Summary of key insights from the e+i discussion on "Effective Partnership with the Private Sector" – Week 2: March 9th until March 15th 2015

Dear colleagues, practitioners, active contributors and active readers of this discussion cycle

The summary of key insights from the second week provides a brief overview of the discussed topics, and it is a continuation of the summary of week one. It cannot take up every element, argument or perspective posted during the discussion; nor can it focus on a specific example (we keep having a very lively discussion with a diverse and inspiring experiences and opinions).

The final synthesis of the discussion cycle shall be more comprehensive and provide guidance for the forth-coming face-to-face meeting in Thun (April 2015).

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The synthesis of week one (https://dgroups.org/?5dl0d2ph) focused on
(a) **our motivation** for engaging with the private sector (mainly because of leverage, scale and sustainability);
(b) finding **the right partner** (common goals; motivation to work with us; potential for leverage); and
(c) what elements made the collaboration **successful and effective** (readiness for accepting diverging working environments; flexibility; clarification of interest and roles).

The second week was marked by two topics:

1. What does the private sector **demand** from development initiatives, and what can development programs **offer**?
2. What kind of **capacities** are needed by development programs in order to collaborate effectively with the private sector?

Because the second question is still being discussed, we will focus the summary on question one only.

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1. What does the private sector expect from development programs and what do we offer?

Commitment comes first. The private sector, as well as development programs seek for committed partners. In the few cases where money was an issue, we were given two kinds of alerts:

(a) Development programs have too big funds and pressure to spend them within the project period and to do this cannot always stay true to their 'facilitative role'
(b) Some businesses have specialized in "donor subsidies" and ask for 100 % cost coverage from the project.

In most cases, however, the demand and the offer was not related to financial co-investments; if co-investment was sought, it was for piloting or testing new products, procedures or services.

The following table provides an overview of the mentioned contributions (*where offer met demand*) of development programs in partnerships with the private sector:

Area of support	Support activities
Information	Support the local generation of market information
	Provide evidence of new ideas, innovations, products or services
	Projection of market demand
	Analytical work (markets, demands, etc.)
Space	Create events for meetings, match-making, networking
	Facilitation and networking (allow dispersed individuals / businesses to meet)
Learning	Organize learning or exchange visits
	Provide capacity building (at all levels)
	Be a discussion partner, sounding board, validator of ideas
Neutrality / Transparency	Provide an outsider (non-competitive) perspective
	Facilitate solution finding processes
	Review contractual agreements (contracts in out-grower schemes, for instance)
Co-investment	Competitive funds for business ideas
	Co-investment for piloting new schemes, ideas, innovations
	Co-investment for studies, market information, analyses

In order to select an option and prepare an offer, the project needs to be clear about its objectives, what it wants to achieve with the partnership. Not all options for collaboration work for all objectives.

The ***offer*** from the development programs are as diverse as the different sectors, businesses and contexts are that they work in. There is no overall solution or blue-print offer towards the private sector. What seems key in our collaborations with the private sector is:

- be honest and modest;
- do not create expectations you cannot live up to;
- commit to what you're doing;
- prioritize the pace of the partner, not of the project;

and last but not least:

- **ownership, ownership, ownership (!)** remains with your partners; at all times.

There are also **risks** involved when working with the private sector; their interest or commitment might change or fade away as the business environment changes. This puts our initial motivation at risk: scale, leverage and sustainability. We can **mitigate some of the risk** by considering a portfolio of interventions and partners and our offer/support to each might need to change over time; or by a step-by-step approach; but we should be careful not slowing down processes only for risk-awareness reasons. We also need to assess the potential **return** and be **prepared for taking risks.**

Working towards sustainability

Working towards sustainability has been a part of this first question. Contributors warned that subsidies by projects could distort the market as they might give the subsidised company an unfair advantage. If the subsidies were too high, sustainability of the partnership is put in question as the company cannot continue with the business model once project subsidies stop. Concrete proposals were to ask for a 1:2 match of project funds (if a project invests 50,000 USD, the firm is asked to invest 100,000 USD) and to only refund the project money once the agreed activities have been undertaken, not to pay it upfront. More general, participants advised that the private sector partner should take up the major part of the investment needed.

Questions have been raised in this regard about the visibility of the project. Should we really introduce ourselves as a donor funded NGO programme? Or should we brand all activities with the private sector as such? Rather, the project should remain invisible and activities with the private sector should be seen as their efforts to change the sector.

Do we have the right capacities (structure, processes, procedures, flexibility and staff) for taking such risks?

This is a key question of week 3 – keep up the discussion and stay tuned with e+i DGroup!

16.03.2015. For the summary: Daniel Roduner & Marcus Jenal