

COLLABORATING WITH THE PRIVATE SECTOR

Position Paper



Zurich, January 2014

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Abbreviations

CSR	Corporate Social Responsibility
DAC	Development Assistance Committee
FDI	Foreign Direct Investment
HLF4	Fourth High Level Forum
ILO	International Labour Organisation
MDG	Millennium Development Goals
ODA	Official Development Assistance
OECD	Organization for Economic Co-operation and Development
PPDP	Public Private Development Partnership
PPP	Public Private Partnership

1. HELVETAS Swiss Intercooperation and the Private Sector

Helvetas is working with a wide range of private sector actors in different roles and relationships. This paper outlines the position of Helvetas working with the private sector to achieve broader development outcomes. The thematic area of promoting private sector development is not the focus of this paper, though the separating line between the two can be fuzzy.

We cooperate with private sector entities in their role as market actors. Most people, also the very poor act in markets; whether they are commodity, employment or service markets. People may participate in these markets as farmers wanting to sell their commodities, as labourer, seeking employment or in markets to get basic services such as for instance health services or water.

Many of our projects support poor and disadvantaged families to participate in value chains and benefit from acting in commodity markets. These households trade individually or in groups with small local businesses, with large national companies or with international corporations. In many of these cases private sector actors provide services to small producers. We work with private sector employers and associations to understand the skills that labour markets need, and work with these actors to develop curricula, train young people and get them into employment.

In some cases we enter into a contractual relationship with private entities to outline roles and responsibilities of both sides; in many cases we do not have a direct relationship but it is the project partners who enter into contractual agreements with the companies..

Companies also approach Helvetas and ask for our specific expertise and support to implement community development or related projects with their financial resources and under their name.

In other roles private corporations provide financial resources as a donation or a sponsorship. Helvetas uses the resources according to the agreed terms.

We engage with private sector corporations in dialogue forums. These forums address issues related to the conduct of private corporations, as well as policies that impact on poor and disadvantaged people as they act in markets.

What is our position on working with private sector entities in the coming years? What types of collaborations do we want to enter and build on? What are the challenges and how will we deal with potential tension fields? This position paper provides answers to these questions.

2. Who is the private sector?

The private sector includes a wide range of for-profit economic actors: international and transnational businesses, domestic enterprises, state enterprises, small and medium enterprises and, in many areas relevant for development, micro enterprises. A related sector is the social economy, made up of entities such as cooperatives which have often made a crucial contribution to development. While large transnational business are important to develop and manage global value chains the huge number of informal enterprises, family run farms and self-employed men and women that conduct business in developing countries should not be overlooked in their potentials to create income and employment¹.

¹ OECD Development Assistance Committee, *Promoting Pro-Poor Growth and Private Sector Development*, 2006, page 10 accessible at <http://www.oecd.org/dac/povertyreduction/36427804.pdf>

3. Collaboration between Development and Private Sector Actors

Donors and development organisations are increasingly looking to the private sector as a partner for increasing and enhancing development results. The private sector drives economic growth through investment, employment and business creation, innovation and knowledge transfer. Economic growth is seen as integral to development.

“We recognize the central role of the private sector in advancing innovation, creating wealth, income and jobs, mobilizing domestic resources and in turn contributing to poverty reduction”.

This affirmation in the 2011 Busan Partnership for Effective Development Cooperation (BPd) - the key outcome of the Fourth High Level Forum (HLF4), held in Busan, South Korea in November 2011 - comes with an explicit commitment to “enable the participation of the private sector in the design and implementation of development policies and strategies to foster sustainable growth and poverty reduction”. The private sector is considered a development partner crucial to overcoming the challenges for “effective development”, which is “driven by strong, sustainable and inclusive growth”.

On the other hand, the private sector also seeks collaboration with development organisations, both, from government and civil society. Corporates appreciate and seek the knowledge of development organisations coming from a long term and in-depth engagement with communities and the social, political and economic context in partner countries, the thematic and technical competence, the presence on the ground and the capacity to build consensus among diverse stakeholder groups. The drivers behind that may have been primarily reputation enhancement in the past, creating an image of a company that cares about social and environmental issue. But this is changing; an increasing number of companies want to conduct their business in a socially responsible manner and create more “shared value”, business growth coupled with positive social and environmental impact. One contributor to this development is certainly an increased awareness of consumers and a more intense monitoring of the performance of companies of their supply chains. Another driver for private corporations to trade more directly with small producers has been an increasing shortage of commodities. Developing long-term trading relationships with producers will increase sustainability of supplies.



(<http://www.jantoo.com/cartoon/12259268>)

In 2010, DAC members channelled US\$ 903 million in the public private partnership modality [PPPs]. Unfortunately there is no corresponding estimate of the private sector contributions available². In 2010, net official development assistance (ODA) flows from DAC members reached USD 128.7 billion. The percentage spent on joint projects with the private sector was therefore only 0.7%. This amount has grown significantly since 2007 when PPPs accounted for only US\$234 million of DAC ODA, which could be in part the result of under-reporting in 2007. The sector allocation of ODA for PPPs in 2010 emphasized projects in the health sector, including population and reproductive health (40.9%), in economic infrastructure (31.8%), agriculture (15.2%), and environmental protection (6.0%).

Public Private Partnerships (PPP)

A range of different partnership mechanisms are operated by donor organisations³. They include matching grant (funds), challenge funds, development partnerships with the private sector, public-private partnerships, business instruments, as well as other facilities, initiatives or coalitions.

Most bilateral donor agencies have one or several structured mechanisms whose essential purpose is to provide a matching grant or subsidy to companies' Other donor agencies (such as SDC) operate a less structured business-partnership mechanism.

Different donors have phrased their specific definitions of partnerships with businesses:

SDC: The Bill on Switzerland's International Cooperation 2013-2016 defines PPDPs as 'joint investments of development agencies and the private sector as an instrument of development cooperation. Collaborations with companies are 'primarily' about harnessing their core competencies and resources to achieve development goals. Cost-sharing or co-investment as well as a focus on the core business are central elements of PPDPs.

Danida "provides financial support for the preparation and implementation of commercially oriented partnerships (...) to mitigate some of the risks inherent to the pursuit of new business opportunities in developing countries."

SIDA: "Through partnerships, the objective is to leverage the contribution of the private sector to global poverty reduction and to promote inclusive and sustainable business models that enable people living in poverty to improve the quality of their lives. Collaboration between Sida and the private sector is based on risk- and cost-sharing and on the private sector being the driving force of the partnerships.

BMZ: "Partnerships can be defined as "cooperation projects between actors from the public sector, the private sector and civil society in which the organisations involved cooperate transparently and as equals, in order to achieve a joint objective for sustainable development. To this end the partners use their complementary competencies and resources, and agree to share the risks and the benefits of the joint project."

Donors engage with the private sector in two key ways: by *promoting private sector development* and *partnering with the private sector* to achieve broader development outcomes. They see a direct link between growth and poverty alleviation in developing countries: a thriving private sector contributes to growth, which in turn contributes to poverty reduction.

² Shanon Kindorney (2010): Investing in the Business of Development. Bilateral Donor Approaches to Working with the Private Sector. North South Institute.

³ DCED (2013): Donor Partnerships with Business for Private Sector Development: What can we Learn from Experience? Working Paper, March 2013 by Melina Heinrich, DCED <http://www.enterprise-development.org/page/download?id=2147>

Working closer with the private sector brings the benefits of achieving more impact and scale. While aid shows to be effective at a micro-economic level, the link at macro-economic level does not seem to be strong. Development outcomes from aid projects often do not aggregate into major development breakthroughs.

Additionality

The idea behind partnerships is to make things happen that would not otherwise occur by sharing costs and lowering risks⁴. Most donors want additionality generated by public-private partnerships. Financial additionality refers to the extent to which aid funds target sectors and firms that otherwise would not have funds available to them. The private sector should demonstrate that either the project could not have happened or would not have happened at the same scale without their support. Development additionality refers to the extent to which aid resources directed to, or in support of, the private sector work toward eradicating poverty and achieving other development goals, such as the MDGs or human rights standards.

Standards and principles

The extent to which donors employ internationally agreed standards and principles, regulating social and environmental practices as guiding framework for their work with the private sector differ. A recent study⁵ among OECD members showed twelve donors reference the UN Global Compact, nine reference the OECD Guidelines on Multinational Enterprises, and six refer to the Extractive Industries Transparency Initiative. Eleven donors specifically refer to International Labour Organization (ILO) conventions while ten point to UN conventions and declarations on human rights, such as the Universal Declaration on Human Rights, the Covenant on Economic, Social and Cultural Rights, and the Convention on the Rights of the Child. An additional six donors refer to rights in the general sense in their strategies (i.e., they do not specifically reference UN conventions and standards, but rather point to the respect for human rights as important in their strategies).

Transparency and results measurement

Observers and researchers have pointed to the lack of transparency regarding private sector contributions to the partnerships. While the contributions from the donors are generally in cash, private sector partners often offer their part as in-kind, which is often difficult to value. There is often a lack of clarity on the terms of the criteria for partner selection. Results measurement and reporting systems do not seem to be consistently considered and/or put into practice. A key problem in many partnership projects is that results measurement does not seem to get a lot of attention at the design stage. It remains unclear how results are being monitored in practice. Only very few partnerships have articulated a more detailed results chain⁶ as a basis for monitoring and reporting (including the partnerships in agricultural market development programmes). Further, in most cases, monitoring responsibilities by the different partners do not seem to be clearly defined⁷. From an aid effectiveness perspective, the gap in donor programming on transparency and accountability mechanisms is obvious and concerning, more so given that donors are likely to increase their work in this area in the future.

⁴ <http://www.sida.se/English/Partners/Private-sector/About-Business-for-Development/>

⁵ Shannon Kindornay (2013): International Norms and Standards. In: Investing in the Business in Development. The North-South Institute

⁶ See for instance: DCED (2013): Guide to making results chains. <http://www.enterprise-development.org/page/download?id=1833>

⁷ SDC (2013): Evaluation - Stocktaking Assessment of the Public-Private Development Partnership Portfolio of SDC

Reputational and normative risks

Development agencies want to avoid collaborating and being associated with companies that violate human rights, ignore minimal environmental standards, and disregard regulations or internationally recognised standards. Agencies are increasingly screening who they partner with, to manage reputational risk.

UNIDO, for example, has developed a new Policy on Business Partnerships⁸, a manual on how UNIDO will establish and maintain business partnerships. This includes criteria and the process for conducting due diligence.

Development agencies are increasingly avoiding sectors that are seen as being associated with harmful products. For instance, companies involved in arms, tobacco or gambling are excluded from applying to Sida's Innovations Against Poverty programme⁹. Finnpartnership's exclusion list¹⁰ also lists the alcoholic drinks sector. Agencies can also require that firms comply with socially responsible business practices including financial transparency, human rights, labour conditions and environmental protection, often as documented in international standards. Danida's Business Partnership programme¹¹ requires that firms "must as a minimum comply with national work environment regulations and comply with UN Global Compact, the UN guiding principles on business and human rights, the ILO's decent Work Agenda, the OECD Guidelines for Multinational Enterprises and ISO 26000." The Austrian Development Agency's Business Partnership programme requires projects to include "flanking measures that contribute both to improving the local social, ecological or economic environment and the success of your company."

Verification processes also vary; some agencies do their own research. For instance, UNIDO's Business Partnerships Group compiles a dossier on every business partner. Another approach is for agencies to require firms to initially self-assess, with the possibility of an external audit if there are concerns. Finnpartnership can grant support for social and environmental assessments already at the pre-feasibility study stage, and applicants can also seek advice from Finnfund's Environmental Advisor. These approaches can be used to advise firms on how to improve their performance, while periodically reviewing assessments allows firm performance to be tracked over time to see if progress is being made.

Growth and Poverty Reduction – a closer look

Growth accounts for more than 80% of poverty reduction, and has lifted 500 million people above the poverty line since 1980, while less than 20% came as a result of changes in inequality. In East Asia, where growth has averaged 9% a year over the last 15 years, 300 million people are no longer poor¹². Figure 1 compares annual growth of GDP per capita and the reduction of absolute poverty. While annual GDP growth for Bangladesh during the period of 1992 to 98 was 3%, poverty rates fell by 2%.

⁸ UNIDO Secretariat (2013): UNIDO Policy on Business Partnerships

⁹ SIDA (2012): Innovations against Poverty. A Guide for Applicants

¹⁰ Finnpartnership (2011): Business Partnership Support Facility Exclusion List

¹¹ DANIDA (2013): Screening of companies and business case

¹² DFID (2008): Private Sector Development Strategy. Prosperity for all: making markets work

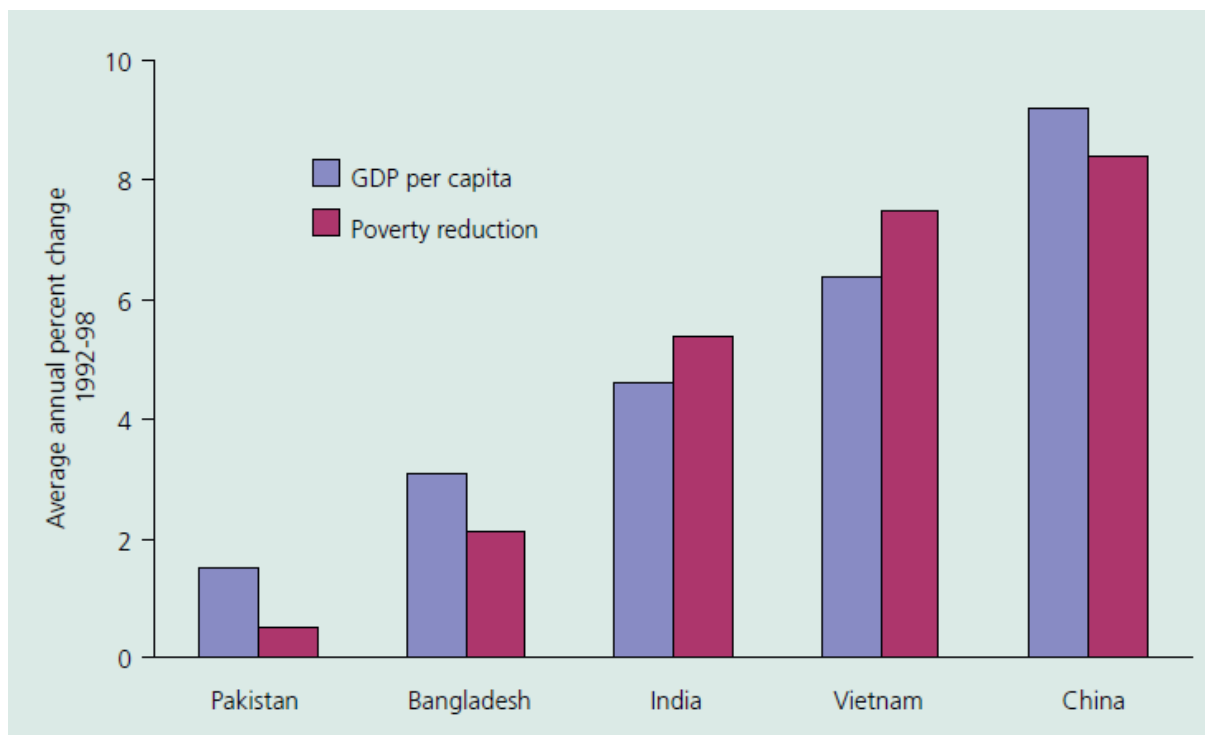


Figure 1: Poverty reduction & growth

But not all private sector investment or innovation has an impact on poverty. Growing socio-economic inequalities have been observed in many countries experiencing strong economic growth (see Figure 3).

The poor typically share in the benefits of rising affluence and absolute poverty falls, relative poverty on the other side often increases, i.e. the gaps in income and wealth widens. There is a sizable variance around the “typical” outcomes for the poor that emerge from economic growth. A strong link has been observed between high levels of inequalities at the outset of economic growth with increasing inequalities as the economy expands¹³.

While the private sector takes a key role in inducing and driving economic growth, the public sector performs key functions in the pursuit of inclusive economic growth. Public institutions create the conditions and rules through market governance within which sustained and inclusive economic growth driven by the private sector is possible. Beyond this enabling environment, strong public sector capacity is needed to ensure that authorities are able to deliver services and carry out their regulatory and other responsibilities in a transparent manner that strengthens the accountability ties between them and their citizens. Governments also need the capacity to effectively collect taxes and deliver social services, and redistribute the benefits of growth to those who are most marginalized by the economic activities that create growth.

¹³ Martin Ravallion (2005): Inequality is Bad for the Poor. *Development Research Group, World Bank*

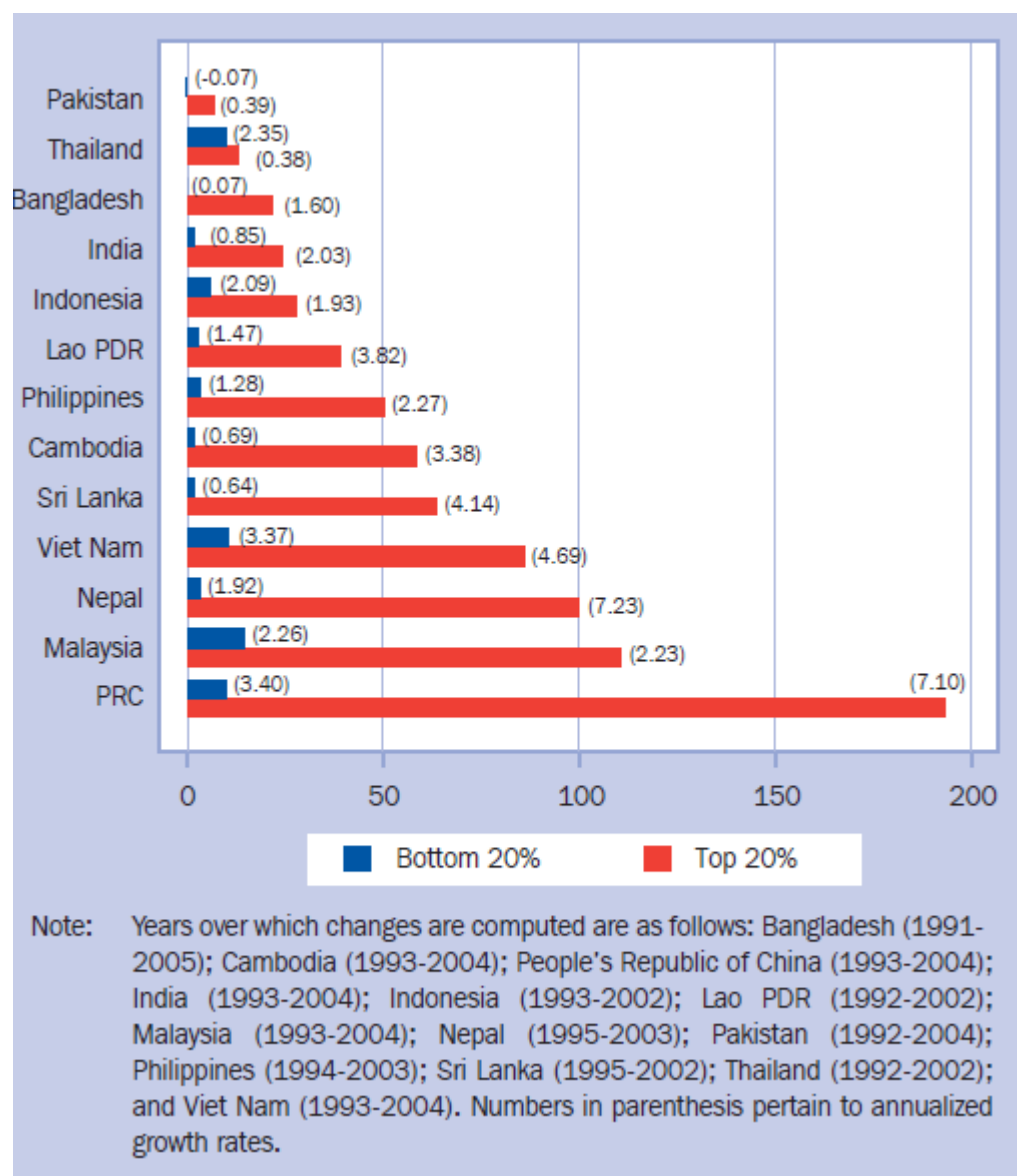


Figure 2: Changes in Per Capita Expenditures, 1990s-2000s, Bottom 20% and Top 20% (in 1993 PPP dollars)¹⁴

Those at the top of the distribution (top 20%) have seen their expenditures/incomes grow considerably faster than those at the bottom (bottom 20% here). The differentials in expenditure levels, shown in figure 2, are especially stark in terms of changes in levels of expenditure (the bars) as opposed to growth rates (numbers in parentheses). In fact, level increases in expenditures have been higher for the top 20% than bottom 20% even in those countries where Gini coefficients have declined, for example, Indonesia and Malaysia.

What drives these inequalities?

The Asian Development Bank report on Inequalities in Asia points to three dimensions:

- Spatial: Growth has been uneven across subnational locations as well as rural / urban
- Economic sectors
- Across households: incomes at the top of the distribution have grown faster than those in the middle and/or bottom.

¹⁴ Asian Development Bank (2007): Inequalities in Asia

4. Foreign Direct Investment in Developing Economies

Statistics show that the extent to which development agencies and the private sector is collaborating is still very small. DAC member countries spent well below 1% on this aid modality. Most of the engagement of the private sector in developing countries is taking place independently of development agencies.

Capital flows to developing countries

The volume of foreign private investment in developing countries outweighs the official development assistance by sevenfold (see figure 3). FDIs amount to roughly two thirds of the total private investment; the other part is made up of bilateral portfolio investments and export credits. Portfolio investment refers to capital investment in the private sector without direct influence on the management of the company. Private capital tends to fluctuate along with the economic cycles, while the flow of ODA is much more stable over time. It is interesting to note that the volume of remittance payments has reached the level of FDIs.

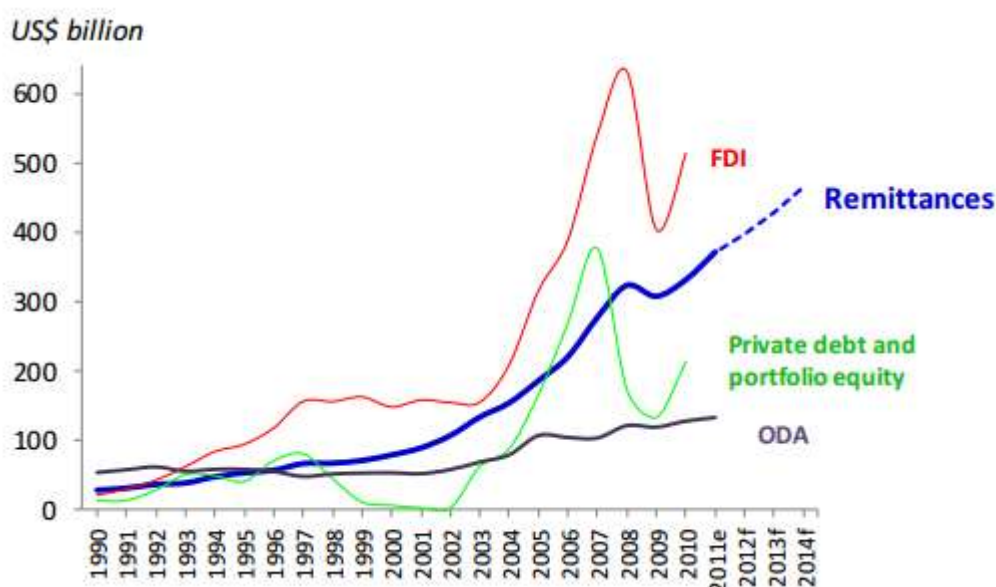


Figure 3: Net flows of resources to developing countries (World Bank 2012)¹⁵

Foreign direct investment (FDI) has been considered a major driver for change in developing countries over the past decades. The private sector injects capital into capital-poor economies, and more importantly, they bring economic and technical know-how, entrepreneurial initiatives and knowledge about markets. Foreign companies often have products with higher quality than local companies, respond better to market needs and are more productive. Local enterprises are challenged to improve productivity and reduce their costs if they want to stay in the market.

FDI is considered an important catalyst for economic growth. Growth in economic activity is essential for creating conditions for people to overcome poverty. Enterprises create jobs, provide incomes, goods and services, advance innovation, and generate public revenues essential for economic, social and environmental welfare.

¹⁵ <http://siteresources.worldbank.org/INTPROSPECTS/Resources/334934-1110315015165/MigrationandDevelopmentBrief18.pdf>

Equally there are concerns about the impact of foreign direct investment on national industries. When foreign companies rapidly take over particularly sectors, local companies do not have the chance to develop and compete and employment and income is lost, and capital may leave the country. Governments have to intervene to cap the power of international companies. An interesting example is that of restricting the access of multinationals to the retail sector in India.

5. Governance in Global Markets – Gaping Holes

Globalisation and economic integration has moved ahead fast over the past decades. Political integration on the other side has lagged far behind in some policy fields creating global governance gaps. Companies are tempted by these unregulated areas to externalise social and environmental costs. Oxfam in its report *Behind the Brand*¹⁶ shows for instance that the world's most powerful food and beverage companies continue to rely on cheap land and labour to produce inexpensive products and generate huge profits. These profits often come at the cost of the environment and local communities around the world, and have contributed to a food system in crisis. The authors of the Oxfam report write: Companies are overly secretive about their agricultural supply chains, making claims of 'sustainability' and 'social responsibility' difficult to verify. None of the Big 10 have adequate policies to protect local communities from land and water grabs along their supply chains'.

With no global governance body in place to authoritatively enforce responsible behaviour among multinational enterprises, new forms of non-hierarchical regulation have developed that commit companies to assume responsibility. Committing to responsible behaviour by private enterprises is described by the label of Corporate Social Responsibility (CSR).

CSR is a concept, which provides the base to voluntarily integrate social and environmental concerns into an enterprise. With the recent completion of ISO 26000 CSR has evolved from being a concept and a codex to an auditable standard.

There are currently three dominant international instruments to provide a framework to CSR: the UN Global Compact, the OECD Guidelines for Multinational Enterprises and the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy.

The United Nations Global Compact¹⁷, launched in 2000 by the Secretary General of the United Nations is the biggest among these initiatives. Transnational companies who have signed up to the Global Compact, commit to abiding by human and labour rights as well as implementing internationally agreed environmental standards and anticorruption guidelines in all of their production and sales units across the world as well as in units of their suppliers. The Global Compact was complemented by the ILO Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy¹⁸ and the OECD Guidelines for Multinational Enterprises¹⁹.

The OECD Guidelines are primarily addressed to governments and civil society organisations. Their added value is to monitor multinational business and correct potential irresponsible behaviour. The OECD Guidelines seek to trigger behavioural change through 'naming and shaming' by 'watchdogs'. OECD member countries have operate national points of contact where complaints can be submitted. Seco has this function in Switzerland.

¹⁶ Oxfam (2013): BEHIND THE BRANDS. Food justice and the „Big 10“ food and beverage companies

¹⁷ <http://www.unglobalcompact.org/>

¹⁸ ILO (2006). Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy. Fourth edition. Geneva. www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_ent/---multi/documents/publication/wcms_094386.pdf

¹⁹ OECD. (2011). OECD Guidelines for Multinational Enterprises. www.oecd.org/dataoecd/43/29/48004323.pdf

The ILO Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy seeks to foster CSR through 'norm-setting'.

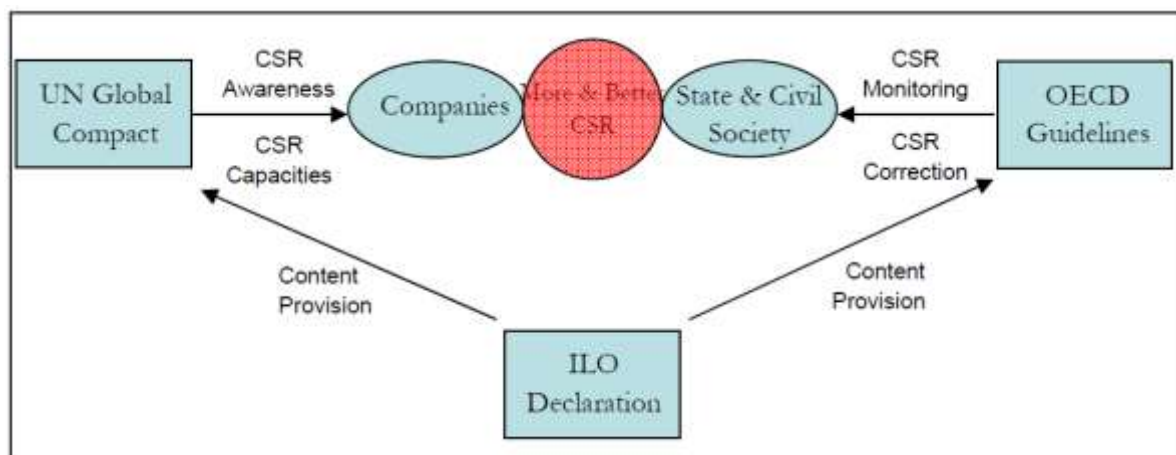


Figure 4: Complementary of the three main instruments in CSR²⁰

Numerous companies have committed to adhere to these principles. However, free riders distort the competition, which results in economic disadvantages for those companies who pay minimum wages and comply with international environmental standards. Transnational companies are enormously complex in their structure, and they find it difficult to ensure a consistent compliance with social responsibility guidelines throughout their company including their suppliers. Another problem is that many of the transnational companies do not agree to a third party monitoring of their compliance with social responsibility guidelines²¹.

The major problem with all ongoing initiatives is their voluntary nature and the freedom to interpret the content of these principles. In 2006 the United Nations General Secretary appointed a Special Rapporteur for Business and Human Rights, Mr John Ruggie. The latter received the task to develop a scope of action on how commitment to human rights can be improved in the private sector.

Ruggie assumed that it is the State's duty to protect against human rights abuses by third parties, including private companies, that it is the corporate responsibility to respect human rights, and that a more effective access to remedies is needed. His scope of action includes three pillars²¹:

- Protect:** The state has the duty to protect human rights, including violations by corporations.
- Respect:** Corporations must respect human rights.
- Remedy:** Mechanisms are required in case of disputes.

The European Commission proposed that all member countries adopt the Ruggie framework in their national legislation and report on this by end 2012.²¹ In Switzerland, the National Council has recently (December 2012) mandated the Federal Council to come up with a report on how the Ruggie Principles can be applied in Switzerland.

²⁰ Drauth, C.M. (2010): Closing Global Governance Gaps through Corporate Social Responsibility? Hertie School of Governance – Working Papers, No 54

²¹ Niggli P. (2012). Corporate Justice und die Politik der Schweiz - eine kritische Bilanz. Fachtagung: Recht ohne Grenzen. Klare Regeln für Schweizer Konzerne. Weltweit. Alliance Sud. Bern, März 2012. www.alliancesud.ch/de/ep/konzerne/downloads-konzerne/Tagung%20RoG%20Niggli.pdf

6. Helvetas' Approach to Working with the Private Sector

HELVETAS Swiss Intercooperation's development projects aim to improve the living conditions of women and men from disadvantaged communities in a direct and sustainable manner, build capacities such that they can take control of their lives and have the skills, resources and opportunities to secure a decent living.

Poor people as they manage their livelihoods act in different markets and relate with private sector market actors at multiple levels. Markets play an important role for poor people to manage their lives, whether they are commodity markets, labour, financial or service markets. Helvetas is working with different market actors to enable poor and disadvantaged people to enter and participate in markets, and draw fair benefits from their efforts.

HELVETAS Swiss Intercooperation considers collaboration and dialogue with private sector actors in their different roles as important to effectively support poor and disadvantaged people in their efforts to take control of their lives and secure a decent living. Helvetas engages in the collaboration with private sector entities in their role as value chain actors, as employers, as service providers or customers of services. We also work with private sector corporations who want to use our expertise in their efforts to implement corporate social responsibility related activities and we relate with private sector entities in their role as donor.

An increasing number of companies are ready and interested to work with smallholders and poor people. Until recent times, the main driver was probably reputation enhancement. Companies provided (financial) support to social organization that works towards positive social impact - clean water, education, shelter are some high-priority issue areas. The objective is for the company to be seen as one that cares about the issue, but is not directly involved in delivering impact. This is slowly changing; more and more companies commit to conduct their business in a socially responsible manner, aiming at the creation of "shared value" or "performance with purpose" - business growth coupled with positive social impact. Pioneer companies shift their focus towards inclusive business to bring local producers and providers into their production and marketing value chains establishing the base for long term trading relations. This model requires new forms of governance frameworks that ensure stability, fairness and transparency to the value chain.

6.1 Helvetas' Work with Private Sector Entities in Development

Business has an important role to play in the fight against poverty: adding value to the economies in which it operates; creating opportunities for work; coming up with innovations, while acting responsibly in its operations and interactions with local communities. Private sector actors bring with them technical and business competence, efficiency in their work processes and their market networks. They are able to build and operate sustainable structures from which poor and disadvantaged people will benefit. Private sector actors do not work from a project perspective; they engage in markets long-term. Working closer with the private sector will bring the benefits of achieving more sustainable impact and scale.

T-STAR is supporting the diversification of employment opportunities in rural and semi-rural areas of Kyrgyzstan through business demand driven practical trainings which are implemented by business as partner of HELVETAS.

After the successful implementation of the Agriculture Skills Training in Rural Areas, A-STAR project, HELVETAS Swiss Intercooperation became aware that a sole focus on employment in the agricultural sector would not allow using existing employment opportunities to decrease unemployment, especially among women. Consequently, HELVETAS designed the Tourism Skills Training project in rural Areas, the T-STAR project, with the business sector, hotels and restaurants in particular, as the driving force.

Hotels and Restaurants were motivated to get engaged in training delivery driven by their own interest of having skilled staff to meet the new challenges of the increased tourism business in the Lake Yssykkol area and become involved in the skills development of unemployed young women and men. The benefit of training or re-training is twofold; firstly the training is delivered during the low tourism season and provides additional income, and secondly by training more people builds up a pool of skilled persons for the peak season when additional skilled labour is badly needed.

Natural allies such as the Chamber of Commerce and Industry of the Kyrgyz Republic (CCI) and the Kyrgyz-Turkish Manas University with experience in the tourism sector, and others were brought together. A partnership with *Hotelleriesuisse* and *Hotel & Gastro Formation*, the leading training providers in the Swiss hotel and restaurant sector was established.

Curricula were developed, tailored to the needs of the hotel and restaurant sector. Good practices from the internationally well reputed tourism sector of Switzerland were included. Several of the leading hotel and restaurant businesses stepped in and assumed the role as training provider. By mid 2013 already 16 hotels and restaurants joined the initiative, providing their facilities and experienced staff for practical training and internship.

The number of people trained so far is still small with 420 trainees, but taking into account that around 70% of the participants are women a modest contribution to increase employment opportunities for women living in rural areas has been achieved. The employment perspectives for graduates are good, figures from 2012 show an employment rate of around 60%.

Sustainability will be achieved step by step through a strong partnership with relevant hotels and restaurants, business organizations such as the Chamber of Commerce and Industry of the Kyrgyz Republic, public institutions such as the Ministry of Labour which takes responsibility to reduce unemployment, the Agency for Vocational Education and Training and private training institutions in the region as the "Training Hotel", amongst others and sound public private funding arrangements.

Helvetas sees its role in linking particularly those poor and disadvantaged people who often do not benefit from aggregate economic growth but are left out because of the location they live in, the sector in which they manage their livelihoods or the social group they belong to.

Helvetas is working with market actors who follow already high standards and good practices in operating pro poor value chains, for instance fair trade. We also work with enterprises who currently do not follow such practices but share a vision of sustainable development and have committed to comply with social and environmental standards.

Sustainable Rice Project in India and Thailand

Coop, the second largest retailer in Switzerland, decided to substantially increase sourcing of organic and fair-trade rice. The Coop rice mill approached Helvetas to support them in identifying suitable partners in India for basmati rice and in Thailand for jasmine rice, and in developing sustainable value chains with them. Helvetas and Coop jointly developed a project that aims at improving farmers' livelihoods, improving the environmental sustainability of the production systems and reliably supplying high-quality certified organic and fair-trade rice to Coop's rice mill. The project lasts for 3.5 years and is mainly funded by the Coop Sustainability Fund.

In India, the project is coordinated by Helvetas' partner organization Intercooperation Social Development India (ICSD). Based on an assessment of possible private sector actors the project established a partnership with the local rice mill and exporting company Nature Bio Foods (NBF). NBF identifies and contracts smallholder farmers for basmati production and provides them with inputs, training and technical advice. It ensures certification and quality control and purchases the paddy from the farmers at defined fair-trade conditions. The terms and conditions of the collaboration are defined in a Memorandum of Understanding between Coop, Helvetas, ICSD and NBF. This includes the definition of roles and responsibilities of each partner and the pricing mechanism for defining the price for the farmers. Helvetas and ICSD provide technical know-how, support the development of sustainable production techniques and ensure monitoring and knowledge management. In addition, the project contributes a small and regressing share to the investments of NBF for developing the value chain in a remote area with smallholders.

In Thailand, the project collaborates with a local producer cooperative that purchases the paddy from its members, processes it in its own mill and exports it through a Thai export company. Due to the limited capacities of the cooperative, the project contributes to improving the extension and internal control systems and provides technical advice in business planning and management issues. In both countries the project supports farmers to improve their production methods, to adapt to climate change and to diversify their production in order to reduce vulnerabilities and increase food security.

Through this approach the project aims at a win-win-win situation: more income for the farmers with less environmental impact, higher market shares for the participating companies and an attractive product for Coop.

Helvetas' role: empowerment of poor and disadvantaged people acting in markets

The majority of the world's poor come into contact with markets and companies - as producers, workers, entrepreneurs or consumers. However, often this interaction favours commercial benefit over social benefit and limits the ability of poor people to realise their full economic potential and develop into self-reliant market actors. By unlocking this potential, poor people can increase their income, invest in their security and help their families' escape poverty.

Apart from linking market actors, Helvetas sees its particular role in empowering poor communities to enable them to move out of poverty and benefit from economic growth processes.

HELVETAS Swiss Intercooperation sees three dimensions to empowerment in this context:

Economic empowerment:

- Strengthening poor people's access to and control of productive assets;
- Promoting decent working conditions (e.g. core labour standards);
- Making product and capital markets work better for poor people.

Political empowerment:

- Supporting collective action (civil society, cooperatives) for influencing the governance framework in which the economic activities take place.

Social empowerment:

- Promoting social inclusion and non-discrimination; Helvetas places a particular focus on women empowerment;
- Strengthening capacities for critical awareness among social actors of conditions affecting the lives of poor and discriminated populations.

Helvetas has been part of an initiative to develop a sound understanding and approach to women economic empowerment. This approach is now being followed in different field projects²². Numerous projects of Helvetas work towards making commodity and employment markets work better for the poor. In Nepal, Helvetas is supporting land-poor and landless people to access seasonally available riverbed land for cultivation through leasehold contracts with the local government authority.

The Samriddhi project of HELVETAS Swiss Intercooperation is contributing to the sustainable well-being and resilience of one million poor households in Northern Bangladesh. The project supports poor people organized in producer groups to generate a decent, regular source of income, develop greater self confidence and negotiation skills, and better informed decision-making.

The project works closely with a range of private sector entities, ranging from large pharmaceutical companies to vegetable wholesalers and traders. Private sector actors have recognised organized, poor producers as an asset for them, and supply high quality agriculture inputs and provide technical training to them, while buying their produce, which includes medicinal plants, fish, vegetables, cattle and others. The linkages between poor producers and the private sector are facilitated by local service providers who generate their income by charging for their services.

Samriddhi aims at including the most vulnerable groups, in particular women. The project has adopted a gender equality mainstreaming approach, an important strategy considering that the project is operating in a male-dominated society. An important component of the project was building gender awareness in rural societies. Many people have recognised the benefits from women participating in income generating activities.

Samriddhi intentionally selected value chains that are considered in Bangladesh to be socially appropriate for women. Two types were included: those already dominated by women such as cotton crafts, medicinal herbs, traditional poultry, duck and goat raising; and those in which women have some involvement, and there is potential for women and men to work together: milk production, beef-fattening, and fruit and vegetable production. By making the increase in women clients an explicit project focus, the project was able to make a significant change; by March 2013, 54% of all project clients were women. What has proved to be most important for women is entering into organised production. That way women have become more skilled and knowledgeable in their given line of production, they have also managed to increase their income – though this still remains less than that of men.

²² http://www.m4phub.org/userfiles/resources/32201210289657-M4P_WEE_Framework_Final.pdf

Participating in dialogue forums

Helvetas is committed to participating actively in dialogue forums with private sector corporations to advance effective governance systems that will safeguard human rights and the environment in their supply chains. Dialogue forums with private sector actors may also cover issues such as sector policies and business environment, particularly as they relate to sustainable development and pro-poor growth.

6.2 Challenges and Tension Fields for Helvetas and other Development Agencies

The principle objective of a private sector company is to generate profits for its owners and share holders. Development organisations have social objectives and want to create public goods. There may be common ground between the two groups, but there also wide grounds on which both diverge, leading to challenges and tensions. It is important to recognise these challenges and tension fields as reality and deal with them.

Profit Maximization vs Social Development: A tension field when private companies and development organisations collaborate is the purpose of the partnership. When private companies participate in development projects, their ultimate motivation is to gain new markets and clients and to increase sales and profits. Development organisations, on the other side, are geared primarily towards poverty reduction and improvement of living conditions, while safeguarding human rights and compliance with environmental standards. The meeting ground is where companies increasingly recognise the importance of the triple bottom line: The triple bottom line (TBL) consists of three Ps: profit, people and planet. It aims to measure the financial, social and environmental performance of the corporation over a period of time. Only a company that produces a TBL is taking account of the full cost involved in doing business.

Subsidised investment for market expansion vs effective public private partnership: Private companies want to explore new economic opportunities at minimal risk, using for instance direct and indirect subsidies provided by a donor. Partnerships providing exclusive benefits to just one company may lead to market distortions. Companies are interested to improve the operating environment for their investments, and demonstrate corporate social responsibility for the sake of corporate reputation. The commitment to CSR can reconcile different interests between private companies and development organisations. Moreover, private companies also have specific skills and competences which complement the work of development organisations, particularly in private sector development.

Head office vision vs field realities: The management in a company's head quarter may be committed to comply with social and environmental standards, subsidiaries and daughter companies, operating within the complicated structure of a multi-national company, however, may pay little respect to human rights and social and environmental standards. Monitoring performance of all entities operating under the umbrella of a multi-national company is very difficult.

Violations of human rights by transnational companies often occur without being noticed by the public. They are rarely followed up by judicial systems, because of the complex structures of these companies and because of weak justice systems in the country where these violations occur. When judging the ethics of a company and its willingness to take up corporate social responsibility, much depends on personal perceptions and feelings. Holding a company publically accountable to its promises may be possible in Switzerland, but is far more difficult in other countries. However

change on a significant scale is possible when the visions of diverse organisations converge and joint actions are initiated at multiple levels.

Pragmatism vs managing public perceptions: NGO staff may be very positive about a partnership with a multi-national company, while the wider constituency of the NGO may take a very different view on that. The challenge is how to communicate such partnerships to the public. It is important to operate robust governance mechanisms for such partnerships, define exit protocols, and communicate the relationship effectively to the wider constituency.

Project ambitions vs belief systems of staff: Some project staff may have resistance to engage in dialogue with private companies, sometimes with reason, other times because of personnel beliefs that private companies are “bad guys”. In some countries the history of colonisation will influence some of these perceptions.

Light touch vs space for systemic change: Large companies, some of them with questionable track records, ask for coaching support to align the company’s practices with social and environmental standards. Companies may prefer to go for a light touch approach to changes in their practices rather than a systemic change. What mechanisms are available to intervene and correct if the company violates social and environmental standards as we collaborate with them?

6.3 Principles of Helvetas for collaborating with private sector corporations

HELVETAS Swiss Intercooperation collaborates with private corporations to achieve a common goal that is enhancing social, economic and environmental development. Our collaboration with private corporations and corporate foundations is based on the following principles

Complementary purpose and added value

Partnership must be based on shared objectives and values. The added value of working together is clear, is articulated and recognised by all partners. Each partner brings different capacities and resources into the partnership.

Mutual respect for core values and belief

We recognise and respect differences in a partnership; however, we expect mutual respect for each others values. We expect from our private sector partners that they will share core values as expressed in our mission and vision statement, strategies and code of conduct. Partners must share a commitment to work towards a common position on important issues, including a commitment to gender equality, respect for diverse identities, and a conviction that poor and marginalised people should enjoy their fundamental rights and are agents of their own development.

Clarity about roles, responsibilities, and decision-making

Collaborative partnerships require partners to play distinct and defined roles.. When the rights and obligations of each partner are negotiated, the expected contribution of each party, including HELVETAS Swiss Intercooperation, must be clearly stated. Credibility and trust in relationships with corporations and foundations comes from good and open communication, competence, reliability, and reliability.

Transparency and accountability

All parties involved in the partnership recognise the need to be accountable to each other, to communities and to governments. As part of the process of developing collaborations with private corporations, we explicitly define how HELVETAS Swiss Intercooperation and its corporate partners are accountable to the public and to the people and communities with and for whom we work.

Commitment

Whilst short-term interventions can be appropriate, HELVETAS Swiss Intercooperation strives for long-term partnerships to improve sustainability and effectiveness of our programmes and activities.

6.4 Criteria for entering into relationships with private sector entities

HELVETAS Swiss Intercooperation has outlined detailed criteria and a due diligence process in a policy paper which has to be applied before entering a formal relationship with private corporations and corporate foundations and documented them in a policy paper. In summary we apply the following criteria:

The bottom line for Helvetas is that private sector corporations do not have a known history of involvement in human rights abuses.

HELVETAS Swiss Intercooperation will not establish relationships with private corporations and corporate foundations that have a history of producing, trading or investing in products that have been implicated in human rights violations including any kind of weapons.

We expect from corporations that they have a commitment to labour rights principles in both statutes and practice; companies should have policies and systems in place across their supply chains that will ensure good practices in employment conditions.

The company operates systems through which they mitigate the risk of their suppliers being involved in e.g. the exploitation of child labour or bonded labour.

Companies should have policies and systems in place that will actively prevent and redress damages to the environment, including soil, drinking water and air.

7. Our Position on working with private sector enterprises

Helvetas takes the position that our collaboration with private sector enterprises is important to achieve sustainable impacts with scale for poor and disadvantaged people. For Helvetas to enter into a collaboration with the private sector the following issues are important:

A partnership with the private sector has to generate a clear added value in achieving development goals

Both sides share common values and objectives in the project, but also beyond

The interests and priorities of the parties involved are transparent to all parties involved

Objectives and expected outcomes are clearly defined, along with a results measurement system that will allow monitoring of achievements

The contributions from all partners are clearly defined

A project governance and management structure that ensures effective implementation as well as transparency and accountability for all stakeholders

Results achieved are not exclusive to the value chain we are collaborating with, but can be shared with stakeholders in the wider sector.

8. Final thoughts

The private sector has been the key driver to creating employment and income. Over the past decade, many developing countries have experienced sustained levels of economic growth which led to impressive progress in reducing global poverty. Despite the growth, poverty remains entrenched in many places, inequality is on the rise and access to critical services is lacking.

Helvetas recognises the strength of the private sector in stimulating economic growth. We work with private corporations in different roles in our development work to enhance our development results, achieving greater scale and impact with increased sustainability. One role of Helvetas in the partnership with private sector entities is to ensure that those people who benefit less from general economic growth will have the opportunity to gain. In the process Helvetas empowers poor and disadvantaged people so that they can take control of their lives and have the skills, resources and opportunities to secure a decent living.

We have defined pre-conditions for collaboration with private sector corporations. These preconditions relate to the social and environmental conduct of the company, and the added value, the synergies that can be achieved through a partnership. Deciding about and entering into a partnership with a private sector corporation requires that both parties clearly communicate what they want to achieve, what each party will contribute, the synergy and additionality that is expected to be created, and roles and responsibilities of the parties. Joint projects will be monitored with the same level of rigidity as other Helvetas projects.

Inclusive growth requires strong governance systems that regulate markets and practices of the private sector (e.g. protecting labour rights, environmental protection, effectively collecting taxes and redistribute the benefits of growth), and empowering poor and disadvantaged people. Sustainable and effective reduction of poverty requires not just economic but also social changes

to expand the freedom of the deprived and get a reasonable share in market-based aggregate economic growth²³.

²³ Amartya Sen (2008). Foreword: Duncan Green: From Poverty to Power. How Active Citizens and Effective States Can Change the World.