Public-Private Development Partnerships
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Cover image: Clouds with sunrays in the Humla District in Nepal. © Teeka Bhattarai (Fastenopfer)
### Abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
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<tr>
<td>BMZ</td>
<td>Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung (German Federal Ministry for Economic Cooperation and Development)</td>
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<td>CHF</td>
<td>Swiss franc</td>
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<td>CSR</td>
<td>Corporate Social Responsibility</td>
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<td>DCED</td>
<td>Donor Committee for Enterprise Development</td>
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<td>DFI</td>
<td>Development finance institution</td>
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<td>EPS</td>
<td>Engagement with the Private Sector</td>
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<td>FAO</td>
<td>Food and Agriculture Organization of the United Nations</td>
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<td>GIZ</td>
<td>Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (German Corporation for International Cooperation)</td>
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<td>HIB</td>
<td>Humanitarian Impact Bond</td>
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<td>ICRC</td>
<td>International Committee of the Red Cross</td>
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<td>NGO</td>
<td>Non-governmental organisation</td>
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<td>OECD</td>
<td>Organisation for Economic Co-operation and Development</td>
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<td>PPDP</td>
<td>Public-Private Development Partnership</td>
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<td>PPP</td>
<td>Public-Private Partnership</td>
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<td>PR</td>
<td>Public relations</td>
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<td>PSE</td>
<td>Private Sector Engagement</td>
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<td>RBF</td>
<td>Results-based financing</td>
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<td>SCPP</td>
<td>Sustainable Cocoa Production Program</td>
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<td>SDC</td>
<td>Swiss Agency for Development and Cooperation</td>
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<td>SDGs</td>
<td>Sustainable Development Goals</td>
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<td>SECO</td>
<td>State Secretariat for Economic Affairs</td>
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<td>Sida</td>
<td>Swedish International Development Cooperation Agency</td>
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<td>SIFEM</td>
<td>Swiss Investment Fund for Emerging Markets AG</td>
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<td>SIINC</td>
<td>Social Impact Incentives</td>
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<td>SME</td>
<td>Small to medium-sized enterprise</td>
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<tr>
<td>UNFCCC</td>
<td>United Nations Framework Convention on Climate Change</td>
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<td>WEF</td>
<td>World Economic Forum</td>
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1. Introduction

In 2015, three major agreements have been concluded by the international community: the Addis Ababa Action Agenda of the Financing for Development process, the Agenda 2030 containing the Sustainable Development Goals (SDGs) and finally the Paris Agreement concluded by the parties to the United Nations Framework Convention on Climate Change (UNFCCC). These three documents pave the way towards necessary transformation for more social and environmental justice. In order to realise them, there is a need to shift current investment patterns. Nevertheless, they also identify existing financing gaps, meaning that additional financial means for development and climate are needed to achieve their goals. Particularly the Agenda 2030 highlights that the private sector must play a crucial role in raising these funds.1 Different forms of private sector involvement are being discussed, one of them being partnerships between development cooperation agencies and the private sector – also known as Public-Private Development Partnerships (PPDPs).2

PPDPs are sometimes seen as a ray of hope, just like the ray of sunlight in the dark on the cover image. PPDPs seem to represent a hopeful future for development cooperation in a time when the amount of money needed to achieve set goals largely outweighs the amount of money made available by governments. This is why they have been promoted in recent years as an extremely useful – or even inevitable – instrument for achieving the SDGs.3 The same is true for the Paris Agreement.

This hope has also reached Switzerland: The Swiss Agency for Development and Cooperation (SDC) spent CHF 27 million – approximately 1 % of its total budget – on projects with the Swiss private sector in 2017.4 This approximately represents double the amount spent on such projects in 2000.5 SDC aims at increasing its engagement with the private sector, namely through PPDPs, in the following years.6 Concretely, SDC’s goal is to double the number of its PPDPs from 30 to 60 in the period from 2018 to 2021, a target for financial volume not being defined.7 Not only SDC, but also the Economic Cooperation and Development division of the Swiss State Secretariat for Economic Affairs (SECO), the Swiss Investment Fund for Emerging Markets AG (SIFEM) as well as other development finance institutions (DFIs) and international organisations to which Switzerland contributes also use PPDPs in their activities. These institutions’ PPDPs are not included in the above numbers.

The aim of this literature review is to give a short overview over the available information on PPDPs – with a focus on Swiss development agencies. It will first delve into different definitions of PPDPs, address who the partners in such partnerships are and present different types of such partnerships. Afterwards, it will try to identify potential benefits, disadvantages and challenges that may appear when using PPDPs in development cooperation.

Our literature review is mainly based on information that is publicly available online. This includes, inter alia, policy documents and evaluation reports from governments, development cooperation agencies and

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1 See UN General Assembly: Transforming our world: the 2030 Agenda for Sustainable Development (A/RES/70/1, 25 September 2015), e.g. §§ 39-41.
2 See chapter 2.2 for more information on different terminologies.
3 See e.g. Peter Theodora: Die Unternehmen sollen an Bord geholt werden (Welt-Sichten 4/2018, 4 April 2018).
4 SDC: SDC expenditures (25 May 2018), tables T12 and T05s.
6 Ibid., 2512.
7 See Peter Theodora: Die Unternehmen sollen an Bord geholt werden (Welt-Sichten 4/2018, 4 April 2018).
international organisations, research from academics and non-governmental organisations (NGOs) as well as media reports.

The authors would like to thank Daniel Hostettler, Markus Brun and the rest of the Fastenopfer team as well as Eva Schmassmann from Alliance Sud, Maja Rüegg from Helvetas and Miges Baumann from Bread for all for their support and invaluable feedback.

2. Definition: What are Public-Private (Development) Partnerships?

2.1. Traditional (Infrastructure) Public-Private Partnerships

Before partnerships with the private sector appeared in development cooperation, Public-Private Partnerships (PPPs) have been known as an alternative to the provision of public goods by the government. The most common type of Infrastructure PPP is the concession, an instrument that has been used at least since the Roman Empire before being promoted during the 1970s and 80s as one type of PPP by neoliberal governments – especially in the United Kingdom. 8

There is no universally recognised definition of PPPs. 9 However, the World Bank issues the PPP Reference Guide, which contains one of the most often cited definitions of PPPs: “A long-term contract between a private party and a government entity, for providing a public asset or service, in which the private party bears significant risk and management responsibility and remuneration is linked to performance”. 10

An Infrastructure PPP can take various forms; the World Bank lists three criteria that can be used to characterise PPP projects. First, one may consider whether a given PPP project concerns existing public assets or whether the project includes the creation of a new asset. Second, a PPP is characterised by the tasks that are entrusted to the private partner; those tasks may include designing, building, financing, operating and/or maintaining the infrastructure in question. Third, there are PPP schemes where the users of the infrastructure remunerate the private partner for the fulfilment of these tasks – e.g. through toll charges in the case of a motorway – and schemes where the government pays the private partner. 11

2.2. Public-Private Development Partnerships (PPDPs)

The lack of a universal definition is even more striking when looking at PPPs in development cooperation. There are even differences in naming. This report will mostly use the term “Public-Private Development Partnerships” (PPDPs), which is officially used by the development agencies of Switzerland (SDC) and Sweden (Sida). 12 We will, however, also examine and analyse papers and studies, which use a different term than “PPDP” if the partnerships they study fit into one of the PPDP definitions or if the point referred to is relevant for PPDPs, not only for traditional PPPs.

What different actors’ definitions seem to have in common is their broadness – one might even say vagueness – meaning that many projects not meeting the criteria for a traditional PPP as explained above can be considered PPDPs. The Food and Agriculture Organization of the United Nations (FAO) actually notes that due to the lack of a narrow definition, “[in the context of agricultural development],

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9 Ibid., 3.
11 Ibid., 6–8.
virtually any form of collaboration (formal or informal) between the public (including donors) and private sectors (and their related partners) can be labelled a PPP.  

The World Economic Forum’s (WEF) definition illustrates this vagueness by defining a development PPP as “involv[ing] business and/or not-for-profit civil society organizations working in partnership with government agencies and official development institutions [and] entail[ing] reciprocal obligations and mutual accountability, including either voluntary or contractual relationships; the sharing of investment (financial or in-kind) and reputational risks (...), and joint responsibility in design and execution”.  

The Swiss Agency for Development and Cooperation (SDC) does not have one single, clear definition of PPDPs, but different definitions are found in different of its documents. The Federal Council’s dispatch to parliament concerning the international cooperation 2013-2016 defines PPDPs as “joint investments of development agencies and the private sector as an instrument of development cooperation”. 

The most recent dispatch notes that there are different forms of partnerships, which may be bilateral, multilateral or included in one of SDC’s global programs. Recently, SDC started using the term “Engagement with the Private Sector” (EPS) instead of “PPDP” in its internal communication. However, to date, it continues to use the term “PPDP” in its external communication.  

Heinrich, analysing the SDC’s PPDPs, distinguishes a “core portfolio” from other collaborations with private actors. The former consists of projects, which “[involve] cost- and/or risk-sharing by SDC and private companies in the context of core business activities and related joint development projects”. 

The Economic Cooperation and Development division of the Swiss State Secretariat for Economic Affairs (SECO) uses the term “partnering with the private sector” and defines this as “a collaborative arrangement between public sector and private sector actors aiming at achieving a common development objective”. The sharing of risks and costs that was mentioned in an earlier version of SECO’s position paper is not part of the definition anymore. The term “PPP” is used by SECO to designate a subcategory of collaborations with the private sector, namely “contractual agreements under which the private sector delivers an infrastructure product or service”; this seems to designate projects that we would define at the same time as PPDPs and Infrastructure PPPs. 

When comparing the Swiss definitions with those of other national development agencies, one can note certain differences in definition and focus of the interventions:

20 SECO: SECO Approach to Partnering with the Private Sector (Berne: SECO, 2018), 2.
21 See SECO: SECO Approach to Partnering with the Private Sector (Berne: SECO, 2017), 3.
22 SECO: SECO Approach to Partnering with the Private Sector (Berne: SECO, 2018), 2.
The **Swedish International Development Cooperation Agency** (Sida) – which uses the term “PPDP” – stresses in particular that all of its PPDPs are implemented through NGOs or UN agencies and that it never transfers funds directly to the private partner.\(^{23}\)

The PPP definition of the **German Federal Ministry for Economic Cooperation and Development** (Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung; BMZ) differs between the German and English language website. While in German, “Entwicklungspartnerschaften mit der Wirtschaft” are described as common projects of companies and one of the German public development agencies, the English website describes PPPs as “the projects of private businesses” that are supported by BMZ.\(^{24}\)

The Donor Committee for Enterprise Development (DCED), a coalition of different development agencies including SDC, SECO, Sida and BMZ, uses the term “Private Sector Engagement” (PSE) and notes that this is “is a broad concept with varying definitions”.\(^{25}\) In its own work, it uses the following definition elaborated by the Organisation for Economic Co-operation and Development (OECD): “an activity that aims to engage the private sector for development results, and involves the active participation of the private sector”.\(^{26}\)

Besides the aforementioned broadness of the definition, there are several other common points of the definitions one can observe: Many definitions contain the sharing of costs and/or risks between the partners and imply that the partnership is managed together. Another frequent element is the required link between the PPDP and the company’s core business, which excludes e.g. a mining company contributing to the operation of a school as part of its Corporate Social Responsibility (CSR) strategy or as a compensatory measure. Finally, development has to be the goal of the partnership according to most definitions. However, the definitions usually do not state what form of development this ought to be.

### 3. Who are the public and private partners? What role do NGOs play?

The **public partner** in PPDPs typically is the government of a (most often developed) country, represented by its development agency (e.g. SDC).\(^{27}\) Often, a coalition of development agencies from different countries (e.g. a coalition of SDC, BMZ and Sida) or an international organisation (e.g. the World Bank) act as the public partner.

Involvement of the project country’s national and local government and their agencies can vary; they may be formally involved through a contract, involved on an *ad hoc* basis or not involved in the project at all.\(^{28}\) There seems to be little information about the degree to which project countries’ governments are involved in practice.\(^{29}\)

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\(^{24}\) BMZ: Glossar – Public Private Partnership (PPP) (last access: 7 November 2018) and BMZ: Glossary – Public-Private Partnership (PPP) (last access: 7 November 2018).


\(^{26}\) DCED: Overview of the Private Sector Engagement Working Group (last access: 6 November 2018).

\(^{27}\) See PPPLab: *Partnering with the Public P* (Rotterdam: PPPLab, 2016), 10-11.

\(^{28}\) Ibid.

The range of possible private partners is described differently by different actors. They all (implicitly) agree that “private” primarily means “for-profit” and “business”.\textsuperscript{30} Different groups of businesses can be identified and not all actors focus on the same groups.

SDC lists “small- and medium-sized enterprises, local companies and multinationals, foundations and financial institutions” as examples of possible partners.\textsuperscript{31} SECO lists the same types of institutions – except foundations and financial institutions – as possible private partners.\textsuperscript{32}

SECO states that it prefers partnering with multinationals for global or sector-wide projects because of their large resources, their presence in several countries as well as their large network and good PR visibility; small to medium-sized enterprises (SMEs) are its preferred partner for smaller, locally adapted projects. Furthermore, SECO stresses that it collaborates with companies from all over the world, but shows a clear preference for Swiss companies. The high demand for sustainably produced products in the Swiss market, the specific knowledge of Swiss firms and their geographical proximity to SECO are listed as advantages of Swiss enterprises over others.\textsuperscript{33}

SDC does not indicate anything about its preferences in terms of company size. With respect to the potential private partners’ domicile, it mentions that it collaborates not only with Swiss companies, but also with “local companies in countries where it is active”.\textsuperscript{34}

As has been seen before, SDC lists foundations as its possible private partners.\textsuperscript{35} It is not clear whether this targets NGOs organised as foundations or rather philanthropic foundations created by companies. Other national development agencies do not include partnerships between government and NGOs in their definition of PPPs either.\textsuperscript{36}

As noted above, Sida systematically includes NGOs in their PPDPs as a third partner responsible for implementation of the project.\textsuperscript{37}

Other authors see NGOs as possible private partners in PPDPs and thus consider partnerships between a government agency and an NGO a type of PPP.\textsuperscript{38}

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{figure1.png}
\caption{Partnerships involving different types of partners (PPPLab: Public-Private Partnerships – a Brief Introduction (Rotterdam: PPPLab, 2014), 10).}
\end{figure}

\begin{itemize}
\item See e.g. Jomo Kwame Sundaram et al.: Public-Private Partnerships and the 2030 Agenda for Sustainable Development: Fit for purpose? (New York: UN Department of Economic and Social Affairs, 2016), 4-5.
\item SDC: Public-private partnerships for development for a greater impact (27 November 2017).
\item SECO: SECO Approach to Partnering with the Private Sector (Berne: SECO, 2018), 4.
\item See SECO: SECO Approach to Partnering with the Private Sector (Berne: SECO, 2017), 7 and SECO: SECO Approach to Partnering with the Private Sector (Berne: SECO, 2018), 4.
\item See SDC: Public-private partnerships for development for a greater impact (27 November 2017).
\item Ibid.
\item See e.g. BMZ: Glossary – Public-Private Partnership (PPP) (last access: 7 November 2018) and Sida: Public Private Development Partnership (10 March 2017).
\item See Sida: Public Private Development Partnership (10 March 2017).
\end{itemize}
PPPLab – a research initiative by the Dutch Ministry of Foreign Affairs – limits the use of the term “PPP” to partnerships between businesses and government. It uses the terms “Government-Civil Society Partnership” and “Business-Civil Society Partnership” for the other possible combinations of partners. A partnership involving all three types of actors is called “Tripartite Partnership” (see figure 1).39

Sometimes, so-called “knowledge actors” are involved in PPDPs, especially when the project aims at resolving an issue on which there is a lack of research. Knowledge actors can be public (e.g. universities) or private (e.g. privately funded research institutes).40

4. Different types of PPDPs

As noted before, the term “PPDP” is usually defined very broadly.41 This means that there are many different forms of collaboration, with many different possible roles for the private and public actors, which can be subsumed under this term.

SDC does not have a list of the instruments it uses in any of its publicly available documents. However, the DCED, a coalition of which SDC is part, has produced a categorisation of different types of Private Sector Engagement (PSE), which is the term it uses for PPDPs.42

In this section, we will present the definitions of eight different types of PPDPs. An example for each of them will be presented in a box next to the definition.

Single-private partner projects:
These are projects that only involve one development agency and one company. Often, an NGO is mandated for implementation.

As in this form of collaboration, the public partner is only involved with one private company, the risk of causing market distortions and dependencies in favour of this company is particularly significant. Furthermore, the potential for scaling is smaller because it is limited to one company’s operations.43

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40 Ibid., 19.
41 See chapter 2.2.
43 See SECO: SECO Approach to Partnering with the Private Sector (Berne: SECO, 2018), 4.
Multi-stakeholder partnerships:

Multi-stakeholder partnerships are projects that involve more than one private partner. Typically, they involve a development agency, several companies as well as local government and some civil society representation. Sometimes, it also involves more than one development agency. Some of these partnerships have more formalised structures than others, some even being organised as separate legal entities. They may have different objectives: some of them implement concrete projects while others are merely platforms for political dialogue between the partners.

As multi-stakeholder partnerships lack certain of the disadvantages of single-partner PPDPs mentioned above, they are often seen as more promising for the future. For example, SECO states that it plans to increasingly use this form of PPDP in the future.44

Matching grants / Challenge funds:

Matching grants or challenge funds are an instrument that disburses funds to enterprises, which do not have the necessary resources to start a new business activity or to scale up an existing one. These enterprises are selected upon application through competitive procedures and have to provide some part of the necessary funds themselves. Besides providing the enterprise with funds, the public partner often also offers technical assistance.45

Secondments:

Secondment – meaning the “lending” of an employee by one organisation to another – can be used as a PPDP mechanism, private companies and public development agencies exchanging employees with a view towards capacity development.46

Venture investments:

Under this model, a development agency like SDC is directly financially involved.

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44 SECO: SECO Approach to Partnering with the Private Sector (Berne: SECO, 2018), 4 and 6.
45 See Sida: Challenge Funds (12 June 2017).
e.g. as a shareholder, in a private company whose projects it wants to support.

**Investment through funds:** In this type of PPDP, the development agency does not invest directly in companies as a shareholder, but instead buys shares of a fund, which in turn buys shares of companies. As private investors are encouraged to buy shares of this fund, too, this follows the model of “blended finance” where public and private funds are “blended” together and the public money acts as a “buffer” for the private investments.\(^{47}\) This “buffer” function is particularly pronounced when the development agency’s shares are so-called “first-loss shares”, which have a higher risk than the shares detained by the private investors.

For the Swiss Investment Fund for Emerging Markets (SIFEM), the Swiss development finance institution (DFI), such investments through funds are the most often used instrument; this is where 85% of its funds go.\(^{48}\)

Alternatively, a development agency might also act as a guarantor for shareholders instead of being a shareholder itself. This means that it guarantees to the investors the repayment of a certain sum in case they lose their invested money due to the fund’s failure.\(^{49}\)

**Impact bonds:** A (development) impact bond is a financial instrument used to attract private investments towards development projects, making it another blended finance instrument. Private investors pay money to an implementing organisation (often an NGO), which uses it to implement projects. If these projects reach a previously agreed target, a public partner will pay back the investors with a premium depending on the measured results. Impact bonds may be interesting for development agencies because others actors will pre-finance the activities and because these agencies only have to pay according to the project’s results; this characteristic is also known as results-based funding (RBF) or output-based aid. Furthermore, they allow targeting actors that would normally not fund development or humanitarian projects.\(^{50}\)

Impact bonds have been criticised for shifting the focus of interventions towards easily measurable outputs rather than real impact. They have also been criticised for allowing investors to profit financially from other people’s suffering. In particular, it has been speculated that the arms industry might use HIB in order to maximise the profits it makes from selling arms by also profiting directly from the harm caused.\(^{51}\)

**Social Impact Incentives (SIINC):** SIINCs are another blended finance instrument. In this mechanism, a development agency pays a social enterprise an agreed sum for achieving certain outcomes, e.g. for every low-income household served. This helps the company to make profits out of these pro-development

\(^{47}\) See PPPLab: *Scaling through PPPs* (Rotterdam: PPPLab, 2017), 37.

\(^{48}\) See SIFEM: *Instruments* (last access: 7 November 2018) and SIFEM: *Investment Approach* (last access: 7 November 2018).


\(^{50}\) See ICRC: *The ICRC Humanitarian Impact Bond – Frequently asked questions* (Geneva: ICRC, s. d.), 2-3 and 8.

\(^{51}\) See Gebauer Thomas: *Die unsichtbare Hand versagt* (Welt-Sichten 10/2018), 17.
activities, which makes the company more attractive for investors because they can be paid returns on their investments.\textsuperscript{52}

One may observe that the last four instruments are more similar to investment instruments from the financial market than they are to instruments traditionally used in development cooperation. Most of the literature we reviewed focused more on the “classical cooperation instruments” than on the “financial” ones. However, the latter might be used more frequently in the future by development agencies.\textsuperscript{53}

5. Potential benefits and risks of PPDPs

This section will examine (potential) benefits and risks of PPDPs, mainly in comparison to more traditional forms of development cooperation. These are taken from the literature studied in our literature review. After the presentation of the potential benefits we will present possible risks of PPDPs in two parts, one part presenting risks that are specific and partly inherent to PPDPs (disadvantages of PPDPs) and the other one focussing on challenges that can arise during a PPDP and that have to be managed (challenges in PPDPs). The latter are not exclusive to PPDPs and can appear in other development programs, but many of these challenges may be exacerbated by the characteristics of PPDPs. It is interesting to note that negative aspects are not only highlighted by actors from civil society, but are also recognised in reports from governmental and international organisations.

5.1. Potential benefits of PPDPs

The literature lists several (potential) benefits of PPDPs. It is, however, important to note that there is much uncertainty surrounding these benefits. In particular, there is few to no scientific research on the effects of PPDPs.\textsuperscript{54}

**Additional financial resources:** As governments’ resources for development cooperation are limited, additional money is needed in order to be able to achieve the SDGs. To this end, PPDPs can be used to attract money from companies towards development projects.\textsuperscript{55}

**Risk sharing:** Risk sharing allows the private sector to make investments, which would normally be too risky in a business logic.\textsuperscript{56} For the public sector, some forms of PPDPs (especially those using results-based financing (RBF)) have the advantage of only costing something to the public partner if the project is successful.\textsuperscript{57}

**Know-how sharing:** The public sector can benefit from the technological and economic expertise the private companies detain.\textsuperscript{58} The private sector can benefit from the public partner’s network and experience in the country where the investment takes place.\textsuperscript{59}


\textsuperscript{53} See e.g. SECO: SECO Approach to Partnering with the Private Sector (Berne: SECO, 2018), 6.

\textsuperscript{54} Ministry of Foreign Affairs of the Netherlands: Public-Private Partnerships in developing countries – A systematic literature review. (The Hague: Ministry of Foreign Affairs of the Netherlands, 2013), 43.


\textsuperscript{56} See developePPP.de (BMZ): Opportunities for cooperation (last access: 16 November 2018).

\textsuperscript{57} See EnDev: Results-Based Financing (RBF) (Eschborn: GIZ, 2018), 1.

\textsuperscript{58} See SECO: SECO Approach to Partnering with the Private Sector (Berne: SECO, 2018), 2.

\textsuperscript{59} See developePPP.de (BMZ): Opportunities for cooperation (last access: 16 November 2018).
Efficiency: Due to their profit-orientation, private companies can be faster, more flexible and thus more efficient than the public sector. The projects the public sector conducts as PPDPs rather than by itself may therefore also have a higher degree of efficiency.\(^{60}\)

Innovation: Private companies are constantly looking for new innovative business models. The public sector can use this in order to “identify, test, and promote innovative business models” that it finds to be useful for development.\(^{61}\)

Influencing companies and scaling up: One of the often-cited motivations of SDC and SECO for entering into PPDPs is to influence the behaviour of the partner company.\(^{62}\) The goal of many PPDPs is actually to make new, more sustainable business models viable. Once the business model is viable, scaling up can be managed and financed by the company alone and no further support by the public sector is required anymore.\(^{63}\)

5.2. Potential disadvantages of PPDPs

In this section, we will discuss risks and potential disadvantages that are specific and partly inherent to PPDPs. Other challenges that are not specific to PPDPs will be discussed in the next section.

Focus on profit rather than development: An often-cited reason why PPDPs are supposed to function is that the private sector has an intrinsic interest in sustainable development and thus a common goal together with the public sector.\(^{64}\) In practice, however, it is questionable if inside companies, this long-term-oriented vision focused on sustainability really prevails over a vision more focused on short-term profits when there are possible trade-offs between development and corporate objectives.\(^{65}\) In particular, trade-offs may appear between profit and growth objectives and inclusiveness objectives, for example when deciding whether to target well-connected regions where profits are easier to achieve or more remote regions where more marginalised populations may be reached.\(^{66}\)

Information asymmetry: The public partner may not be able to know exactly what the private partner’s motives are. On the side of the public partners, there is thus a need to investigate the private partner’s motivations before entering a PPDP.\(^{67}\) For example, the private partner might try to instrumentalise the public partner’s good reputation in order to gain a good reputation for itself (co-called green- or bluewashing).\(^{68}\)

Inappropriate sharing of risks, costs and profits: There is a risk that risks, costs and profits are not shared in a fair manner. This is often to the disadvantage of the public partner.\(^{69}\) The reason for this might

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\(^{60}\) See SECO: SECO Approach to Partnering with the Private Sector (Berne: SECO, 2018), 4.

\(^{61}\) SECO: SECO Approach to Partnering with the Private Sector (Berne: SECO, 2018), 3.


\(^{63}\) See PPPLab: Scaling through PPPs (Rotterdam: PPPLab, 2017), 8-9 and 34-40.

\(^{64}\) See SDC: Public-private partnerships for development for a greater impact (27 November 2017).


\(^{68}\) See e.g. the criticism surrounding the Global Compact: Public Eye: NGOs Criticize “Blue Washing” by the Global Compact (4 July 2007).

\(^{69}\) See Jomo Kwame Sundaram et al.: Public-Private Partnerships and the 2030 Agenda for Sustainable Development: Fit for purpose? (New York: UN Department of Economic and Social Affairs, 2016), 13 and Ministry of Foreign Affairs of the Netherlands:
be that it has less expertise in recognising when a project is not profitable or because the private party’s representatives have better negotiation skills. The risk of public agencies being disadvantaged in negotiations is particularly high when dealing with multinational companies because of their great bargaining power. It has also been noted that the World Bank’s initiatives for supporting PPPs favour a risk allocation that is biased in favour of the private sector.

Creating market distortions: PPPDs pose a risk of creating advantages over its competitors for the company participating in the PPDP. This may lead to the public sector helping a company to secure an important market share or even to create a (quasi-)monopoly. As many PPPDs aim at making the introduction of normally non-profitable technologies attractive to companies, the creation of a certain advantage for the so-called “first-mover” is often desired or even necessary. A linked concern is that a government might use PPPDs as an instrument for the promotion of its own country’s business abroad and thus undermine the creation of local companies. One might speculate that this is the case of SECO, which “over the years […] has found several advantages in entering into partnerships with Swiss private companies” rather than other companies. Such practices might also negatively affect the expected efficiency gains of a PPDP as a foreign firm might be more efficient than the Swiss firm that is favoured by SECO because of its domicile.

Lack of subsidiarity or additionality: PPPDs aim at enabling investments in projects, which would normally not have been financed. However, PPPDs might sometimes also support projects that would have been financed by the private sector even without a public partner’s support or where no additional development impact is caused by the PPDP in comparison with the private company’s own actions.

Image / reputation of the private partner: Collaborating with private companies entails the risk for the public partner to be associated with a private partner’s potentially bad reputation. This is particularly sensitive if the company’s bad reputation stems from activities that are in contradiction to the public partner’s development and environmental standards.

Public partner’s lack of know-how or resources: If the public partner is not well prepared to working with the private sector – e.g. because of a lack of know-how or of human resources – it becomes more
difficult for it to influence the design and effectively monitor the project. This situation gives more power to the private partner.\textsuperscript{79}

### 5.3. Possible challenges in PPDPs

In this section, we will discuss challenges that may appear in PPDPs. Most of them are not exclusive to PPDPs and can appear in other development programs, but many of these challenges may be exacerbated by the characteristics of PPDPs.

**Not reaching the poorest of the poor:** As serving the poorest of the poor is not financially attractive for private companies, this part of society is often de facto excluded from PPDPs because providing goods or services to them is not profitable. This is because their financial resources are scarce and they often live in areas with few infrastructure, the latter making it expensive to service them. There are instruments to address this problem, but many PPDPs do not use them.\textsuperscript{80}

**Not practicing gender mainstreaming as a transversal approach:** Research on health PPDPs and on Infrastructure PPPs shows that gender-aware approaches are often lacking in their projects, even if it would be essential to include them.\textsuperscript{81} The reason for this might be that PPDPs’ business orientation is biased towards technical solutions rather than working on structural issues like gender power relations.\textsuperscript{82} Therefore, the same problems might also exist in PPDPs dealing with other areas than health and infrastructure.

**Insufficient ownership by local government and population:** If the government of the intervention country or region is not involved in the PPDP, this may decrease credibility of the project with the population and/or negatively influence implementation because of lacking coordination.\textsuperscript{83} Furthermore, if the local population is not consulted or otherwise involved in the project design and implementation, this may lead to the project not being adapted to local needs and thus cause a commercial failure or even protests against the project.\textsuperscript{84}

**No scaling and replication by the company:** Once a PPDP project is successfully implemented in one context, it often cannot simply be copied into another context. Furthermore, projects may fail to be replicated by the company in other regions where it is active, especially if there is no business case that


\textsuperscript{81} On gender in health PPDPs, see Hawkes Sarah, Buse Kent & Kapilashrami Anuj: Gender blind? An analysis of global public-private partnerships for health (Globalization and Health 13:26, 2017); on gender in infrastructure PPPs, see IFC: Gender Impact of Public Private Partnerships (Washington D.C.: IFC, 2012).

\textsuperscript{82} See Hawkes Sarah, Buse Kent & Kapilashrami Anuj: Gender blind? An analysis of global public-private partnerships for health (Globalization and Health 13:26, 2017), 9.

\textsuperscript{83} See Beisheim Marianne and Liese Andrea: “Summing Up: Key Findings and Avenues for Future Research”, in \textit{Transnational Partnerships – Effectively Providing for Sustainable Development?}, ed. Beisheim Marianne and Liese Andrea (Basingstoke: Palgrave Macmillan, 2014), 210; see also e.g. project “SMS for Life” where scale-up was problematic at least partially because of limited ownership by the Tanzanian government (Heinrich Melina: Stocktaking Assessment of the Public-Private Development Partnership Portfolio of SDC (Berne: SDC, 2013), 23-24).

\textsuperscript{84} See Jomo Kwame Sundaram et al.: \textit{Public-Private Partnerships and the 2030 Agenda for Sustainable Development: Fit for purpose?} (New York: UN Department of Economic and Social Affairs, 2016), 19; see also e.g. a project in the Kaveri Nagar slum (India) where toilets built by a PPDP were misappropriated as a temple (see Beisheim Marianne, Jenetschek Hannah and Sarre Johanna: “What’s the ‘Best Fit’? Partnership Project Design and Its Influence on Effectiveness”, in \textit{Transnational Partnerships – Effectively Providing for Sustainable Development?}, ed. Beisheim Marianne and Liese Andrea (Basingstoke: Palgrave Macmillan, 2014), 173) and a SECO-supported water infrastructure PPP project in El Alto, Bolivia, which was terminated after public protestsations (see Spörndli Markus: Wässrige Partnerschaften (WOZ, 13 September 2012) and Bauer Richard: Vergiftetes Klima um Wasser in Bolivien (NZZ, 27 August 2005)).
would make continuing the project financially viable for the company. This means that implementation of a successful model may fail to be replicated on a larger scale once public support ends.\textsuperscript{85}

**Creating dependencies:** Especially in PPDPs where the private party provides loans or machines to the beneficiaries, dependencies of the beneficiaries from the private company may be reinforced or created by the PPDP because loans granted by the private firm have to be repaid.\textsuperscript{86}

**Lack of transparency:** When researching about PPDPs, one quickly notices that many actors (e.g. SDC and SECO) do not provide much information on their PPDPs. In particular, the identity of the private partners is often not revealed in project descriptions\textsuperscript{87}, which may make it difficult for persons affected by the PPDP’s projects to find out where they can submit complaints. Furthermore, transparency is important because it allows for public scrutiny, which leads to public actors’ decisions being more aware of public needs and gives the public sector more leverage towards the private partner.\textsuperscript{88} Transparency problems can of course also appear in other development cooperation projects, but they are a particular challenge for PPDPs because of the participation of private companies, which are interested in keeping their commercially sensitive information confidential.\textsuperscript{89}

**Responsibility of the public partner for private partner’s violations of international law:** If a private partner in a PPDP violates human rights or other international rules (e.g. from international environmental law), the public partner might be held responsible for these violations.\textsuperscript{90} A development agency is of course also responsible for human rights violations taking place in a more traditional development cooperation project, but the situation might be more problematic when working with private companies, given the fact that most Swiss companies do not have any human rights policies.\textsuperscript{91}

**Insufficient monitoring and evaluation:** The number of partners involved in a PPDP can complicate surveillance of the partners’ delivery on responsibilities. Furthermore, it also complicates evaluation of the outcomes of the project, as it is difficult for one organisation to have an overview over all the aspects and outcomes of a project.\textsuperscript{92} These challenges for monitoring and evaluation are even bigger if the public partner is not well prepared for working with the private sector – e.g. because of a lack of know-how or of human resources.\textsuperscript{93} A study in 2013 has actually found SDC’s result measurement for PPDPs to be insufficient.\textsuperscript{94}


\textsuperscript{87} See e.g. the project “Environmentally friendly cement for countries experiencing a construction boom” where the entry in SDC’s database merely mentions “Swiss private sector” or “cement industry” as a partner.

\textsuperscript{88} Romero María José: Public-Private Partnerships – Defusing the ticking time bomb (Brussels: Eurodad, 2017), 8-9; see also Open Contracting Partnership: Mythbusting Confidentiality in Public Contracting (Washington D.C.: Open Contracting Partnership, 2018).


\textsuperscript{91} See Peyer Chantal: Human Rights Policy in Swiss Companies – An Overview (Lausanne/Berne/Lucerne: Bread for all and Swiss Catholic Lenten Fund, 2016).

\textsuperscript{92} FAO: Public-private partnerships for agribusiness development (Rome: FAO, 2016), 141-142.


6. Conclusion

It is clear from the reviewed literature that PPDPs are an instrument we will hear more about in the future. Internationally and nationally, development agencies state the necessity to cooperate more with the private sector in order to attain the SDGs and the goals of other international instruments. However, we have also noticed that PPDPs are a rather new instrument of international cooperation and that, therefore, there is a certain lack of research on them. This means that some potential challenges and disadvantages have not been studied in detail and that there are thus no clear strategies on how to cope with all of them yet.

To come back to the imagery on this report’s cover, PPDPs are seen as a ray of hope for development cooperation, just like a ray of sunlight. However, we do not know yet what really lies behind the clouds that cover the source of light.

Besides taking into account this lack of solid knowledge, it is also important to pay attention to another challenge: Giving the proper weight to development aspects – i.e. at least the same weight as given to corporate interests – may not always be obvious. If the involved actors assume that following corporate interests and aiming at economic growth will automatically lead to sustainable development, they are refusing the interconnectedness of the different SDGs as described in the Agenda 2030.95 In our opinion, it is the role of development agencies to defend the complexity of the SDG agenda against a more straightforward business logic as well as to ensure that the private partners in a PPDP fulfil the requirements of human rights due diligence as laid down in the UN Guiding Principles on Business and Human Rights.96

Another challenge could lie in the political environment because the extent to which PPDPs contribute to sustainable development also depends on donor countries’ national political decisions. If it is decided that development agencies are to link development projects to economic actors of the domestic economy and to national interests – notably by favouring domestic companies in PPDPs – this might contradict other efforts for the reduction of global inequalities.

If development agencies intensify their engagement with the private sector without taking into account these challenges, the result might be a hasty multiplication of PPDPs and possibly an insufficient degree of taking into account the potential disadvantages and challenges we have identified in our literature review. We therefore conclude that it is necessary for the Swiss civil society to follow Switzerland’s engagement in PPDPs with a critical eye and to offer its knowledge on development and its experience in development cooperation to the institutions involved in those partnerships.

95 See UN General Assembly: Transforming our world: the 2030 Agenda for Sustainable Development (A/RES/70/1, 25 September 2015), preamble recital 3 and § 17.