projects. Following the launch of a project in a given region, EDF's objective is to take it into independent local private ownership after a project time frame of 10 to 15 years. This model is designed to be replicated in other regions and countries. The program is to be expanded from the 350,000 people currently served to more than 1 million people in the next three to four years.

Sources: Mamadou Gaye (2007) Rural Electrification in Mali: Improving Energy Accessibility to the Rural Poor; interview with Guy Marboeuf, March 11, 2011

Private sector contributions in public-private collaborations

"Today we take a much higher level of interest in our supply chains – we no longer only buy the products. We need to work with the farmers in LDCs to make them successful in order to make our business successful: That is quite a development agenda." This statement by a company representative eloquently illustrates how and why the private sector contributes to development in LDCs.

In the collaborations analyzed, the private sector contributed expertise, funds, and other resources, contributed through the purchase and sale of goods and services, helped to implement and bring projects to scale, and advised governments and organizations on the creation of enabling environments.

Provision of expertise, funds and other resources

Companies can contribute to the costs of a public-private collaboration either in money or in kind. They can also leverage their distribution systems to reach into remote villages or provide expert with knowledge. In collaboration with public and other private stakeholders, companies help to create markets by training suppliers and employees, setting up logistics or waste management systems, or providing products and services.

In projects that are mainly philanthropic, companies (or their foundations) sponsor projects and attract other companies to do likewise. In LDCs, socioeconomic issues including underdeveloped infrastructure, education, and health systems are deeply entrenched. The public sector often needs support to improve these systems, which are vital to social and economic development. Companies can play a complementary role by delivering public goods through their philanthropic activities. By doing so, they can display their capacities, establish relationships with stakeholders and potential new civil society partners, and identify new market opportunities and innovations.[18]

An illustrative example of this is the SMS for Life project. This project involves Tanzania's Ministry for Health and the Swiss Development Cooperation in partnership with Novartis, IBM, Vodafone, and the Roll Back Malaria Partnership and focuses on eliminating pharmaceutical shortages and improving access to essential medicines in sub-Saharan Africa through the use of mobile technology tools. In this particular case, Novartis has no immediate expectations of profit, but considers its efforts to be part of a long-term investment in the health system's information network – which ultimately may help improve the business environment in the region.

Companies use these projects to build a hybrid business case relying on value creation in the form of assets such as reputation, employee retention, and the social license to operate. The Coca-Cola Company, for example, has committed $30 million to provide access to safe drinking water to communities throughout Africa through its Replenish Africa Initiative (RAIN). "RAIN helps us both fulfill our environmental goals while also providing health benefits that will allow our communities and our business to grow and prosper," said William Asiko, president of The Coca-Cola Africa Foundation.[19]

Purchase and sale of goods and services
The private sector can provide low-income people with goods and services that fulfill social and economic needs. A public organization can help to establish a market for solar energy, but it takes a company to deliver lamps or home solar-power systems. On the other side of the economic equation, a public organization might help to improve farmers'

Microsoft

Partners in Learning for a better future

Microsoft's Partners in Learning program is a 10-year, almost $500 million global educational initiative that aims to improve the teaching, learning, and integration of information and communication technologies (ICT) in educational environments, in collaboration with national and local governments. The ultimate aim is to facilitate a better future for millions of children by providing them with education.

By training teachers and school leaders and supporting greater access to technology, Microsoft helps educators incorporate ICT into everyday school life and lessons, ensuring that tomorrow's students are prepared for further education and careers. The program provides professional development and training, peer coaching, and recognition for school leaders and teachers in order to support the deployment and use of technology.

Established in 2003, the program has reached about 8 million teachers and 190 million students in 114 countries during its first seven years. In Ethiopia, for example, Microsoft was able to reach over 100,000 teachers with more than 4.5 million students.

Sources: Microsoft, www.microsoft.com/partnersinlearning; Business Action for Africa (2010) Business Partnership for Development in Africa.

Gebana, Burkina Faso

Local value creation in the cashew nut supply chain

Gebana is a Swiss fair-trade pioneer that distributes ecologically cultivated organic foods from developing countries. In Burkina Faso, Gebana Afrique has established itself as a leading exporter of organic and fair-trade dried fruits. To achieve this, it has collaborated with groups such as the Fairtrade Labeling Organizations International, the International Fair Trade Organization, and the Swiss Institute of Marketecology (IMO), as well as with local farmer's cooperatives.

Based in Ouagadougou, Gebana Afrique trades in labor-intensive fruit and nuts such as mangos, pineapples, and cashews. But Gebana wanted to generate more value in Burkina Faso by processing the agricultural products within the country. To this end, Gebana entered into a partnership with Sequa, one of the three organizations that implement the developpp.de program on behalf of Germany's Federal Ministry for Economic Cooperation and Development (BMZ). Through vocational training, the introduction of quality management systems, and the construction of pilot plants, they supported the farmers in producing high-quality products for export. Gebana provides preliminary financing and offers consulting on agricultural issues and on how to improve processing methods. In this way, Gebana Afrique in collaboration with its public partner has provided income and jobs in the producing and processing sector for about 800 Burkinabe families.

Sources: Gebana, www.gebana.com; Federal Ministry for Economic Cooperation and Development (BMZ)

skills, but companies actually buy agricultural products such as coffee or cocoa. Companies provide links between LDC customers, local companies and farmers and the formal market.

Inclusive business models can alleviate poverty in a targeted way. These business models integrate people in poverty into value chains as consumers, suppliers, business partners, and employees. For example, companies can provide people in low-income markets with access to products that help to improve their standard of living. Électricité de France (EDF, see case study on page 21) and INENSUS respectively provide power to people in Mali and Senegal who previously lacked access to affordable, clean and reliable energy.

Employment provides LDC citizens with access to income and opportunity, both inside and outside the company context. According to The Coca-Cola Company, 15 to 17 jobs are created in its supply or distribution chain for every worker it directly employs in an LDC. This multiple is lower in non-LDC markets – around 10 jobs per Coca-Cola employee – since LDCs are characterized by a large quantity of cheap labor and a relatively low level of technology.

Implementation and bringing projects to scale

Companies are driven by the necessity to allocate resources efficiently. They therefore have the knowledge and skills to implement projects in set time frames, the ability to adapt to changing market environments and needs, and the economic power to bring projects to a larger scale. These can be valuable assets when a particular program or service is being designed to reach a large number of people. In an ideal world, the public sector helps to establish a venture with a positive social impact, which following the start-up phase is run in a self-sustaining way by the private-sector partner. German insurer Allianz was able to roll out its microinsurance program in India after initial pilot projects supported by UNDP and GIZ (on behalf of the BMZ), as well as in several African countries such as Senegal.

Engage in dialogue with governments on a business friendly environment

Companies from industrialized countries have considerable expertise in their own industries, and often a familiarity with the challenges in creating business models suitable for low-income markets. In addition, they have significant experience in the development of incentives and enabling environments. Public-private collaboration in the field of advocacy and public policy engagement is thus crucial. The private sector carries significant political weight, and is able to call attention to development challenges and market constraints. It can also provide governments with information on options for political frameworks. Many companies have joined together to form standards-setting initiatives in areas such as working conditions, often under the auspices of industry or trade associations. These initiatives either voluntarily expand on existing law or remedy gaps in existing legislation. For example, drawing on the help of its public partner, the Better Cotton Initiative advocated for policies to make trade in fair trade cotton viable. In the process, members created the

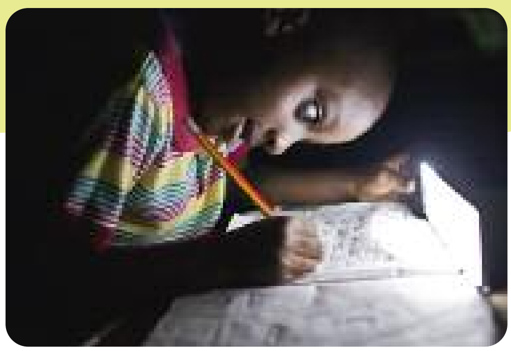
Philips Lighting, Africa

Green light for Africa

True to the motto "Green Light for Africa," the Dutch Ministry of Foreign Affairs has partnered with Philips Lighting, a division of the Netherlands-based multinational Philips Electronics, to develop sustainable distribution chains for solar-powered lamps in Africa. In rural regions, many people lack access to light during the night, which limits rural development and the quality of life for millions of Africans. Although commercial kerosene lights and pocket flashlights are widely available, they are expensive to use, environmentally harmful, and endanger the health of their users.

To instead substitute environmentally friendly solar-powered lamps, the Dutch ministry and Philips engaged in a bilateral one-to-one public-private partnership (PPP). With a total budget of $8.6 million (€6 million), each partner provides the PPP with equal contributions of $4.3 million (€3 million). This budget is earmarked for work in about 10 sub-Saharan countries over a four-year project time frame. Whereas Philips invests in the product development, localized marketing, and distribution, the Dutch ministry promotes the development of the market by engaging local entrepreneurs and NGOs in marketing, training, and microcredit activities. Following the launch of a pilot project in northern Ghana in 2008, this PPP is currently active in least developed countries including Kenya, Tanzania, Mali, and Rwanda.

Sources: Dutch Ministry of Foreign Affairs (2010): Report Public-private Partnerships – Ten ways to achieve the MDGs; Dutch Ministry of Foreign Affairs (2009): Private Sector Development Programs



Investment Climate Facility for Africa (ICF)

Collaborating for a business friendly environment

The ICF was established in the wake of increasing recognition that an improved African investment climate is a fundamental requisite for wider economic growth, job creation, and improved prosperity. ICF has been endorsed by a number of international forums, including the G-8 at Gleneagles 2005 and the Commission for Africa.

In 2006, African leaders launched ICF as a multi-donor fund that aims to improve the economic climate for enterprises in Africa. In particular, the initiative tackles problems facing enterprises in the areas of customs rights, business procedures, and ownership rights. It has advocated for legislative changes in discussions with 29 African governments.

The initiative is supported by the Dutch Ministry of Foreign Affairs, the United Kingdom's Department for International Development, and the International Finance Corporation, and operates in cooperation with businesses including Coca-Cola, Unilever, Standard Bank, SAB Miller, and Anglo American. Based on the experiences of its partners, especially those from within the business community, the ICF advises national and local governments on technical and governance issues. For example, it fosters the establishment of land registry offices and commercial courts with the aim of increasing access to credit and boosting investor confidence.

Sources: Ministry of Foreign Affairs (05/2009)
Private Sector Development Programmes; International Finance Corporation (IFC)

basis for a cotton supply chain that includes tens of thousands of small-holder farmers (see case study on page 30).

Companies may also help to improve public health or education systems. Abbott, a global health care company, has supported the Tanzanian government in its efforts to improve its national health infrastructure. Since 2001, the Abbott Fund has committed more than $50 million to strengthening Tanzania's health systems though the modernization of facilities, the training of health care workers and managers, and the expansion of access to HIV testing and treatment.[20]

Donor programs for public-private collaboration

Beginning with the BMZ in 1999 and USAID in 2001, a growing number of donors have added programs enabling collaboration with companies to their portfolio. Each of the 15 donors in the survey currently has some form of partnership program with the private sector.[21]

The budgets that are available for collaboration with companies have also increased. Since budgets are not always public, and programs are in some cases embedded within larger programs, it is difficult to determine the total amount available for these kinds of projects to date. Nonetheless, there are examples illustrating the trend toward growing budgets: At the end of 2009, USAID had more than 1,000 alliances in its Global Development Alliance Programme, which includes collaborations without corporate participants. Its funding has been matched by more than $12 billion from public and private resources.[22] The BMZ documents a ten-year (1999 – 2009) budget of $719 million (€500 million) for its develoPPP.de program.[23]

In addition to the bilateral donors that are the focus of this paper, multilateral organizations and development banks have also started to engage with companies. In 2000, the UN launched the United Nations Global Compact that is now the world's largest, global corporate responsibility initiative. More than 8,000 signatories based in more than 135 countries – 6,000 from business and 2,000 from civil society and other non-business groups (spring 2011) – are committed to implementing Global Compact principles into business practices and taking actions to advance UN goals, such as the Millennium Development Goals.[24] Thirty UN programs, agencies, and funds present themselves on business.un.org, the UN's portal for matching business resources with needs from UN organizations. The IFC, the branch of the World Bank that works with the private sector, has invested $12.6 billion in 2010, up from $5.3 billion in 2005, and its number of projects has more than doubled, from about 236 in 2005 to more than 500 in 2010.[25]

Finally, a number of global trisectoral mechanisms have been developed that bring together the competencies of public, private, and civil society actors in order to tackle global problems. The Global Fund for HIV/AIDS, Malaria and Tuberculosis, along with the Global Business Coalition that coordinates the participating companies, is just one example in the domain of health. The Global Alliance for Improved Nutrition (GAIN, see case study on page 16) or the Global Alliance for Clean Cookstoves represent similar coordination efforts in other domains.

Through their programs for public-private collaborations, donors contribute four main types of support: funding, advice and brokering, implementation support, and policy dialogue.

Funding

All of the donors considered in this study support companies with grants, loans, or guarantees if they start ventures contributing to societal development and growth in LDCs. Donors usually support only tasks that fall outside the companies' core business and aid in avoiding market distortions, such as feasibility studies or vocational training potential employees. Examples of these activities include awareness-raising campaigns or the capacity building project by CIWI GmbH featured in the case study below. Particularly in LDCs, the ability to share risk is a powerful incentive for companies to seek collaboration. Cost-sharing is therefore also available for companies willing to invest in facilities such as production plants in rural areas of developing countries that promise to generate many jobs and value creation.

In collaboration with companies and other stakeholders, rather small sums can have a major impact. The Norwegian development agency NORAD, for example, has funded a concept for an agricultural partnership in Tanzania that has catalyzed a multi-stakeholder project, the Southern Agricultural Growth Corridor of Tanzania, which plans to integrate thousands of small-holder farmers into international supply chains (see case study on page 18).

Donors fund not only individual projects by companies but also platforms like the “Better Cotton Initiative” (see case study on page 30) or the Extractive Industries Transparency Initiative (EITI).

Advice and brokerage

Companies from developed and emerging markets often enter new territory when they start business in LDCs or begin targeting groups in these countries with an income much lower than their traditional customers. Donors have been working in LDCs for decades and are familiar with the social problems, the challenges of the political environment, and the needs of the people and the country. Public players might not be able to translate these needs directly into business models, but they play an important role in gathering and presenting this information. For example, the knowledge delivered by experts from the “Financial System Development” department of the German development agency GIZ have benefited the German insurance company Allianz in their current efforts to improve the quality of their microinsurance portfolio.

Advice and brokerage are common features of public-private partnerships like the Finnish “Finnpartnership” or the Swiss “Public Private Development Partnerships” programs. The Danish Ministry of Foreign Affairs, DANIDA, has set up a specific partnership program that

CIWI GmbH, Mozambique

Developing an ICT qualification program for non-profit professionals in Mozambique

In 2010, the German software company CIWI GmbH initiated a project in Mozambique to train professionals of non-profit organizations and companies in the field of modern information and communication technologies (ICT). The project was funded by the German Federal Ministry for Economic Cooperation and Development (BMZ) through the develoPPP.de program and realized in cooperation with local educational agencies.

CIWI's core business is consulting and information technology for development agencies and NGOs. Having faced the challenge of implementing projects in a context where experience and know-how in accounting, project management, and IT administration were lacking, they set up a two-year program targeting professionals in non-profit organizations and SMEs. The program develops these skills as it raises awareness for traceability and transparency in business processes. In the long run, the project will be taken over by local partners who will conduct further trainings and ensure sustainability.

Sources: Sequa; CIWI GmbH, www.ciwi.eu; interview with Klaus Merckens, CIWI GmbH, March 8, 2011.

Simon Levelt Coffee Roaster, Uganda

Overcoming obstacles in a Ugandan investment with donor support

After collaborating in the coffee business for a few years, the Dutch company Simon Levelt BV and its exporting partner in Uganda, Kawacom Ltd., decided to initiate jointly a supply chain project in order to offer high-quality organic arabica coffee from the East African country. The partners set their sights on 6,000 local coffee planters to be transformed into organic farmers through training and certification. They also decided to build a central wet processing plant in Mount Elgon, eastern Uganda. Thanks to these investments, small-holders have been able to increase their income, and the processing plant currently employs nearly 100 people, including women in management positions.

The Dutch Foreign Ministry's Private Sector Investment (PSI) program supported the investment in Uganda by covering 60 percent of the costs and by providing the necessary advice and enthusiasm to see the project through difficult times. The ministry's contact person visited the plant on a regular basis and provided sound, professional advice. The necessary investment and training would have been too great of a risk for a medium-sized company like Simon Levelt without the support of public funding and advice. Their efforts helped ensure that the project's goals be met.

Source: Interview with Paula Koelemij, Simon Levelt, March 9, 2011

facilitates "Innovative partnerships for development" in the field of business model for low-income markets (BoP) and CSR for development.

In recent years, some agencies such as the UNDP have built up a group of experts on collaboration with companies. These "UNDP brokers" provide guidance in developing inclusive business models that incorporate people in poverty into value chains. In one such example in Sudan, the local UNDP broker collaborated with the German Kräuter Mix GmbH in order to strengthen the hibiscus tea value chain.

Donors also play an important role in brokering partnerships with other actors. They are typically well connected with NGOs, political players, academia, service providers, and the local business community. This enables them to bring together potential partners and to organize roundtables with relevant stakeholders. Their neutral role is integral to establishing trust and openness between actors that may otherwise never meet.

The involvement of the public sector helps ensure that projects driven by companies consider social and environmental issues. Because companies typically look at a country in terms of its market, its people as customers, and its needs as a business opportunity, this holistic approach may not be on the agenda of every company. Donors bring other perspectives to the table and ensure that projects are designed to serve the national development agenda of the host country.

Implementation support

Donors also play a vital role in implementing collaboration projects on the ground. Their assets – global offices, highly skilled local staff, technical experts, and important networks – enable them to provide hands-on technical support that lies beyond the capacities of their partner company.

infoDev, Government of Finland, Nokia Corporation, Africa

Creating sustainable businesses in the knowledge economy

Aiming to strengthen the productive capacity of SMEs in the agribusiness and ICT sectors in developing countries, infoDev, the Finnish government, and Nokia set up in 2009 the public-private collaboration Creating Sustainable Businesses in the Knowledge Economy (CSBKE). This program enables innovation, entrepreneurship, and access to knowledge and markets. The program' activity focuses on supporting the establishment of mLabs that provide training, mentoring, networking, and access to finance for future entrepreneurs.

Funded by the Finnish government (€12.9 million), CSBKE is implemented by the infoDev team, which oversees relations, coordinates daily operations, and provides hands-on assistance and guidance on financial, technical, strategic, and communication matters. This role suits infoDev well as it is a research, capacity building, and advisory program helping developing countries and their international partners use ICT effectively as tools for sustainable economic development. Nokia comes in as the technology and knowledge partner for established mLabs. These labs are set up and hosted by local consortiums consisting of universities, NGOs, incubators, and technology parks in the three program regions drawing on infoDev's expertise from their network of close to 300 small business incubators across 87 developing countries.

Sources: infoDev, www.infodev.org; Nokia, www.nokia.com

Agencies such as the World Bank have specialized units that manage the implementation of development programs on the ground. One such unit, infoDev, runs 300 small business incubators across 87 developing countries, each of which serves as a hub for local business development. In collaboration with Nokia, they set up mLabs, which support mobile businesses (see case study above).

Donor agencies pass on their knowledge through training and technical advice. Working with the German provider of off-grid energy solutions Phaesum GmbH, GIZ organized trainings in Mozambique and helped set up a laboratory at the country's largest university in Maputo, all in order to support the company's efforts in establishing a market for solar devices in Mozambique.

Policy dialogue and business friendly environments

The biggest obstacles facing companies doing business in LDCs are the absence of a business friendly infrastructure and regulatory frameworks. Donors can advise on regulation and other measures to improve business and investment climates. They can also help establish intermediaries such as business associations or chambers of commerce that facilitate dialogue between policymakers and the private sector, and encourage multi-stakeholder dialogues that include civil society and unions.

Where collaboration projects venture to create a whole new industry, donors can share their experience on adequate regulatory frameworks. World Bank support proved important for EDF in Mali because there was no regulation for energy provision when they first began providing electricity to villages in the African state. Drawing on donor advice, the Mali government set up a new legal framework.

Public-private dialogue can serve as a mechanism for advocacy. A helpful framework here is the "Charter of Good Practice in using Public Private Dialogue for Private Sector Development" that was developed at the first International Workshop on Public-Private Dialogue, held in Paris in February 2006 and organized by a cross-sectoral team from the World Bank Group, DFID and the OECD Development Centre. The web portal www.PublicPrivateDialogue.org contains the collection of knowledge and advice for stakeholders who are interested in building or maintaining public-private dialogues that improve business climates.

Poor governance and problems like corruption can also be overcome with the support of donors. The Global Business Coalition on HIV/AIDS, Tuberculosis and Malaria faced several problems related to counterfeit drugs and intellectual property questions because of the weak legal frameworks in the LDC countries targeted. The Coalition received support from their public stakeholder UNAIDS in improving regulation and prosecution efforts, which helped create a more attractive environment for companies providing drugs in LDCs.

Donors can also enhance the sustainability of philanthropic projects in sectors such as health or education by advocating for their transfer into national systems. Donors can contribute to the long-term development of LDCs by identifying organizations with strong outreach capacities to continue successful projects and by flanking these efforts with policy development.

The Cadbury Cocoa Partnership, which aims to secure the cocoa supply chain of the world's leading confectionery company as it improve the lives of ten thousands of farmers, introduced in collaboration with the UNDP a training system for cocoa farmers in Ghana that increased productivity. The Ghanaian government, which was involved in designing the program, has adopted the approach – which will raise the number of farmers envolved in the program from 70,000 up to 250,000.

The Better Cotton Initiative (BCI), West and Central Africa (among others)

Improving cotton production

The Better Cotton Initiative was founded in 2005 by various companies, among them large textile companies like Adidas, H&M, and IKEA, together with NGOs, in order to improve economic, environmental, and social sustainability at the source of global cotton supply chains.

The initiative is funded by members and donors such as SIDA, SECO, Rabobank Foundation, and the Dutch government and emphasizes stakeholder participation across the spectrum of the global cotton supply chain. The public sector ensures that the reality of field experience is understood among policymakers. A holistic approach of this kind that includes local stakeholders helps create systemic changes and contributes to an improved business and regulatory environment for cotton production.

Since 2005, the initiative has been active in nine countries, including five LDCs: Benin, Burkina Faso, Mali, Senegal, and Togo. BCI expects to work with around 150,000 small-holders in its focus regions in the 2011- 2012 season (compared to 68,000 farmers in 2010), and will continue to respond to interest expressed by many other countries with its 60-member organization.

Sources: The Better Cotton Initiative, www.bettercotton.org; interview with Lise Melvin, BCI, March 11, 2011

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Table 2: Donor programs for public-private collaboration targeting development (according to contribution).[26]

Institution	Program	Funding	Advisory & Brokerage	Implementation support	Policy dialogue & enabling environment[2]
ADA, Austria	Business Partnership program: Cost-sharing.	✓	✓	✓	
AFD Group, France	Financing: AFD grants equity as well as concessional and non-concessional loans or guarantees.	✓			
	Public-private partnerships: Involvement as a lender and/or as a counselor of the public authority in setting up the PPP contract, as a support organism in improving the regulatory environment in adapting to PPPs, or as a lender to the private party in the funding arrangement.	✓	✓		✓
BMZ, Gemany	Developpp.dePPP-Facility for Africa / Integrated Development Partnership: Development partnerships with the private sector involving cost- and risk-sharing.	✓	✓	✓	✓
	Sustainable economic development: targets capacity-building to improve the business and investment climate, economic policy, and the development of the private and financial sectors.				✓
	Public-private dialogues and multi-stakeholder dialogues in development cooperation (e.g., UN Global Compact).		✓		✓
CIDA, Canada	Partners for Development program: Challenge fund.	✓			
	Investment Cooperation program (INC): Cost-sharing program to examine the viability of investments, demonstrate and adapt appropriate technologies, and undertake activities that enhance the social and economic benefits of those investments.	✓			
DANIDA, Denmark	Mixed credit program: Interest-free or low-interest loans for use in financing equipment and services for development projects Program will be relaunched as DANIDA Business Finance in summer 2011.	✓			
	Innovative Partnerships for Development: Brokers links between companies, and provides financial support and technical assistance (fields: CSR, BoP).	✓	✓	✓	
	B2B program: Brokers partnerships between Danish companies and companies from DANIDA's program countries. The Growth and Employment policy to be launched in summer 2011 will replace the latter two programs with DANIDA Business Partnerships.		✓		

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Institution	Program	Funding	Advisory & Brokerage	Implementation support	Policy dialogue & enabling environment[2]
DFID, UK	Support for a number of public-private partnerships (PPPs), including the GAVI Alliance and the International Finance Facility for Immunisation (IFFIm).	✓	✓		✓
	Support for initiatives aimed at increasing transparency in the private sector, including the Extractive Industries Transparency Initiative (EITI), the Construction Sector Transparency Initiative and the Medicines Transparency Alliance (MeTA).	✓	✓		✓
	Support for international facilities, such as the Private Infrastructure Development Group.	✓			
	DFID challenge funds: offer grants to businesses on a competitive basis to help cover start-up costs.	✓			
	Business Innovation Facility and the Business Innovation Practitioner Hub: Broker links among companies and between companies and NGOs, provide financial support (grants), facilitate knowledge sharing.	✓	✓	✓	
Finland	Finnfund: A financing institution that leverages private investment in developing countries with the help of ODA-funded capital.	✓			
	Finnpartnership: Offers financial seed money and advisory services for Finnish companies to start and implement their business operations in developing countries.	✓	✓		
	Concessional credit scheme: Supports the export of Finnish technology to developing countries with substantial developmental impacts.	✓			
	Cluster: Finland's Ministry for Foreign Affairs aims to activate support in Finnish society for the objectives of the government's development policy through policy clusters conceived as centers of excellence.				✓
IFC	Public-private partnerships (PPP) generating successful public tenders in which private operators are selected.	✓			
	Investment services include loans for IFC's loans for IFC's account, syndicated loans, equity finance, quasi-equity finance, equity and debt funds, structured finance, risk management products, local currency financing, sub-national finance, and trade finance.	✓			

IFC	Improving the Investment Climate: An IFC advisory service fostering competitive markets, growth, and job creation by helping governments design and implement reforms adapted to their business environments.				✓
JICA, Japan	Industrial policy dialogue				✓
	Public-private partnership program and project			✓	✓
	Preparatory Survey for BOP (base of the pyramid) Business Promotion	✓			
	Utilization of grant assistance for grassroots human security projects to promote public-private collaboration	✓			
Ministry of Foreign Affairs, Nether-lands	The Private Sector Investment program (PSI), with two facilities, PSI Regular and PSI Plus: A subsidy program that also offers knowledge sharing, contacts and advocacy services.	✓	✓	✓	✓
	Challenge funds: Ministry roles vary from providing financing to being an active, strategic (and financial) partner in the PPP. For example, in the Dutch Sustainable Trade Initiative that brokers links between companies and NGOs and governmental organizations, provides technical assistance, and fosters knowledge sharing.	✓	✓	✓	
	Matchmaking facility: Matches companies from developing countries with Dutch counterparts.		✓		
	Facility for Infrastructure Developments: ORIO is a grant facility intended to contribute to the development, implementation, operation and maintenance of public infrastructure in developing countries.	✓			
SDC, Switzer-land	Public-private development partnerships: Mainstreaming approach by SDC operational units aimed at fostering collaboration and partnerships with the private sector, featuring bilateral cooperation and global programs.	✓	✓	✓	✓
	Public-private dialogue and multi-stakeholder initiatives: Fosters public-private dialogue and multi- stakeholder initiatives to establish voluntary guidelines and standards in SDC's global programs on issues including food security, climate change, water, migration and others.				✓
SIDA, Sweden	Innovations Against Poverty program (challenge fund): Provides financial support and serves as an advisory and risk-sharing mechanism for sustainable business ventures with strong potential in alleviating poverty.	✓	✓		
	DemoEnvironment (challenge fund): Provide SIDA's partner countries opportuni-ties to use proven modern environmental technology solutions that are new to the target country.	✓	✓		
	Public-Private Partnership program: Aims to expand opportunities for people living in poverty through education, infrastructure and health investments, and by improving their inclusion in value chains.	✓	✓		

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Institution	Program	Funding	Advisory & Brokerage	Implementation support	Policy dialogue & enabling environment[2]
SIDA, Sweden	Clusters: Authorities, business organizations, NGOs, and other organizations are engaged to take the lead in facilitating support of development objectives.	✓	✓	✓	✓
	Development loans and guarantees: Provide new opportunities to expand and leverage available resources for economic development by linking grant aid with market finance and/or with guarantees.	✓			
	Innovative financing: Develops new ways of financing research and product development for global public goods with a focus on leveraging private sector resources.	✓	✓		
	Partner-driven cooperation: Promotes cost-sharing that enables private sector actors to explore and initiate possible cooperation activities that can generate long-term, sustainable relationships.	✓			
UNDP	Inclusive Market Development: Facilitation, advocacy, brokering partnerships for sector / value chain development.	✓	✓	✓	✓
	Green Commodities Facility: Facilitates platforms for sustainable commodity production at country level.		✓	✓	✓
	Africa Facility for Inclusive Markets: Promotes market development at regional level, supports cross-country and country-specific value chain initiatives.	✓	✓	✓	✓
	Growing Inclusive Markets: Global research and advocacy partnership initiative to understand and inspire inclusive business approaches.		✓		✓
	Business Call to Action: A public-private multi-donor initiative that challenges companies to adopt inclusive and competitive business models.		✓		✓
USAID, USA	Global Development Alliance (GDA): USAID contributes to several alliances worldwide with a wide range of assets including access to broader financing options, assistance in skill and knowledge development, and applying its extensive knowledge of country environments to help reduce the risks of investing in some of the world's poorest countries.	✓	✓	✓	✓

Shortcomings and promising approaches

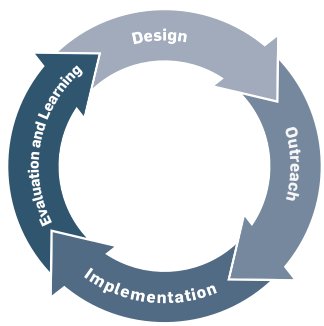
For the most part, donors' existing public-private collaboration programs do not yet reflect the special challenges associated with LDC environments. Hence, it comes as no surprise that examples of public-private collaboration in LDCs are rare, with most concentrating on a few large and growing countries. Nevertheless, these collaborations have the potential to make a valuable contribution to sustainable development in LDCs, where economic growth and private sector activity is often an important prerequisite to the achievement of other development objectives.

This chapter summarizes the current shortcomings of the donor public-private collaboration programs reviewed in the previous chapter. It also identifies examples of donor activities in which these shortcomings are already being addressed. Based on these observations, the final chapter provides general recommendations tailored toward developing programs better able to attract companies into public-private collaborations in LDCs. This chapter and the next follow the logic of the program life cycle when conceptualizing donor programs.

The life cycle of a donor program consists of four main stages, as illustrated to the right:

- Design: The program design defines the structure and content of a program, as well as how it is to be linked to other programs. It sets the framework for collaboration, answering questions such as what role the donor will play, what role is expected of the private sector, and how the program will be connected to other programs and activities being performed by the same and other organizations.
- Outreach: To gain participants for the program, donors must reach out to the target group and communicate the opportunities afforded.
- Implementation: Once a participant decides to join the program, a concrete collaboration project must be designed and implemented.
- Evaluation and learning: Finally, individual projects as well as the overall program must be evaluated in order to enable learning and continuous improvement.

Some of the shortcomings identified are associated with the particular challenges presented by LDCs described the chapter "Special challenges in LDCs". Others are relevant on a broader level. Addressing these can improve the performance not only of collaboration programs within LDCs, but also of public-private collaborations in general.



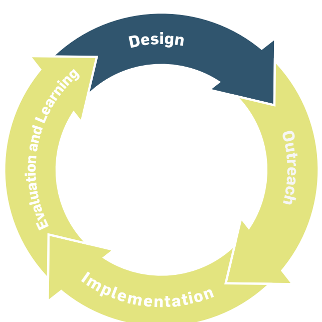
Program life cycle

Project-related challenges for companies working in collaboration with donors agencies

Companies valued the positive contributions made by donor agencies in the course of their collaboration. The main challenges they identified were focused on collaboration processes in the context of concrete projects. These difficulties are now well known. They are reiterated here in passing because they continue to impede the successful implementation of partnerships, even to the point of dissuading companies from continuing their collaboration. Donor agencies could build "best practice" approaches into their project guidelines and processes, in such a way as to alleviate some of these challenges. They could also work with internal and external brokers who have the ability to soften this "clash of cultures," and to help partners to understand the "other side."[28]

Company criticisms have focused on the following issues:

- **Bureaucracy:** Extensive documentation and approval processes are the biggest area of discontent for companies. These processes are resource-intensive, and thus are associated with significant costs. They also slow down the development of projects and hence their profitability.
- **Slow pace:** Companies find it difficult to adjust to the often slower pace of their public sector partners. Bureaucracy, as well as different organizational cultures, make it difficult for the public sector to keep up with the expectations of their private sector partners.
- **Different languages:** Companies find it hard to understand their public partners, who come from a different institutional background imprinted with its own logic and jargon. This lack of a common language leads to misunderstandings and frustrations.
- **Adversarial mindset:** In some cases, companies experience hostility in their collaboration with donor agencies. Some donor staff members still see the private sector as an enemy that seeks to exploit the host country and its people. This creates a tense atmosphere, making it hard to identify common agendas and build trust.
- **Different objectives:** The partners in a collaborative venture sometimes have very different objectives. While a business may seek to increase its market share, the public partner may only be interested in certain health outcomes. Nevertheless, in order to collaborate effectively, these differing objectives need to be accepted by both partners.



Design

In many cases, donor programs fail to reflect the special challenges, risks, and uncertainties associated with LDCs. This is true both in developing financing plans and in donors' failures to highlight the potentially complementary nature of contributions in the domains of policy dialogue, implementation support, advice, and brokerage. Donor countries' policies and programs lack coordination both internally and externally, and in some cases can even be contradictory.

Funding is too prominent vis-à-vis other donor contributions

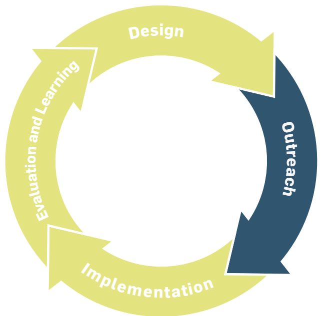
Most donors' public-private collaboration programs focus on co-funding company initiatives. Funding is certainly an important element in risk-sharing, particularly during the uncertain development phases of a new business, as well as in co-financing "public good" investments in sectors such as education or health. Nevertheless, what makes business in LDCs especially challenging is the lack of basic market infrastructure, including legal and regulatory frameworks, physical infrastructure, education and skills, market information, and financial services. Improving these environmental conditions is a core competency of donors and governments. Companies often lack the skills, incentives, or legitimacy to intervene in these domains. Donors are working to improve the overall business environment in LDCs, especially through their private sector development (PSD) programs. In addition, wherever possible they often support companies involved in collaboration projects directly using their local staff. Yet this kind of support is often not visible to companies, most of which lack familiarity with donors' work. Nor in most cases is this activity tied systematically into the program design. Companies in the interviews cited advice and brokerage, implementation support, and policy dialogue as donors' most critical contributions to collaborations. Donors could offer and communicate these "services" much more directly to companies.

Promising approach:
UNDP's Inclusive Market Development (IMD) Initiative aims to support the development of markets that create opportunities for people in poverty as consumers, producers, entrepreneurs, and employees. To this end, it works with companies, governments, and other stakeholders from all sectors to improve the business environment and develop functional value chains. Private sector focal points in 17 countries including four LDCs support companies in developing inclusive business models by facilitating contacts and partnerships with other organizations, providing information and advice, and creating forums for dialogue with government and other stakeholders.

Projects timelines within LDCs are too short
Projects in LDCs take much longer to bear fruit than do projects in more developed contexts. Market conditions are often extremely challenging. Companies and their partners have to start with the basics: building harbors or streets, providing basic education and skills training, introducing formal business processes, and so on. Yet collaboration projects typically have to comply with donors' general funding cycles, which are often three years in length. Without knowing whether support will continue after this short project cycle, companies find it difficult to enter into such short-term relationships, knowing that little can be achieved in many LDCs within this time span. Longer commitments with clear development objectives, with the additional flexibility to react to failures and changes in the project plan, may be able to attract more companies interested in having a long-term impact rather than those focused on less ambitious short- to medium-term trade partnerships or cooperation facilitated by public sector funding.

Promising approach:
DANIDA's Mixed Credits Program offers interest-free or low-interest loans. The program also offers grants to reduce the principal of a loan provided by DANIDA, but only if the investment takes place in an LDC. A typical loan has a maturity of 10 years and is aimed at various sectors, such as water and sanitation, energy, infrastructure, health or education. The loans finance equipment and related services for development projects in developing countries. The immediate objective of the mixed credits program is to help mobilize funds for projects that are otherwise financially "non-viable," and would thus not be carried out without financial subsidies.

High levels of risk and uncertainty in LDCs are not reflected in programs
The business environment in many LDCs is risky und uncertain. It is difficult for companies to understand in advance of the project what the likelihood of success might be, since they are often entering unfamiliar business territory where challenges are hard to predict and solutions have not yet been developed. Furthermore, a number of LDCs suffer from an unstable political situation, ongoing conflict, or conflict that has only recently been settled. These external political factors are fully beyond companies' control, and make such countries unattractive for investment. All donor programs provide mechanisms to reduce the risk to the participating companies, be this through co-funding, improved market intelligence, technical capacities, or outreach to governments. Nevertheless, few programs directly reflect the comparatively higher risks of doing business in LDCs.



Promising approach:
Under the Dutch Private Sector Investment Program, the maximum contribution to projects in which Dutch companies partner with local businesses in fragile states, including some LDCs, is higher than for those targeting non-fragile states.

Donor countries do not coordinate their own programs well
A number of donors offer a variety of programs that seek to involve the private sector in development. The differences between these programs and how they relate are not always clear to companies. In addition, other donor programs create links with the private sector and engage in activities that are relevant to companies. For example, PSD programs work to improve enabling environments and strengthen the private sector within developing countries, through interventions that can create entry points for companies. The potential synergies between PSD and collaboration programs are not well identified. Finally, national policies pursued by other departments and ministries may address companies involved in collaborations within the same topic or issue area. These policies may be inconsistent or even contradictory. Thus, a country's environmental ministry may work with companies to leverage the Clean Development Mechanism and offset carbon emissions via projects in developing countries, while the agricultural ministry may work with companies in the food and agribusiness industry on regulating imports from and exports to developing countries. The more responsibilities are separated, the harder it becomes to coordinate these various activities. Nevertheless, coordinating donor country policies more closely would be desirable, enabling private sector contributions in LDCs to be leveraged and directed more effectively.

Promising approach:
DEZA applies a "mainstreaming approach" to implement what it calls "public-private development partnerships" as a tool in its development cooperation activities. Programs in areas from water and climate to migration can use the tool and combine it with other ongoing activities.

Outreach

Donors don't employ a targeted marketing strategy for their programs. This makes it difficult for companies to determine available options and for donors to attract desired companies in pursuing their mission. An artificial divide between collaborations and PSD limits the effectiveness of both approaches. Philanthropy should not fall by the wayside when it comes to involving the private sector in LDCs.

Focus on foreign companies
Some programs engage primarily or exclusively foreign companies, or local subsidiaries of foreign companies. Other donor programs have no formal restrictions, but in practice address primarily companies from their own countries. Even though donors support the local private sector via their PSD programs, they keep these engagements largely separate from their collaboration programs. This separation may be due to the historical development of both approaches. PSD has developed over decades from the bottom up, whereas collaboration with multinational companies (MNCs) has been triggered through a high-level debate on global governance and new management approaches such as those focusing on the base of the pyramid. Breaking down these divides may prove particularly beneficial for private-sector engagement in LDCs. In these countries, there are often only a few foreign and indigenous companies willing and able to partner with donors. Working with these companies can be more resource-efficient than trying to attract outsiders into these markets.

Promising approach:
USAID's Global Development Alliance (GDA) program provides collaboration opportunities to organizations from all countries and sectors. Since its inception in 2001, the model has grown from a handful of alliances to an approach that is utilized and funded by USAID bu-

reaus, technical offices, and missions around the world. At the end of 2009, a total of 179 partnerships were managed in LDCs at a total value of $810 million (public and private resources). An additional 26 regional partnerships (African and Asian) also impacted one or more LDCs at a total value of $1 billion (public and private resources).

Information about programs is hard to access

Companies struggle to navigate their way through program information, understand what is required of them, and identify the benefits of collaboration. A recent study by BCLC notes: "Many donors still have not created accessible information, communication or coordination systems. It is difficult for private companies to determine 'who is responsible for what' and appropriate ways to engage."[29] Since companies typically do not have exposure to donors, partnering opportunities emerge most often by chance or personal contacts. Donors often approach large players directly, leaving small and medium enterprises feeling overlooked. SMEs can also be attractive partners for development, especially since family-owned enterprises often pursue goals other than pure profit maximization and have the financial freedom to do so. They operate in niche markets that can afford higher premiums or justify higher investments into rare resources. Improved communication and systematic outreach efforts could improve companies' perception and understanding of donor programs.

Promising approaches:

Finland has organized several Aid-for-Trade and Business Forums that aim to facilitate multi-stakeholder dialogue and partnerships for sustainable development.
BMZ has just launched a "development scout" program which places development experts within business associations in order to create awareness about possible synergies.

In addition to the lack of transparency regarding the individual donor programs, companies are confused by the activities of the different players. With various donors offering programs for partnerships, companies find it difficult to identify the best partner for their specific needs or the differences between the various programs. The lack of individual donor program transparency, combined with the absence of a platform bundling the various programs, makes comparisons a time-consuming endeavor. Improved coordination among donors could make it easier for companies to find their way to the best program and partner.

Promising approach:

The Donor Committee for Enterprise Development (DCED) has compiled a directory for businesses on its web site.30 The site offers a catalogue of more than 40 PPP programs, categorized by the type of support provided to companies as well as target regions and countries.

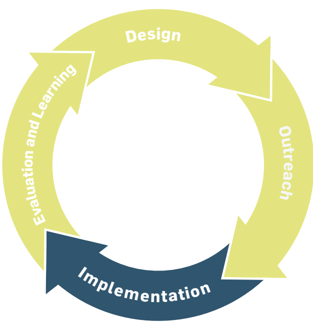
Little space for philanthropy

Donors have focused on "core business" projects in their programs. These projects are located within the value chain of companies, strengthening supply chains, improving business operations and working conditions, and addressing low-income people as customers of goods and services. Core business projects, so the rationale, are more effective because they are financially sustainable. As such, they can scale up and replicate without additional outside funding once a functional model has been developed.

Whereas this rationale can only be supported, philanthropy might still play an important role for LDCs. Many companies do not find attractive business conditions and opportunities in LDCs. But they have resources and capacities that can contribute to the development of these countries, for example, in health, education, or disaster relief. And they have reasons to make philanthropic contributions. They can, for example, demonstrate their skills, improve their brand reputation, and create identification with and personal growth opportunities for their employees.

Donors could work with companies to create long-term projects that avoid the pitfalls of ad-hoc giving and help pool resources strategically with other players. In addition, donors can help develop philanthropic activities that are aligned with core business interests demonstrating improved sustainability. For example, companies can provide funding for technical assistance to companies in their supply chains.

Promising approach:
Global issue platforms like the Global Fund and the Global Business Coalition (GBC) or the Global Alliance for Improved Nutrition (GAIN) have managed to mobilize private sector contributions to these global societal objectives. Companies contribute both philanthropically and through their business, and often the two approaches are combined effectively.



Implementation

Insufficient coordination often frustrates the proper implementation of collaboration projects. Donors commonly focus on a one-to-one approach that is prone to failure in LDCs, where the creation of new markets typically requires the collaboration of several partners. Projects are not systematically matched with the development priorities of the countries in which they are implemented. This limits the support reaching targeted countries and diffuses the attention and resources of governments and donors alike. In addition, donors' failure to coordinate their collaboration programs leads to wasteful competition instead of synergies within the sector as a whole.

Donors work mainly with just one company
Donors have typically designed their programs around collaboration with one company. This approach, also known as the "lead firm" approach, has been criticized for various reasons: it benefits one company, thereby potentially distorting the market; it wastes resources if the company project fails; and it increases the risk of failure where more players are required to create a market. The latter challenge is especially pronounced in LDCs, where markets sometimes need to be built from scratch. In many cases, establishing new markets or value chains require the contribution of more than one player. Undertakings of this nature require coordination and, in some cases, multi-stakeholder collaboration.

Promising approach:
The Ministry of Foreign Affairs of the Netherlands has developed a number of multi-stakeholder initiatives around certain development goals. The Dutch Sustainable Trade Initiative (IDH) involves more than 40 Dutch and multinational companies, as well as 24 NGOs and Dutch trade union federations, bringing them together with partners in developing countries. It is active in the cocoa, soya, timber, natural stone, tea, and tourism sectors. Other initiatives work to link the Kenyan horticulture and flower industries with foreign markets and toward improving nutrition.[31]

Business and development priorities are not systematically aligned
Companies also expect improved coordination of their own business priorities and the local and national development agendas. Although companies are often unfamiliar with the development strategies and priorities of countries, their knowledge of such contextual issues is important, especially when working in partnership with donors. Companies can benefit from aligning their business priorities with broader development activities through mechanisms such as value chain initiatives and policy dialogues. And they may suffer from inadequate attention and support when they work outside these priority areas. At the same time, LDCs have more to gain when a company's activities feed into broader development strategies and facilitate their success. Because donors generally understand the development agenda and define the terms of reference for a partnership with a company, matching priorities is considered the donor's role.

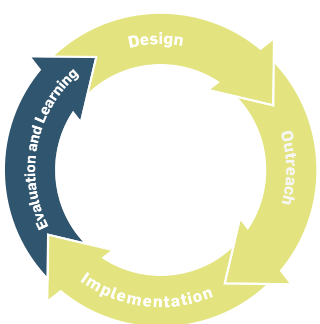
Since resources are limited and challenges are great, focusing on a specific country, sector, and/or topic can help donors attract enough support to reach a critical mass of investment. It also creates a focal point for companies and facilitates outreach, coordination, and higher-level planning. A recent evaluation of USAID's Global Development Alliance reaches the same conclusion: "An outcomes-based approach to alliances will produce a smaller volume of alliances but a greater magnitude of impact. Partners and funders should sharpen their focus and build alliances centered on the development issues most likely to benefit from the alliance method and more apt to produce business value."[32]

Promising approach:
DFID has pioneered the "challenge fund" approach. A challenge fund is a grant made to projects with the potential to overcome a particular challenge. An open and competitive process allows DFID to identify experienced private sector partners that are also committed to poverty alleviation through business development. Grants are to co-fund projects on a performance basis with grant recipients normally funding most of the costs and at a minimum 50 percent. The fund re-imburses the balance on achievement of performance targets. In this way, funding provides concrete incentives to address a particular development problem effectively and efficiently. Current challenge funds include the Responsible and Accountable Garment Sector Challenge Fund (RAGS), the Investment Climate Facility for Africa (ICF), the Africa Enterprise Challenge Fund (AECF) and the Remittances and Payments Challenge Fund (RPCF) and FRICH Food from Africa.

Donor programs are not coordinated
The various donor programs offer similar tools, sometimes to the same companies, but not in a coordinated fashion. This results in a competition for company partnership, and similar projects are implemented in parallel, although they could benefit from synergies that would emerge from a more coordinated approach. While coordination among donors is a longstanding issue in development cooperation, it appears to be especially pronounced in collaboration efforts with the private sector. Various mechanisms in bilateral and multilateral development cooperation have improved donor coordination in more traditional development domains. For example, all donors must work with the national government of a country to develop poverty reductions strategy papers (PRSPs) and other development plans. Since most of the partnership programs are not part of the bilateral cooperation, they are not part of this process. Specific coordination mechanisms for cooperation programs with the private sector have yet to be established. The donor agreement among the 11 donors marks a step into the right direction.

Promising approach:
The Private Infrastructure Development Group is a coalition of donors mobilizing private sector investment to assist developing countries in providing infrastructure vital to boosting their economic development and combating poverty. DFID, SECO, DGIS, Sida, IFC, ADA, Irish Aid and KfW are all partners in the coalition. From 2002 to 2009, PIDG facilities have committed investments of more than $700 million across more than 40 developing countries. Eighty-two percent of the total committed is in the poorest countries. The PIDG financing facilities are run as commercial businesses and pioneer investment in areas where the private sector is reluctant to go. They demonstrate that decent returns can be made funding infrastructure in the poorest countries. To date, projects supported by PIDG facilities have secured private sector investment commitments of $9.4 billion.

Evaluation and learning



Collaborations are still a comparatively new approach in the development arena, and they are associated with high levels of complexity. Systematic learning from existing experience is required in order to improve the design of programs and projects and to enhance the performance of collaborations.

Performance measurement
It is difficult to determine what the various public-private collaborations have achieved for the poor and the development of their countries. Donors acknowledge that their existing programs do not sufficiently measure per-

formance or results. Programs measure the number of projects and money spent, but not the ”return” on these investments. Documenting and publicizing the performance of collaboration projects should be a standard process. More importantly, developing a better understanding of the factors influencing performance can help improve program and project design over time.

Promising approach:
USAID has developed a methodology to evaluate the performance of its PPP projects. The methodology documented in the 2010 publication “(Re)valuing Public Private Alliances: An Outcome-based Solution,“ suggests focusing on outcomes rather than impact, and taking a pragmatic approach that can inform decision-making at reasonable cost. The authors highlight the benefits of such an approach for project design: “By focusing on outcomes, partners define success early, build alliances more likely to generate significant value, and more easily measure and demonstrate results.“

Learning and knowledge management
Hundreds of collaborations have been implemented, contributing to a rich and growing source of experience and learning. However, there are insufficient available processes and management systems capable of making these experiences available to all. Anecdotal evidence such as case studies, project documents, company presentations and so on are in ample supply. But there are not enough efforts to extract generalizable insights from these individual examples and make them available to practitioners in an accessible and action-oriented way. Establishing relationships and networks among players in the same domain is also needed in order to facilitate direct transfers of knowledge among similar projects.

Promising approach:
DFID’s Business Innovation Facility operates the “Practitioner Hub,” an online network of inclusive business practitioners. Members can exchange news and views, and access reports, toolkits, and case studies.

Recommendations

How can donor programs attract more public-private collaborations for implementation in LDCs? Based on the analysis and evaluation of donor programs on the previous pages, several recommendations can be derived that apply to each donor agency on an individual level. The recommendations follow the four stages of the program life cycle introduced in the previous chapter, moving from design to outreach, implementation, and finally, evaluation and learning. Improving coordination is a dominant theme in these recommendations.
This publication therefore ends with a call for collective action. Donors can and should work together to enhance the benefits of collaboration programs for LDCs.

Design: Take a more strategic approach

In many cases, a more strategic approach on the part of donors is warranted in order to encourage the private sector to engage in LDCs, increase collaboration projects' impact on development, and coordinate the efforts of the various stakeholders involved. The following recommendations are aimed at achieving these goals:

- **Set priorities.** Donors should define top-priority areas of engagement, both in terms of countries, sectors, and development issues. These priorities should be aligned with the overall priorities of the donor agency as well as the development plans and strategies of the specific LDC.
- **Match business priorities.** Once these development priorities have been established, partners with the most potential and incentive to contribute to the goals should be sought out and approached. This criterion helps donors to focus their outreach and communication efforts on certain sectors or players, and allows for comparatively more coordinated approaches.
- **Integrate various programs.** Today, donors' efforts to leverage the potential of the private sector for LDC development tend to be fragmented between various organizational units, often with poor coordination. These structures are replicated on the international and multilateral level. Integrating and mainstreaming these various programs can increase the effectiveness of each, allowing them to pool resources and leverage synergies.
- **Coordinate the contribution of multiple stakeholders.** In seeking to overcome the various challenges presented by LDC markets, education systems, or health-care systems, working with one company is often not enough. Contributions by a variety of actors, including LDC governments, may be required. Coordination of such multi-stakeholder initiatives can be a key contribution by donors.
- **Aim for transformative results.** Collaboration projects can trigger change in the broader socioeconomic or political systems. Donors can aim to achieve such "transformative" outcomes and design their initiatives accordingly, strengthening system-level institutions and infrastructure in the process.
- **Coordinate philanthropic contributions.** Donors can maximize their impact by channeling philanthropic contributions into joint funds and larger programs.

Outreach: Communicate in a targeted and transparent way

If private-sector participation in LDC development is to be encouraged, companies must first be engaged. However, companies today find it difficult to navigate the landscape of donor programs. Individual donor programs often lack transparency, and coordination between donors is inconsistent. Donors can facilitate engagement by addressing target companies more directly and increasing transparency. The following steps will aid in this process:

- **Increase program transparency.** Donors should collect information on all of their own programs involving collaboration with companies, and make this information accessible on a single dedicated platform such as an Internet portal.
- **Simplify programs.** The complexity of programs should be reduced, both in terms of organizational structures and administrative processes.
- **Reach out to companies.** Donors should directly communicate the benefits of programs to companies, through means such as working with chambers of commerce or other business associations, or by participating in easily accessible informational events at fairs and conferences.
- **Engage brokers that understand both worlds.** Brokers that have a business background but also understand donor approaches, language, and priorities can help to overcome language and cultural barriers, and can assist in creating effective partnerships.
- **Coordinate donor programs and communication.** Donors should create a collective platform providing information and offering access to a variety of different collaboration programs. Aligning programs will make it easier for companies to understand similarities and differences.

Implementation: Be aware of LDCs' special characteristics

LDCs present a more challenging environment than do other developing countries. Nor are LDCs a homogenous group, as many individual countries face particular challenges associated with their specific location, history, or resource endowments. Donors should reflect these challenges in their programs in the following ways:

- **Work with longer time horizons.** The typical three-year donor project cycle is often too short for collaborations to achieve positive results, or for companies to be willing to enter a risky endeavor. Longer project cycles or reliable agreements for project renewal enable projects to be planned more realistically.
- **Build in flexibility.** Partnerships in LDCs often venture into unknown territory, facing high levels of risk and uncertainty. Programs must afford enough flexibility to adjust to changing conditions, both in terms of financing and project design.
- **Provide greater non-monetary support.** To respond to the various institutional and infrastructural constraints in LDCs, donors must provide much more support than is required in other contexts, in particular on the non-monetary front. To this end, they can help enhance business conditions by creating the necessary physical infrastructure, institutions, and public awareness, while working to improve education systems, workers' skills, and regulatory and governance environments.
- **Include indigenous companies.** Local companies in LDCs often have the greatest potential and the most incentive to contribute to their country's development. They have access to local networks that include government figures and other stakeholders. Donors should open collaboration programs to these companies, integrating private-sector development and collaboration approaches.

- **Engage companies and other partners in the development of collaboration projects.** In order to ensure future sustainability and a collective sense of ownership, donors should engage the private sector, local authorities, and other stakeholders in the process of identifying constraints, agreeing on priorities, and designing solutions.
- **Leverage philanthropy.** While a focus on core business partnerships is warranted for more developed countries, the business case for private-sector engagement in LDCs is often weak. The private sector may nevertheless possess significant interest in and capabilities for contributing to these countries' development, particularly in the areas of education and health. Donors should be open to philanthropic approaches, and should help make them more strategic by linking them with larger programs and other stakeholders' efforts.

Evaluation and learning: Implement practical knowledge-generation and management tools

Last but not least, donors can ensure that programs and projects improve continuously over time by creating processes for knowledge management and learning, in the following ways:

- **Integrate performance management tools into project design.** Performance management tools should be embedded into each project from the beginning. A clear definition of project objectives in terms of outcomes and how they can be achieved should be used as a starting point. Regular or ongoing performance measurements can then provide feedback as to the success of the project's implementation, and enables project managers to better steer the project. Documentation of outcomes is critical to maintaining public support for the collaboration approach.
- **Organize project-level knowledge exchanges.** By enhancing the transparency of their own projects and contact persons, and actively approaching other projects with similar objectives or approaches, donors can both facilitate direct exchange between project participants and enable learning from experience. Brokers and focal points can also play a valuable role in forging connections between projects.
- **Invest in the creation of insight and practical guidance.** Case studies, project documentation, and other communication facilities abound. Donors should invest in extracting generalizable lessons from existing projects, and make these conclusions available in accessible and action-oriented formats to the practitioner community.
- **Create learning platforms.** Global platforms focusing on specific countries or issues, from particular diseases such as malaria to technical solutions such as mobile services or cooking stoves, provide a space for the accumulation of know-how. This in turn allows practitioners to learn from others and design more effective approaches. Donors can create learning platforms around development themes most relevant to LDCs.

A call for collective action

While many of the above recommendations can be implemented by each donor individually, others require collective action. Donors are called upon to coordinate their programs and join forces to accomplish these tasks in order to make each of their individual programs more effective.

- **Design: Align programs and define roles and priorities for each donor agency.** Establishing greater clarity about who is doing what is the first step in achieving greater alignment and coordination among donors. Regular meetings among those in charge of program development and other coordination mechanisms can help to define certain priority areas or joint programs over time. This dialogue can also help direct attention to countries, sectors, and issues in need of it.

- **Outreach: Create a joint information portal on collaboration programs of various donors.** Instead of creating a site for each program, donors can make the outreach work of each agency more effective by creating one gateway for businesses to all programs. The platform should enable businesses to systematically search for programs that best meet their needs and interests. At the same time, the platform can serve as a knowledge hub for donors and businesses and even as a networking hub for practitioners.

- **Implementation: Create and sustain joint funds with a special focus on LDCs.** Projects in LDCs require greater flexibility and longer time frames than usual because of the challenging market environment. At the same time, projects in LDCs should be more strategic and focus on certain sectors and issues. Joint funds can help donors better combine their resources and target collaboration efforts more effectively. Donors can also improve links between development initiatives and collaboration efforts within, for example, PSD programs, and thus leverage synergies within the system.

- **Learning: Create and advance learning platforms around development issues that are most relevant to LDCs.** Platforms such as the Global Fund and GBC, GAIN, GSMA, or CGAP already serve as knowledge hubs around particular issues that can be addressed though public-private collaboration. These platforms have proven quite effective in catalyzing innovative approaches and collective action. Donor agencies should support such platforms and systematically incorporate them into their collaboration programs. Donor agencies can also build new platforms around issues that are not yet being served.

Public-private collaboration holds great promise to advance development in LDCs. Without the involvement of companies, economic and human development cannot be sustainable. However, the approach has yet to prove its potential in LDCs. Difficult market and governance conditions pose significant challenges to companies that seek to invest and thrive in these environments. Donors should step up their efforts to attract companies willing to engage in development activities within LDCs. Funding is just one factor leading to success. At least as important are improving coordination, planning interventions more strategically, and systematically applying lessons learned from past experience. Where the power of the private and the public sector join forces behind a common goal, development will take place.

Appendix

List of acronyms

A2F	Access to Finance
ADA	Austrian Development Agency
AECF	Africa Enterprise Challenge Fund
AFD	French Development Agency
AfDB	African Development Bank
AIM	Amsterdam Initiative against Malnutrition
ARIZ 2	AFD Guarantee Mechanism
AsDB	Asian Development Bank
B&D	Business and Development
B2B	Business-to-Business
BCI	Better Cotton Initiative
BCLC	Business Civic Leadership Center
BEE	Black Economic Empowerment
BMZ	German Federal Ministry for Economic Cooperation and Development
BoP	Base of the Pyramid
BPoA	Brussels Program of Action for the Least Developed Countries
CBO	Community Based Organization
CDP	Committee for Development Policy
CEO	Chief Executive Officer
CGAP	Consultative Group to Assist the Poor
CIDA	Canadian International Development Agency
CSBKE	Creating Sustainable Businesses in the Knowledge Economy
CSR	Corporate Social Responsibility
DAC	Development Assistance Committee
DANIDA	Ministry of Foreign Affairs of Denmark
DCED	Donor Committee for Enterprise Development
DEZA	Swiss Agency for Development and Cooperation
DFI	Development Finance International
DFID	United Kingdom Department for International Development
DGIS	Netherlands Directorate-General for International Cooperation
DIV	Development Innovations Venture
EBRD	European Bank for Reconstruction and Development
EDF	Électricité de France
EITI	Extractive Industries Transparency Initiative
ETI	Ethical Trading Initiative
FISEA	Investment and Support Fund for Businesses in Africa
FLC	Fund for Local Cooperation
FWF	Finnish Water Forum
FY10	Fiscal Year 2010
G2G	Government-to-Government
G8	The Group of Eight
GAIN	Global Alliance for Improved Nutrition
GAVI	Global Alliance for Vaccines and Immunization
GBC	The Global Business Coalition on HIV/AIDS, Tuberculosis, and Malaria
GDA	Global Development Alliance
GDP	Gross Domestic Product
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH
GPOBA	Global Partnership on Output-Based Aid
GSMA	Global System for Mobile Communications
GWC	Global Water Challenge
IC	Investment Climate
ICF	Investment Climate Facility for Africa
ICT	Information and Communications Technologies
IDA	International Development Aid
IDH	Dutch Sustainable Trade Initiative
IFC	International Finance Corporation
IFFIm	International Finance Facility for Immunisation
ILO	International Labour Organization
IMD	Inclusive Market Development
IMO	Institute of Marketecology
INC	Investment Cooperation Program
IPC	International Public Cooperation
IPD	Innovative Partnerships for Development
ISO	International Organization for Standardization
JICA	Japan International Cooperation Agency

KfW	Kreditanstalt für Wiederaufbau
LDC	Least Developed Countries
MDGs	Millennium Development Goals
MeTA	Medicines Transparency Alliance
MNC	Multinational Corporation
MOFA	Ministry of Foreign Affairs of Japan
MSME	Micro, Small, and Medium Enterprises
MT	Million Tons
NGO	Non-Governmental Organization
NORAD	Norwegian Development Agency
ODA	Official Development Assistance
OECD	Organization for Economic Co-operation and Development
ORIO	Facility for Infrastructure Development, Netherlands
PIDG	Private Infrastructure Development Group
PLB	Project Laser Beam
PPD	Public-Private Dialogue
PPP	Public-Private Partnership
PROPARC	French Development Finance Institution
PRSPs	Poverty Reduction Strategy Papers
PSA	Private Sector Alliances Division
PSI	Private Sector Investment
RAGS	Responsible and Accountable Garment Sector Challenge Fund
RAIN	Replenish Africa Initiative
RBM	Roll Back Malaria
RESCOs	Rural Energy Service Companies
RPCF	Remittances and Payments Challenge Fund
SAGCOT	Southern Agricultural Growth Corridor of Tanzania
SAI	Sustainable Agriculture Initiative
SBA	Sustainable Business Advisory
SDC	Swiss Agency for Development and Cooperation
SECO	State Secretariat for Economic Affairs
SIDA	Swedish International Development Cooperation Agency
SME	Small and Medium Enterprises
SMS	Short Message Service
TICAD	Tokyo International Conference on African Development
TIN	Tax Identification Number
UK	United Kingdom
UN GC	United Nations Global Compact
UN Women	United Nations Entity for Gender Equality and the Empowerment of Women
UN	United Nations
UNAIDS	Joint United Nations Programme on HIV/AIDS
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNFPA	United Nations Population Fund
UN-OHRLLS	United Nations Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States
USAID	United States Agency for International Development
UVAN Ltd.	Uganda Vanilla Growers Association
WB	World Bank
WEF	World Economic Forum
WSUP	Water and Sanitation for the Urban Poor
WWF	World Wildlife Fund

Overview of donor programs for public-private collaboration

Institution / Program	Activity	Achievements / Impact / Budget
ADA, Austria		
Business Partnerships	ADA supports the private sector in implementing innovative and sustainable projects. To be eligible for funding, a project must meet the following conditions: • activity involves long-term investments in or importing goods from a developing country; • activity is based on a business model that is expected to generate turnover and profits; • activity contributes both to the local social, ecological or economic environment and the success of the private company. Such projects can be supported with a non-repayable grant. Funding amounts to up to 50 percent of direct project costs (not exceeding €200,000), which must total at least €100,000. The term of a business partnership is limited to three years.	From 2005 to 2010, 81 Business Partnership projects have been approved, which translates into a total volume of $59 million (€41 million), of which public contribution comprises nearly $20.7 million (€14.4 million). Twelve (i.e., 15%) of these projects take place in LDCs. The project portfolio of the program is rather complex. At first glance, each project seems unique, bearing the sole commonality of representing some form of cooperation with the private sector. There is no aggregated indicator for the program as a whole.
Private Infrastructure Development Group (PIDG)	The Private Infrastructure Development Group is a coalition of donors mobilizing private sector investment in order to assist developing countries with urgent infrastructure needs. The PIDG works in partnership with other donors, local operators, and government bodies to deliver infrastructure and increase funds for development as a means of combating poverty in some of the poorest countries in the world.	Investment overview of PIDG facilities and programs: • investments committed across more than 40 developing countries totals $945.74 million (2002 - 2010). • $195.5 million of the total committed is in LDCs (DAC I) • to date, Nigeria has received the largest total investments ($135 million), followed by India ($105 million), Kenya ($76 million) and Uganda ($71 million) • $299.5 million has been invested in energy/power, followed by telecoms ($229.1 million), and industry ($122.2 million)
AFD Group, France		
Financing Productive Investment and Infrastructures (PROPARCO)	AFD Group acts in support of the private sector through a set of complementary tools ranging from grants to equity that include concessional and non-concessional loans or guarantee commitments.	The amount of AFD Group's commitments allocated to private companies and financial institutions has doubled in four years, rising from $1.51 billion (€1.04 billion) in 2005 to $3.13 billion (€2.16 billion) in 2009.

PROPARCO		In 2009, the AFD Group granted $1.4 billion (€960 million) in loans under market conditions to the private sector, $551 million (€380 million) in concessional loans, $290 million (€ 200 million) in equity, more than $145 million (€100 million) in guarantee commitments and $26 million (€18 million) in grants.
Public-Private Partnerships (PPP)	In line with international standards, public-private partnerships designate any contract involving a delegation of management between a public authority and a private operator. The AFD Group can be involved in PPPs in different ways: • as a lender and/or a counselor of the public authority in setting up the PPP contract; • as a support organism in improving the regulatory environment in adapting to PPPs, or • as a lender to the private party in the funding arrangement.	More than $1.04 billion (€720 million) were committed to financing private companies in the infrastructure sector (2005 -2009)
Initiative to Promote Growth in Africa	Introduced in February of 2008, The Initiative to Promote Growth in Africa aims to strengthen local players and mitigate the obstacles private firms face in accessing financing. The goal is to provide support to 1,900 private firms (primarily SMEs), in order to create 300,000 jobs. Its tools include: • the Investment and Support Fund for Businesses in Africa (FISEA), a $360 million (€250 million) investment fund targeting the growth of African SMEs by providing them access to equity capital and helping them build capacities. • a guarantee instrument (ARIZ 2) dedicated to facilitating SMEs' and microfinance institutions' access to financing. • the doubling of AFD Group's activity in favor of the private sector thanks to a threefold capital increase of PROPARCO and the expansion of its activity in private equity.	The initiative is planning to mobilize $11.5 billion (€8 billion) of financing

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Institution / Program	Activity	Achievements / Impact / Budget
BMZ, Germany		
develoPPP.de	The program promotes development partnerships with the private sector. There are currently more than 1,200 development projects under way with European businesses in a variety of sectors and regions (including LDCs). Costs and risks are shared by the BMZ and company (39% public; 61% private, on average).	In total, $719 million (€500 million) for period 1999-2009; 2010 budget has increased. Impact varies considerably from project to project. Most projects yield highly positive results, although many projects involve high-risk investments in challenging environments and may also fail to achieve in full the planned outcome and impact.
PPP-Facility for Africa	Similar to develoPPP.de, but aimed at development partnerships with African companies (including many in LDCs).	
Integrated Development Partnership in Bilateral Development Cooperation	Same logic as in develoPPP.de, but is integrated within a specific bilateral program, and is managed and supervised by local program managers.	
Public-Private Dialogues and Multi-Stakeholder Dialogues in Development Cooperation	Drawing on its long track record with these approaches, the BMZ applies them in diverse development cooperation programs, including those in LDCs. Specific international initiatives, such as the Global Compact of the United Nations, are supported financially by funds-in-trust and politically through resolution in the UN General Assembly.	
Sustainable Economic Development (priority area in German development policy)	The BMZ has identified sustainable economic development as a priority area in more than 35 of its partner countries, including LDCs. This includes economic policy, private sector development, financial sector development and vocational training.	In 2009, Germany committed more than $1.12 billon (€780 million) for sustainable economic development activities. Over the past six years (2003 - 2009), this figure has totaled $6.03 billion (€4.2 billion). The impact of these programs are being evaluated, measured and documented.
CIDA, Canada		
Partners for Development Program	This program is a competitive call for proposal mechanism (challenge fund). The objective is to promote public-private development collaborations leading to sustained economic growth and poverty reduction.	

Investment Cooperation Program (INC)	This cost-sharing program is designed to examine the viability of an investment, demonstrate and adapt appropriate technologies, and undertake activities that enhance the economic, environmental, and social benefits of those investments.	Formerly conducted within the framework of CIDA, INC has been deemed better aligned wiath Canada's trade commissioner service. An evaluation of INC can be found at: http://www.acdi-cida.gc.ca/acdi-cida/acdi-cida.nsf/eng/NAT-2792834-JYW
DANIDA, Denmark		
Mixed Credit Program	A Danish mixed credit is an interest-free or low-interest loan, typically with 10 years' maturity, aimed at financing supplies of equipment and related services for development projects within a number of sectors, including water and sanitation, energy, infrastructure, health, environment, and education.	$67.4 million (DKK 350 million) is allocated annually for interest subsidies and related financial costs. The program is undergoing reform and will be launched as the DANIDA Business Finance program in summer 2011.
Innovative Partnerships for Development (IPD)	The IPD program supports partnerships that advance strategic corporate social responsibility (Strategic CSR Facility), and partnerships that advance socially responsible innovation (BOP Facility). It brokers linkages between companies and provides financial support (grants) and technical assistance.	Scheduled launch in 2011 of Growth and Employment policy will replace this program with DANIDA Business Partnerships.
Business-to-Business (B2B) Program	The B2B program helps establish partnerships between Danish companies and companies in DANIDA's program countries as well as Egypt and South Africa. It brokers linkages between companies and provides financial support (grants) and technical assistance. A related B2B Environment program is under way in Indonesia.	Scheduled launch in 2011 of Growth and Employment policy will replace this program with DANIDA Business Partnerships.
DFID, UK		
Mixed Credit Program	Provides support for initiatives aimed at increasing transparency in the private sector, such as the Extractive Industries Transparency Initiative (EITI), the Construction Sector Transparency Initiative, and the Medicines Transparency Alliance (MeTA).	
Public-Private Partnerships (PPPs)	Provides support for a number of PPPs, including the International Finance Facility for Immunisation (IFFIm).	

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Institution / Program	Activity	Achievements / Impact / Budget
Challenge Funds	DFID provides challenge funds which offer grants to businesses on a competitive basis to help cover start-up costs. These funds are aimed at business activities that benefit the poor, but which are commercially viable and capable of expansion. Examples include the Food Retail Industry Challenge Fund and the multi-donor Africa Enterprise Challenge Fund.	
Private Infrastructure Development Group (PIDG)	Provides support for international facilities, such as the Private Infrastructure Development Group, that encourage businesses to invest in infrastructure in developing countries.	From 2000 to 2006, DFID spent $120 million on private sector infrastructure projects.
Promoting Responsible Business Standard	Provides support for schemes aimed at promoting responsible business standards. These schemes include the Ethical Trading Initiative (ETI), the UN Global Compact and the OECD Guidelines for Multinational Enterprises.	
Business Innovation Facility and the Business Innovation Practitioner Hub	These programs broker links among companies (B2B) and between companies and NGOs, provide financial support (grants), and facilitate knowledge sharing. The objective of these partnerships is to take advantage of market opportunities in developing countries and to maximize the transformational impact of business by including the poor as consumers, employees, and producers.	
Ministry of Foreign Affairs, Finland		
Finnfund, Special Risk Finance Instrument	Finnfund is the Finnish development financing institution that leverages private investment in developing countries with the help of ODA-funded capital. The Special Risk Finance Instrument is under preparation for Finnfund as a means of expanding its ability to take on more risk.	Finnfund's financing operations have produced thousands of jobs in developing countries, created profitable businesses and contributed to increased tax incomes.

Finnpartnership	Finnpartnership is a business-to-business partnership program offering seed money and advisory services for Finnish companies' activities in starting and implementing business operations in developing countries.	Hundreds of business partnerships have been created, generating new jobs. Advisory services and matchmaking have grown.
Concessional Credits	The concessional credit scheme is intended to support the export of Finnish technology to developing countries with substantial developmental impacts.	Technology transfers have taken place, increasing productive capacities as well as select public services in the targeted countries.
Fund for Local Cooperation (FLC)	Embassy-administered resources from the Fund for Local Cooperation can be granted to private sector organizations and companies in developing countries for the purpose of building long-term partnerships with Finnish companies.	Traditionally, the FLC has targeted local civil society organizations. Changes introduced in 2010 make local companies eligible to receive FLC resources.
Ministry for Foreign Affairs (MFA) Clusters	Finland's MFA seeks to activate support in Finnish society for the objectives of the government's development policy program through policy clusters. The cluster approach involves various ministries and other state organizations, consultancy firms, NGOs, private sector organizations, companies as well as research institutes and universities. The clusters are conceived as centers of excellence focused on seven sectors/themes: forests, energy, water, information society, agriculture and rural development, environmental and climate change, and local development/governance.	The cluster networks operate in ways unique to their theme. The most organized and advanced cluster is the water sector cluster, which involves the Finnish Water Forum (FWF). The FWF aims to establish linkages among Finnish water-sector actors from the private and public sectors as well as civil society in order to enhance national water expertise.
International Finance Corporation (IFC)		
Access to Finance (A2F)	IFC's A2F business line works with financial institutions and regulators to increase financial inclusion. This means helping efforts to reach 2.5 billion unbanked individuals and more than 300 million MSMEs (with a credit gap of over $2 trillion). A2F product offerings typically fall into one of three core product lines: • micro/retail, including microfinance, housing finance, retail payment institutions, insurance and responsible finance; • SMEs and business, including SME banking, trade finance, leasing, gender, and agrifinance; • financial infrastructure, including credit bureaus, collateral registries, payment systems and remittances.	As of December 2009, IFC's financial institution clients in a diverse range of countries (e.g., Afghanistan, Bosnia and Herzegovina, China, Honduras, Madagascar, Malawi, Peru, and Tajikistan) receiving A2F advisory services held about $4.6 million MSME loans worth more than $47.7 billion. At the end of the 2010 fiscal year, A2F had an active portfolio of 238 projects in 68 countries, valued at almost $290 million. Project expenditures for the same year totaled about $50 million, of which 50 percent were in IDA countries (defined as countries with a per capita income less than $1,165 in 2009 and lacking the financial ability to borrow from the IBRD) and 14 percent in fragile and conflict-affected countries.

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Institution / Program	Activity	Achievements / Impact / Budget
Investment Climate (IC)	IFC's Investment Climate business fosters competitive markets, growth, and job creation by helping governments design and implement reforms to their business environments. IC activities include working with governments in the following areas: access to land, alternative dispute resolution, business entry, business operation, business taxation, doing business reform, industry-specific BEE, insolvency, investment policy and promotion, public-private dialogue, special economic zones, sub-national doing business projects, and trade logistics.	The dialogue promotes public-private programs and projects leading to sustained economic growth and poverty reduction.
Sustainable Business Advisory (SBA)	SBA was formed through the merger of IFC's Corporate Advice and Environmental & Social Sustainability departments on July 1, 2010. SBA works to catalyze the development of markets that work for all members of society and in the long term by promoting sustainable business practices specifically among firms in infrastructure, extractive industries, manufacturing, agribusiness, and services sectors. Sustainable Business Advisory programs encourage good corporate governance, build the capacity of small firms, support women entrepreneurs, and promote management and investment decisions that are sustainable and inclusive. SBA's activities include projects in clean energy, environmental, social and trade standards, sustainable and inclusive Investing, farmer & SME training, strategic community investment, resource efficiency, and corporate governance.	Project expenditures in corporate advice (FY2010) totaled about $34 million, of which 56 percent were in IDA countries and 14 percent in fragile and conflict-affected countries.
Public-Private Partnerships (PPP)	Public-Private Partnerships (PPP) producing successful public tenders in which private operators are selected.	Project expenditures (FY2010) totaled about $26 million, of which 40 percent were in IDA countries and 14 percent in fragile and conflict-affected countries.

Investment Services	IFC offers an array of financial products and services to its clients and continues to develop new financial tools that enable companies to manage risk and broaden their access to foreign and domestic capital markets. IFC's investment services include loans for IFC's account, syndicated loans, equity finance, quasi-equity finance, equity and debt funds, structured finance, risk management products, local currency financing, sub-national finance, and trade finance.	In 2010, IFC invested in 255 projects in 58 countries served by IDA. These commitments totaled $4.9 billion for IFC's own account. Those countries accounted for nearly half of IFC's infrastructure and agribusiness investments.
JICA, Japan		
Industrial Policy Dialogue	As a follow-up to the TICAD IV and G8 Hokkaido Toyako Summit, JICA started an industrial policy dialogue program to promote private-sector development in several African countries. Public-private partnership is the key component of the program.	The dialogue promotes public-private programs and projects leading to sustained economic growth and poverty reduction.
Public-Private Partnership Program	JICA's promotion of public-private partnerships is focused on improving the business environment, building infrastructure, and improving public services in developing countries. Because of the growing awareness of corporate social responsibility, an increasing number of Japanese companies are implementing social contribution programs and establishing BOP businesses in developing countries, which call for new partnerships between ODA projects and private sector activities.	The dialogue promotes public-private programs and projects, leading to sustained economic growth and poverty reduction.
Preparatory Survey for BOP Business Promotion	The Preparatory Survey for BOP Business Promotion program started in 2010, selecting 20 projects in developing countries including Bangladesh, Tanzania, Rwanda, Mozambique, and Senegal for its first round of focus. The program aims at resolving development issues faced by BOP enterprises in developing countries through collaboration with companies and various private organizations working with BOP business issues.	

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Institution / Program	Activity	Achievements / Impact / Budget
Public-Private Collaborations (PPC)	In 2009, the Ministry of Foreign Affairs of Japan (MOFA) began promoting public-private collaboration by assisting corporate social responsibility (CSR) and BOP business projects implemented by Japanese companies in co-operation with NGOs, utilizing grant-based assistance for grassroots human security projects. The program encourages Japanese companies to contribute to economic and social development in developing countries, including LDCs, through CSR activity and BOP business projects.	
Ministry of Foreign Affairs, Netherlands		
Challenge Funds	Challenge funds are grants that have resulted in a portfolio of 50 ongoing PPP activities, across a variety of sectors and themes. Ministry roles vary from providing financing to being an active, strategic (and financial) partner in the PPP. An example is the Dutch Sustainable Trade Initiative, which brokers links between companies, NGOs, and governmental organizations, and promotes knowledge sharing and technical assistance.	
Private Sector Investment Program (PSI)	PSI is a grant program for business-to-business initiatives that encourages Dutch and other foreign business enterprises to engage in innovative, sustainable investment in developing countries, partnering with local businesses, with the ultimate goal of strengthening the local private sector. There are two facilities: PSI Regular and PSI Plus, the latter of which offers more flexible conditions for fragile states (60% project budget).	For both facilities the maximum project budget is \$2.2 million (€1.5 million) The average PSI project multiplier is \$1.75 million (€1.22 million).
ORIO: Facility for Infrastructure Developments	ORIO is a grant facility intended to contribute to the development, implementation, operation and maintenance of public infrastructure in developing countries.	
International Public Cooperation (IPC)	The G2G program is designed to facilitate cooperation between governmental institutions in emerging markets and their Dutch counterparts	

Matchmaking Facility	The matchmaking facility assists private businesses in emerging markets in establishing links with Dutch companies, with a view to forging a lasting business relationship.	
SDC, Switzerland		
Public-Private Development Partnerships	Mainstreaming approach by SDC operational units aimed at fostering collaboration and partnerships with the private sector, featuring bilateral cooperation and a global reach. Focuses on: • private companies' core businesses (including business models); • improving the competitive environment through attention to corporate responsibility, social and ecological issues.	Ten new partnerships 2009 - 2010, including SDC commitments of $17.9 million (CHF 16 million).
Public-Private Dialogue and Multi-Stakeholder Initiatives	This approach encourages public-private dialogue and multi-stakeholder initiatives. Projects aim at establishing voluntary guidelines and standards in the realm of SDC's global programs, on issues including food security, climate change, water, migration and others.	Examples include the WEF water initiative and WEF commodity sector initiative; improving food security and land governance through sustainable private-sector investment standards
Employment and Income Generation	Intensive collaboration with local private sectors, as well as local subsidiaries of international companies, in the domains of private-sector development, financial-sector development and vocational skills development	Annual investment of approx $89 million (CHF 80 million) in stand-alone programs and partnerships
SIDA, Sweden		
Business for Development Program (B4D)	Assistance from the Business for Development Program is untied. The program utilizes various tools to engage with the private sector, including challenge funds such as Innovations against Poverty, public-private partnerships, innovative financing (SIDA is developing instruments which combine grants, loans, and guarantees with various types of private capital), clusters, a market transformation initiative, social entrepreneurship.	In 2011, central B4D allocations total $32 million (€22 million), along with additional funds from country/regional allocations.

continued >

Institution / Program	Activity	Achievements / Impact / Budget
Development Loans and Guarantees Program	Development loans and guarantees provide new opportunities to expand and leverage available resources for economic development by linking grant aid with market finance. SIDA contributes a grant, after which the partner must arrange for a loan on market-based terms and conditions. The instrument provides untied assistance. The loans and guarantees program closely cooperates with several key partners; AsDB, EBRD, GPOBA (WB), IFC, and USAID. Teaming up with partners is an efficient way to share risk, pipelines and know-how.	All SIDA financing can be accessed through the loan facility. The program's share is small today but increasing. The government has provided SIDA with a guarantee frame of $1.6 billion.
Corporate Responsibility Programs	Sweden's Ministry for Foreign Affairs supports (both politically and financially) programs aimed at promoting responsible business practices, including the UN Global Compact, the OECD Guidelines for Multinational Enterprises, the EITI, the Kimberly Process, STAR, and ISO Social Responsibility.	
Dialogue	The Business and Development Council is a high-level advisory group established by the government in 2010 to ensure that the experience and expertise of Swedish business can be tapped to contribute to global development. In 2011, local B&D councils will be set up in all countries with which Sweden engages in bilateral development cooperation.	
Swedfund	Sweden's development finance institution, Swedfund, is fully owned by the Swedish government, and provides risk capital, expertise and financial support for investment in developing countries.	
United Nations Development Programme (UNDP)		
Inclusive Market Development	Supports the promotion of inclusive market and value chain development primarily by facilitating, advocating for, and co-funding transformational partnerships with participation of national government, private sector, and donors.	
African Facility for Inclusive Markets (AFIM)	Based on the UNDP's IMD approach, this program promotes IMD regionally through advocacy, facilitation, and co-funding of cross-country value chain initiatives in Africa along with country-specific initiatives.	

Growing Inclusive Markets (GIM)	GIM is a UNDP-led global research and advocacy partnership initiative aiming to understand, enable, and inspire the development of more inclusive business models.	
Business Call to Action (BCtA)	UNDP hosts the Secretariat for BCtA, a public-private initiative that challenges companies to adopt inclusive and competitive business models. Governments of the UK, Australia, Netherlands, and the U.S. along with Global Compact, IBLF, and Clinton Global Initiative support the effort.	
Green Commodities Facility	Supports establishment of public-private platforms at country level to support more environmentally sustainable and competitive production, and trade of key commodities.	
USAID, USA		
Global Development Alliance (GDA) Partnership Database	USAID, through its Private Sector Alliances Division (PSA) provides a searchable online database to the public. At the end of 2009, USAID had more than 1,000 alliances and 3,000 distinct partners. Its funding has been matched by more than $12 billion from public and private resources.	Since its inception in 2001, the GDA model has grown from a handful of alliances funded through a GDA Incentive Fund to a more robust approach utilized and funded by USAID bureaus, technical offices and missions around the world. At the end of 2009, a total of 179 partnerships in LDCs were under management, for a total value of $810 million (public and private resources). An additional 26 regional partnerships (African and Asian) also impacted one or more LDCs for a total value of $1 billion (public and private resources).
Development Innovation Ventures (DIV)	Development Innovation Ventures (DIV) brings together diverse innovators from academia, the private sector, and NGOs to identify, develop and grow to scale promising approaches to pressing development problems around the world. The DIV aims to institutionalize further within USAID the serendipitous process by which great ideas are conceptualized, developed, refined to meet real-world operational challenges, tested and ultimately scaled up to change the world in fundamental ways.	Competitive bids were solicited as a test using $1 million in fiscal year 2010. Over 100 proposals were received, while the process of bid solicitation, reviewing proposals, and awards took less than 90 days. Eight awards were granted to innovative partners without a previous history of USAID support. Examples include the University of California at San Diego piloting and rigorously testing the use of a cell phone-based electronic election monitoring system in Afghanistan; an inexpensive, reliable self-test for pregnant women for preeclampsia (2nd highest cause of maternal mortality); and a hydrogen fuel cell portable power packet for bikes and off-grid applications.

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Endnotes

1 See appendix for list of interviewees.
2 The United Nations Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries, and the Small Island Developing States (UN-OHRLLS) was established to undertake appropriate advocacy work on behalf of LDCs, and to assist in mobilizing international support and resources to promote growth and sustainable development in these countries.
3 The LDC category was advocated for the first time at the United Nations Conference on Trade and Development (UNCTAD) I in 1964. In November 1971, the United Nations General Assembly endorsed a first list of LDCs. The list is updated every three years by the Committee for Development Policy (CDP). In 2009, the CDP reviewed its latest list and identified 48 LDCs.
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20 www.gbcimpact.org/itcs_node/10/536/program_summary/136
21 Bilateral donors from the following countries were included in the study: Austria, Canada, Denmark, Finland, France, Germany, Japan, Norway, Sweden, Switzerland, the Netherlands, United Kingdom, and the United States of America; in addition, private sector work of the IFC and UNDP were analyzed.
22 Information from USAID filled-in questionnaire.
23 www.develoPPP.de.
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25 Nelson, Jane (2010): The private sector and aid effectiveness: Toward new models of engagement in Making Development Aid more Effective. The 2010 Brookings Blum Roundtable Policy Briefs.
26 A complete list of activities is provided in the appendix.
27 Please note: Private-sector development programs were not the focus of this study; many donors have programs targeting private-sector development on the ground in developing and LDC countries (e.g., facilitating a business-friendly environment, developing financial systems, building local SMEs' capacities).
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The Ten Principles of the United Nations Global Compact

HUMAN RIGHTS

Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights; and
Principle 2	make sure that they are not complicit in human rights abuses.

LABOUR

Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
Principle 4	the elimination of all forms of forced and compulsory labour;
Principle 5	the effective abolition of child labour; and
Principle 6	the elimination of discrimination in respect of employment and occupation.

ENVIRONMENT

Principle 7	Businesses should support a precautionary approach to environmental challenges;
Principle 8	undertake initiatives to promote greater environmental responsibility; and
Principle 9	encourage the development and diffusion of environmentally friendly technologies.

ANTI-CORRUPTION

Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery.

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