

Partnerships with the Private Sector

e+i network
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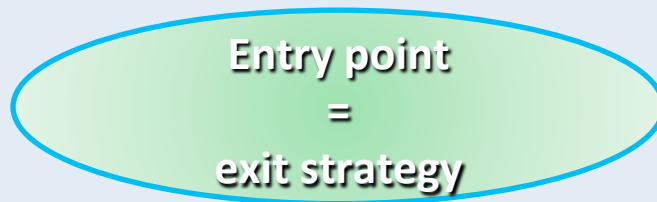


Rita Stupf, cinfo, Biel

Dr. Thomas Streiff, BHP - Brugger und Partner AG, Zürich

Facilitating system change: Understand the framework in which we act

Sustainability placed at
the centre of strategy
and action



Builds a realistic,
transparent
picture of the future:
private and public

Systemic Market
Development:

- **finite**
- **focused**
- **facilitative**

To stimulate **market
players** to perform
valid roles (they're
currently not doing or
not doing well)

«Who» is the private sector?



«Who» is the private sector?

- Informal
- Formal
- Small
- Medium
- Large
- Local



- Regional
- International
- Professional associations
- Farmer Groups
- Cooperatives



«Who» is the private sector?



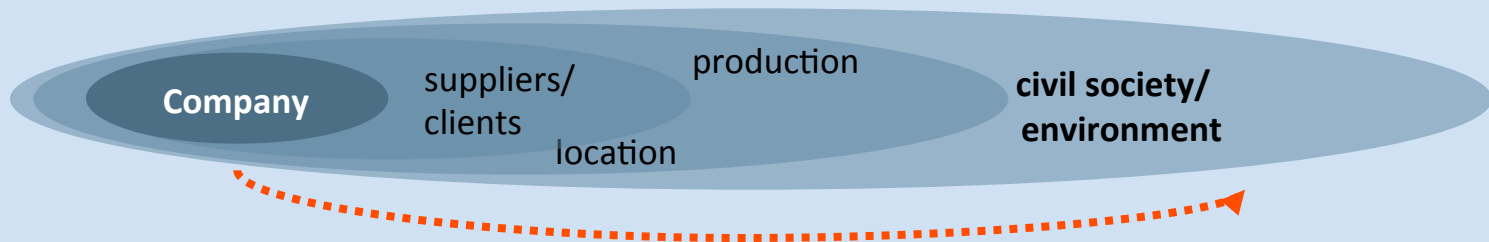
Think in systems
Think in stakeholders and their incentives
Think global – and act local

CSR type 1: «Community Development»

1. Community Development

Support of the development of the production location situated close to communities and their natural environment and who are only indirectly affected by the business activities of the company.

→ „strategic philanthropy“



Source: Deutsches Institut für Entwicklungspolitik; BHP

CSR type 2: «Sustainable Supply Chain Management»

2. Sustainable Supply Chain Management

Continuous improvement of a value chain by an engaged and involved company under compliance of environmental, social and governance criteria (= ESG Criteria) and an increasing inclusion of relevant stakeholders

→ „CSR in the value chain“



Source: Deutsches Institut für Entwicklungspolitik; BHP

Community Development (strategic philanthropy)

Motivation and benefit of the company:

- Acceptance by civil society at production location
- Networking with local authorities
- “Image promotion” and “image cultivation” through charitable engagement
- Location promotion & development on site

Source: Deutsches Institut für Entwicklungspolitik; BHP

Community Development (strategic philanthropy)

Development cooperation instruments to support community development projects of the private sector

- **Public recognition:** „Awards“, according to transparent and verifiable criteria and promotion of good / best practises
- **Capacity Building:** training of CSR responsible person in designing and implementation of projects
- **Matching instruments/platforms:** market place for providers and investors of projects with the aim of a positive impact on community development

Source: Deutsches Institut für Entwicklungspolitik; BHP

Sustainable Supply Chain Management (integrated CSR)

Motivation of the company *and primary beneficiaries*

- **Risk management:** prevention of reputation damage and future liability claims
→ *Investors*
- **Increase of productivity / cost reduction:** more efficient and less harmful use of resources (natural & fossil, energy, personal)
→ *consumers / end customers*
- **Ethical motivation:** Assertion of own value system
→ *employees*
- **Product differentiation:** achievement of premium price
→ *business partners / retailers*

Source: Deutsches Institut für Entwicklungspolitik; BHP

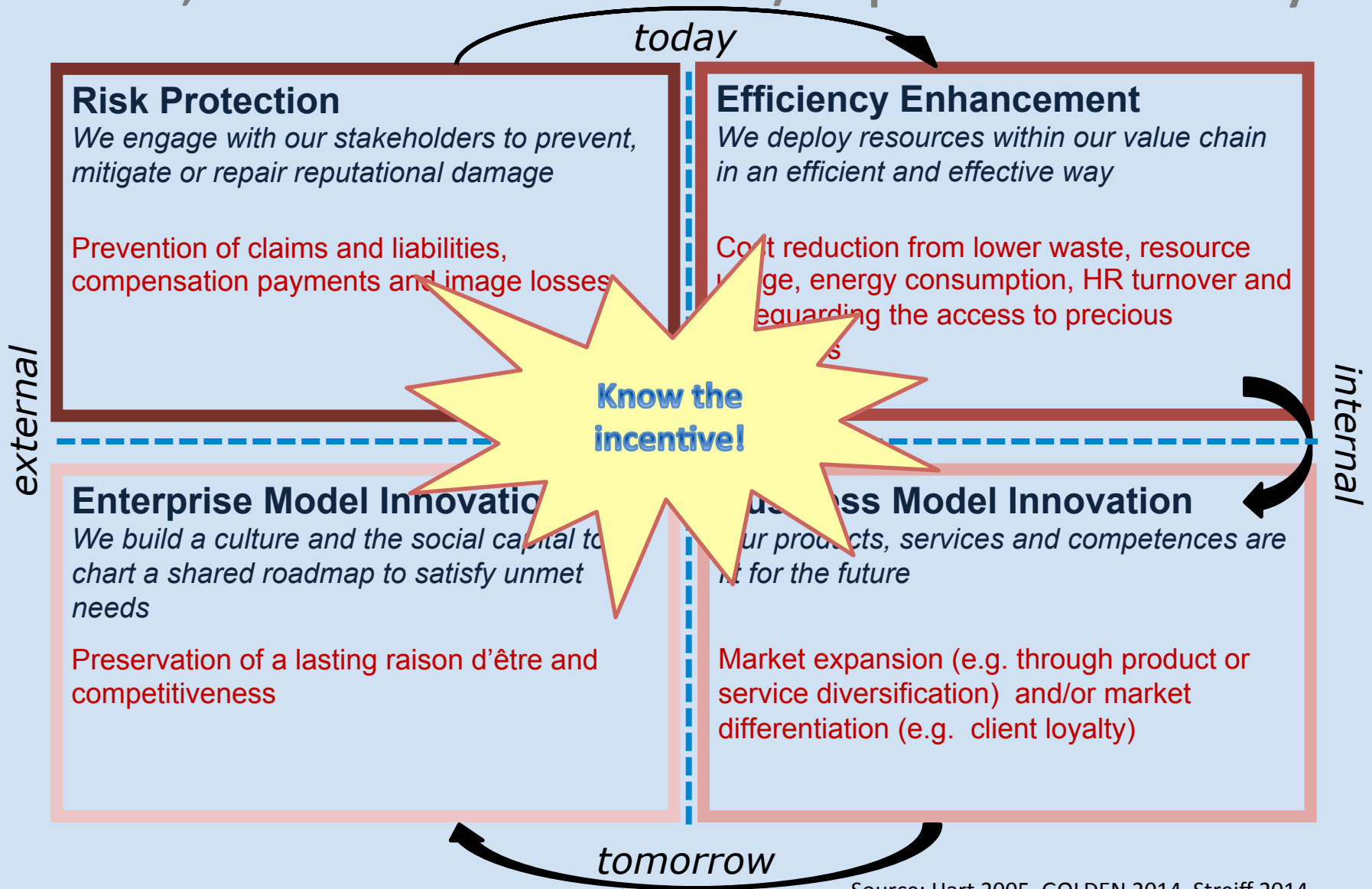
Sustainable Supply Chain Management (integrated CSR)

Development Cooperation instruments to support sustainable supply chain management activities of the private sector

- **Awareness creation for increased demand of CSR products:** promotion of validated and «labelled» CSR-products/-services through awareness creation and change in the consumption behaviour, e.g. with Fair Trade Fairs
- **Sensibilisation of institutional investors:** mobilisation of pension funds and foundations to invest in sustainable funds
- **Initiation and facilitation of PPP projects:** technical and financial network support e.g. Swiss South African Co-operation Initiative DEZA+20 Swiss companies, IDH - Sustainable Trade Initiative
- **Facilitate development of viable business models:** technical assistance in elaborating and testing business models with pilot projects

Source: Deutsches Institut für Entwicklungspolitik; BHP

Outlook, trend and evolution of CSR/Corporate Sustainability



Source: Hart 2005, GOLDEN 2014, Streiff 2014

Stakeholder management key principles

Principle 1:

An enterprise should be **managed** for the benefit of its **stakeholders**: its customers, suppliers, owners, employees, and local **communities**. The rights of these groups must be ensured, and, further, the groups must participate, in some sense, in decisions that substantially affect their welfare.

Legitimate

Principle 2:

Management bears a fiduciary relationship to **stakeholders** and to the enterprise as an abstract entity. It must act in the interests of the stakeholders as their agent and it must act in the interests of the enterprise to ensure its **survival**, safeguarding the long-term stake of each group.

beyond survival ?!

Evan & Freeman (1988, p. 103)

Why working together?

Donor/Implementing Agency:

- Neutral – not biased - Trustful
- Enabling a stable and inclusive (Business) Environment
- Job creation & income generation
- Economic development through systemic changes

Civil Society:

- Infrastructure (schools, roads, hospital, electricity, water)
- New jobs / Increased income
- Access to new services

**Know the
incentive!**

Private Sector:

- Sustainable sourcing / new suppliers
- Access to human resources in a sustainable way, e.g. with VET
- New markets (local, regional, export)
- New clients

Public Sector / Government:

- Infrastructure
- Tax revenues
- Continuous Business / Economic development
- Location promotion

Definition “Partnership”

In the world of business (Business Dictionary):

A type of business organization in which two or more individuals *pool money, skills, and other resources*, and *share profit and loss* in accordance with terms of the partnership agreement.

And in the world of development cooperation (OECD):

“...a *long term agreement* between the government and a private partner where the service delivery objectives of the government *are aligned* with the profit objectives of the private partner.”

Stakeholder management isn't an academic bubble – it's a driver for sustainable business success

It is **successful** if following requirements are met

at a strategic level

- Strong leadership - of all parties involved!
- To be considered as a long-term investment → allocating sufficient and appropriate resources
- Clear focus, joint goals and measurable outcomes

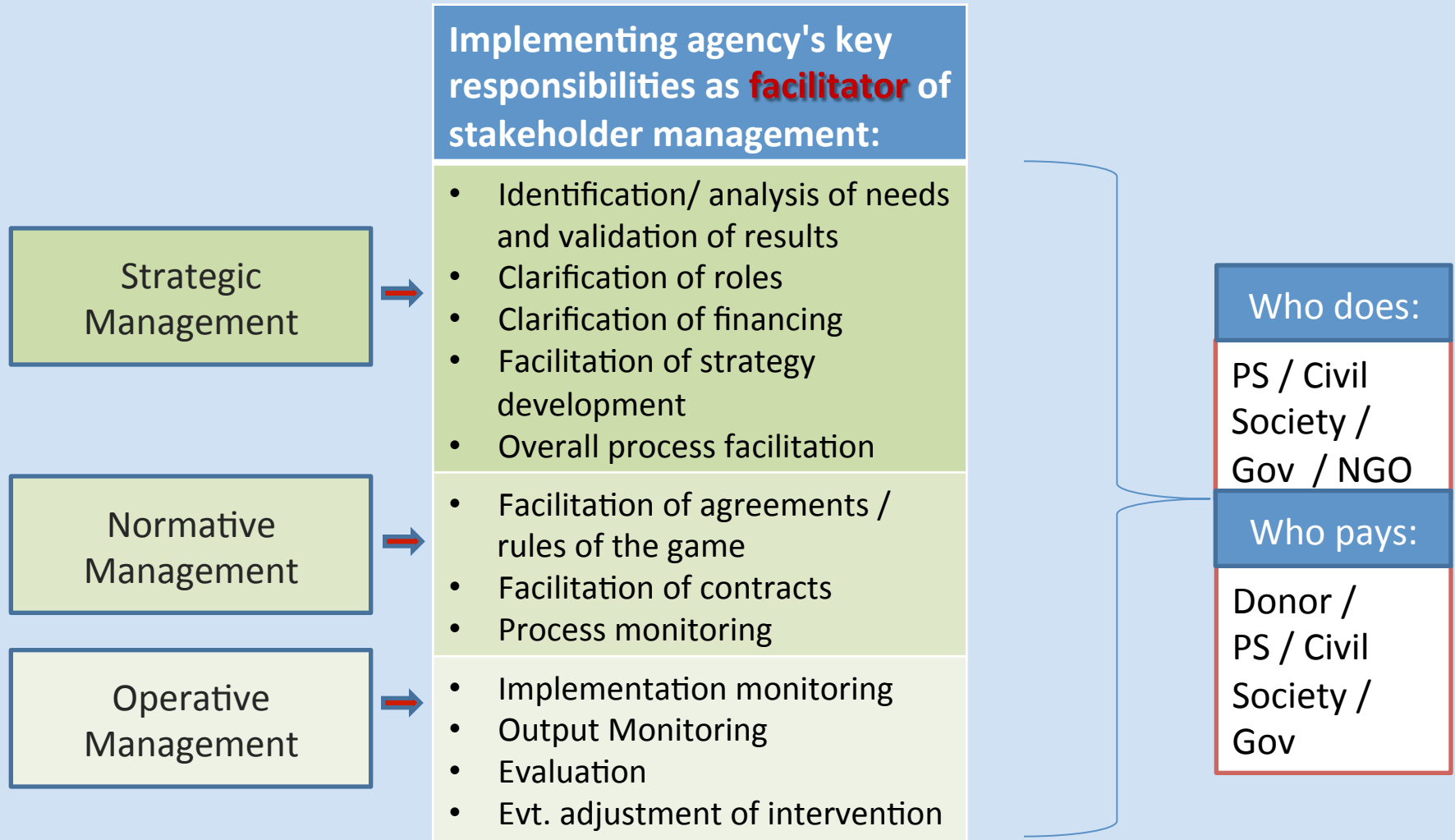
at a normative level

- Jointly defined the “rules of the game” and responsibilities

at a operational level

- Professional process management and “neutral” moderation
- Documentation and transparency

Stakeholder Management in Development Cooperation



Summary



Successful, stakeholder value generating partnerships between DC, CS and PS require:

1. **Long-term thinking** and **commitment** of decision makers
2. Institutional **willingness** (and ability) to learn
3. Mutually understandable and accepted **organization / business models**
4. **Agreement** on joint ambition, values and goals as well as on governance for cooperation
5. **Common understanding** on involvement, role and responsibilities of legitimate stakeholders
6. **Communication** on achievements/non-achievements

4 Key Messages

1. Be aware of your role as donor / implementing agency – you are facilitator/ funding agency but not part of the (market) system
2. Speak the private sector language. Facilitate stakeholder management: understanding & communication skills
3. Find out / understand what the incentive of the private sector and civil society is when cooperating with you (as donor / implementing agency)
4. Partnerships and trust take years to evolve but seconds to destroy

