



**NSI** The North-South  
Institute

*Research Report*

# Promoting Ethics when Partnering with the Private Sector for Development

August 2014

*by*

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# Table of Contents

Acknowledgements .....	ii
About The North-South Institute .....	ii
About the Author .....	ii
Acronyms and Abbreviations.....	iii
Executive Summary .....	v
Introduction .....	1
Ethics and Development: Key Concepts .....	2
Ethics principles of development cooperation actors .....	2
Actions to promote ethics.....	4
Methodology.....	5
Defining partnerships .....	5
Objectives and sample.....	5
Themes, analysis and interpretation .....	6
Key Findings: Ethics principles and terms.....	7
Responsibility.....	7
Fairness .....	9
Honesty.....	10
Social justice .....	10
Protection of life and promotion of security .....	12
Promotion and protection of democracy .....	12
Key Findings: Actions to promote ethics .....	13
Exclusion criteria.....	13
Inclusion criteria .....	15
Practicing good governance and management.....	16
Conclusions.....	18
Recommendations .....	18
Future research.....	20
Annex 1 - Methodology .....	28
Annex 2 - Document list and partnership modality definitions .....	32
Annex 3 - Examples of best practices .....	35

## Acknowledgements

The author would like to thank Geneviève DuBois-Flynn, Jared Klassen and Karine Morin for taking the time to review the report and providing valuable comments.

The author thanks the International Development Research Centre (IDRC) for its support. The author is grateful to Shannon Kindornay and the NSI team for this opportunity and their invaluable guidance.

This research report does not necessarily reflect the views or opinions of NSI, its Board of Directors, IDRC, or anyone consulted in its preparation.

## About The North-South Institute

Founded in 1976, NSI is Canada's leading independent policy research institution specializing in effective international development. Ranked in 2012 as the world's top small think tank by the Global Go-To Think Tank Index, NSI's mission is to conduct high-quality, policy-relevant research and stimulate constructive dialogue and debate that contribute to a safe and prosperous world free of poverty and extreme inequality.

## About the Author

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# Acronyms and Abbreviations

AusAID	Australian Agency for International Development.
BMZ	German Federal Ministry for Economic Cooperation and Development
BTC	Belgian Development Agency
CIDA	Canadian International Development Agency
DAC	Development Assistance Committee
DANIDA	Danish International Development Agency
DCED	Donor Committee for Enterprise Development
DFATD	Canadian Department of Foreign Affairs, Trade and Development
DFID	United Kingdom Department for International Development
EC	European Commission
FAO	Food and Agriculture Organization
G-20	Group of Twenty
HLF4	4th High Level Forum on Aid Effectiveness
ILO	International Labour Organization
MDGs	Millennium Development Goals
NEPAD	New Partnership for Africa's Development
NL MFA	Netherlands Ministry of Foreign Affairs
NORAD	Norwegian Agency for Development Cooperation
NZ MFAT	New Zealand Ministry of Foreign Affairs and Trade
OECD	Organization for Economic Cooperation and Development
SDC	Swiss Agency for Development Cooperation
Sida	Swedish International Development Agency
UN	United Nations
UNDP	United Nations Development Program
UNEP	United Nations Environment Program
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNICEF	United Nations Children's Fund
USAID	United States Agency for International Development
WHO	World Health Organization

# Executive Summary

Development cooperation actors across the globe are increasingly engaging in opportunities with the private sector to achieve development objectives such as reducing poverty, advancing human rights and democracy, promoting health and protecting the environment. In working toward these objectives, actors have certain expectations from their constituents to act in an ethical manner, and have obligations as stewards to their constituents to select and manage partners in a way that promotes widely accepted ethics principles. While many development cooperation actors recognize the role of ethics in guiding their behaviour and actions, a number of questions remain regarding the role of ethics in partnerships with the private sector: What ethics principles have been applied to private sector partnerships? How do development cooperation actors around the world act to promote ethics principles?

Development cooperation actors included in this analysis are those that utilize public resources to achieve development outcomes, and engage as mutual partners with the private sector. The analysis is based on a qualitative review of Organisation for Economic Cooperation and Development (OECD) Development Assistance Committee (DAC) members' and United Nations (UN) organizations' published policies and strategy papers and presents which ethics principles development cooperation actors use. The report examines the terms and nature of these principles, and how actors take action to promote ethical partnerships with the private sector for development.

The study revealed six key ethics principles applied to partnerships with the private sector. Development cooperation actors take responsibility for the consequences of their own actions in order to maintain integrity, credibility and accountability. They also focus on fairness by not giving special treatment to special interests; they seek to remain impartial and independent. Development cooperation actors strive to be honest and ensure transparency in their partnerships while avoiding conflicts of interest. Some development cooperation actors make reference to supporting social justice by aiming to ensure the activities they support benefit the poor over the rich. Gender equality, environmental sustainability and human rights also tend to be cross-cutting themes that apply to partnerships with the private sector. Finally, development cooperation actors promote democracy through the application of principles for equitable participation.

A number of actions taken to promote ethics were revealed through the review of policies. In these instances, development cooperation actors set parameters on partnerships that encourage potential partners to adopt certain principles and refrain from certain actions. For example, several development cooperation actors tend to exclude entire industries that work in contradiction of development objectives, or

individual businesses such as those convicted of corruption, fraud or criminal activity, from partnership. Rather, they focus on socially responsible businesses whose work aligns with donor policies. Donors also practice good governance and management in private sector partnerships, emphasizing the establishment of agreements, risk management, and monitoring and evaluation.

A number of best practices to encourage ethics through partnership were identified through this study. These include risk management processes, application procedures and use of key principles, and due diligence processes for careful partner ranking. These best practice methods were disclosed most often by UN organizations, with some OECD-DAC member agencies describing their extensive procedures for encouraging ethics through partnerships with the private sector.

Though finding a space to promote ethics within existing methods for partnership selection and management may require careful and strategic thinking, development cooperation actors can take additional steps to ensure the ethical achievement of objectives with every partnership, including:

- Establish a criteria for exclusion of industries or businesses from partnership;
- Establish a criteria for inclusion of businesses who are socially responsible;
- Expand on the current partner selection process to include an extensive application procedure and a due diligence review of the partner's track record;
- Develop a risk assessment and management process for partnership with the private sector; and
- Determine parameters of accountability to be included in contractual agreements with the private sector for development, and make all aspects of partnerships transparent.

Key areas for research arising from this work going forward include:

1. In-depth exploration of the concerns of decision-makers in development organizations that may compromise ethics principles defined in policies and how this impacts partnerships with the private sector.
2. Independent review of partnership arrangements and their contracts to determine the extent to which development cooperation partners incorporate policies on ethics into partnerships with the private sector in practice.
3. Examination of other public sector agencies such as government export development corporations and embassy services for businesses, and development agencies from countries outside the OECD.
4. Exploration of the ethics principles that the private sector actors follow themselves when partnering to achieve development objectives.

# Introduction

Development cooperation actors around the globe are currently expanding and strengthening their cooperation with the private sector to promote sustainable economic growth and to reduce poverty in developing countries. Governments, United Nations (UN) agencies and others have committed to working with the private sector to achieve development outcomes in a number of major UN conferences, at the G-20 and in other high level fora.<sup>1</sup> As the MDGs approach their deadline, the questions of how best to expand and enhance partnerships with the private sector to achieve the post-2015 development agenda is under much discussion (Lucci 2012). It is apparent that some of these development cooperation actors see the private sector as an important partner for achieving development results.

Yet, development cooperation actors are concerned with ethical considerations when they partner with the private sector for development. For instance, UN Secretary-General Ban Ki Moon remarked at the Global Compact Leaders' Summit that for public-private partnerships in education "the key is for equality, growth and inclusiveness" (UN 2013), applying principles of social justice to the Global Compact initiative – a platform which brings together companies committed to principles in area such as human rights and environmental sustainability. Similarly, the vision for successful partnerships between the Canadian Government and the private sector is summarized in a recent statement by the Honourable Christian Paradis, Minister of International Development: "We seek to form solid partnerships with the private sector characterized by mutual cooperation, respect, and trust to create an environment where the full resource potential of developing countries is sustainably developed," (DFATD 2014b). The opportunity to create partnerships based on "mutual cooperation, respect, and trust" reflects the values and ethics that Canadians expect of development efforts.

This report seeks to unpack how development cooperation actors – namely UN agencies and members of the Organisation for Economic Co-operation and Development's Development Assistance Committee (OECD-DAC) – consider ethics in their partnerships with the private sector. Included in this analysis are development cooperation actors that utilize public resources to achieve development outcomes, are expected by their constituents to act in an ethical manner, and have obligations as stewards to their constituents to select and manage partners in a way that promotes ethics while achieving positive outcomes. This report is meant to serve as a useful resource for development cooperation actors seeking to develop or improve their strategies for partnering with the private sector.

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<sup>1</sup> See, for example, DCED 2010; G-20 2010; EC 2011; HLF4 2011; NEPAD 2011; UN 2012.

The report begins with a description of key concepts. A summary of the methodology follows (see Annex 1 for the full methodology). The results are then presented according to ethics principles and actions used by development cooperation actors. Excerpts are provided to illustrate the language used in policies. The conclusion articulates key considerations, provides recommendations and suggests areas where future research is required.

## Ethics and Development: Key Concepts

### Ethics principles of development cooperation actors

The subject of this research report enters into the applied field of political ethics. Political ethics assumes the fundamental premise of public sector organizations as stewards to the public, and involves a discussion of the standards by which the public scrutinizes the work conducted by these organizations (Thompson 2012). As such, actions of public organizations should be accountable and based on ethics principles, which reflect the values of the general public.

In 2000, Joseph Stiglitz laid out one of the most relevant and comprehensive lists of ethics principles for development cooperation actors partnering with the private sector. In response to governments that, at the time, justified foreign aid and other policies aimed at developing countries in terms of their own self-interest; seeking a direct return on the development investment. He argued that the self-interest paradigm often fails to generate sufficient outcomes and does not align with the notions of social justice. Stiglitz proposed that relations between developed and developing countries should be underpinned by certain ethics principles.

In his analysis of development ethics, David Crocker (2005), a renowned scholar in ethics and international development, illustrates how Stiglitz's work contributes to the ethical assessment of our globalizing world. Crocker adapts and expands the ethics principles of Stiglitz for the purpose of assessing globalization. Table 1 provides an overview of Crocker's adaptation of the ethics principles suggested by Stiglitz.

The ethics principles outlined below serve as a useful theoretical framework for this study. They were created particularly for the development context and recognize that the appropriate incentives must be in place to promote social justice.<sup>2</sup>

**Table 1. Ethics principles of development cooperation actors when partnering with the private sector<sup>3</sup>**

Principle	Definition
Responsibility	Individuals and institutions should take responsibility for their own actions and for the consequences of those actions.
Fairness	Development agents have the duty to not discriminate on the basis of morally irrelevant factors; provide horizontal equity and not give special treatment to special interests.
Honesty	Development agents have the duty to be honest and transparent, tell the whole truth, avoid misrepresentation, and disclose conflicts of interest.
Social justice	Development agents have a duty of social justice in the sense of reducing poverty, and helping those in need by benefitting the poor over the rich.
Protection of life and promotion of security	Institutions, especially national governments, have the duty to protect human life, provide security against threats and, above all else, do no harm.
Promotion and protection of democracy	Development agents have the duty to promote and protect democracy, and allow beneficiaries to participate meaningfully in the decisions concerning the collective actions that have such profound effects on their lives and livelihoods.

It is important to note that ethics are not a set of predefined rules and procedures, but are a discussion involving systematizing, defending and recommending concepts of right and wrong conduct, and addressing the diversity of moral beliefs. Aligned with the definition of ethics as a discussion, this research report takes a descriptive ethics approach. The study is designed to observe and investigate actual statements and choices made by persons or organizations in practice. The statements and choices made, if unchallenged by the broader society, provide an indication of the ethics principles that are acceptable for the development cooperation actor to follow. For this research report, the ethics principles and terms included in development cooperation actors' policies provide an indication and description of the ethics that are acceptable to follow when partnering with the private sector for development.

<sup>2</sup> A wider analysis of the development ethics literature is excluded from this report because of the tendency of this field to ask ontological questions about what is development, and focus on the *ends* of development. The primary purpose of this report is to outline the ethical conduct of development cooperation actors while engaging partners as the *means* for development.

<sup>3</sup> Crocker 2005.

## Actions to promote ethics

A dilemma inherent to partnerships is the principal-agent problem. In political science and economics, the principal-agent problem concerns difficulties in motivating one party (the agent) to act in the best interests of another (the principal) rather than their own interests. In the case where public and private actors pursue different interests, the private partners may have an incentive to deviate from the development objectives of the public funder. To minimize this dilemma, scholars recommend making use of a number of mechanisms such as screening processes, selecting partners that have mutual interests, and making use of clearly defined contractual relationship with agreement on targets, transparency and monitoring (Altenburg 2005; see also Heinrich 2013, 2014).

In addition, many development cooperation actors have published principles and procedures for the optimal selection and management of projects involving private sector partnerships. For example, the joint statement on the role of the private sector in development at the Fourth High-Level Forum on Aid Effectiveness included the following principles to maximize the benefit of coordination and collaboration for development: inclusive dialogue; collective action; sustainability; transparency; and accountability for results (HLF4 2011, 2-3).

Development cooperation actors make use of principles, screening criteria and clearly defined agreements to minimize the principle-agent problem in the selection and management of partners for development. In his analysis of businesses as development agents, Michael Blowfield (2012) concludes that the private sector is not under any compulsion to be agents of international development unless the development issue is associated with reduced risk, commercial opportunity or operational efficiency. This means that dimensions of development that do not meet these conditions, and are not in their own interests, are unlikely to be addressed by the private sector without the appropriate incentives from partners.

It is important to understand the conditions and incentives under which the private sector will adopt the role of a development agent, consciously striving to deliver developmental outcomes, in order to establish when and how actions should be taken to promote ethical delivery of outcomes. The actions identified in this study are defined as measures taken which support the ethics principles important to stakeholders; involving the selection and management of partners who are agents for development and placing parameters on the private sector partner to increase their agency for ethical conduct.

# Methodology

## Defining partnerships

Recent research on engagement with the private sector for development has found that modalities of partnering are quite varied across development cooperation actors (BMZ 2011; Byiers and Rosengren 2012; DiBella *et al.* 2013; Kindornay and Reilly-King 2013; Smith 2013). However, for the purposes of this study, the analysis is not based on a differentiation between partnership types. The United Nations makes no distinction on partnership types when applying principles for engagement with the private sector; it has adopted a general and inclusive definition of partnership. The *Guidelines on Cooperation between the UN and the Business Sector* defines partnership as "... a voluntary and collaborative agreement or arrangement between one or more parts of the United Nations system and the Business Sector, in which all participants agree to work together to achieve a common purpose or undertake a specific task and to share risks, responsibilities, resources, and benefits" (UN 2009). The study takes a broad understanding of partnership as outlined above. This is because it examines partnerships that involve the utilization of public resources to achieve development outcomes and assumes public sector organizations as stewards to their constituents. Given this common underlying foundation, there is less need to differentiate between types of partnerships in the analysis that follows.

## Objectives and sample

Full details on the research methodology are available in Annex 1. Based on a framework analysis approach (Srivastava and Thomson 2009), the study aimed to:

- Identify ethics terms and principles that are currently included in development cooperation actors' policies for partnership with the private sector; and
- Identify actions undertaken by development cooperation actors to promote ethics principles when partnering with the private sector for development.

The sample was designed early-on to include organizations that have a responsibility to act in congruence with the values and ethics of their constituents, and are stewards of funding meant to effectively and efficiently achieve development outcomes. As such, development cooperation actors included in this analysis are those that are government or public representatives, provide grants for international development projects, and engage as mutual partners with the private sector. This includes OECD-DAC member development agencies most significantly engaged with the private sector and UN

organizations most significantly working on development issues. A total 29 OECD-DAC members, eight UN organizations and the European Commission (EC) were examined. All eight UN organizations and the EC refer to ethics terms and principles in their policies while only 12 OECD-DAC members do so (see Annex 2 for documents and websites included).

International and bilateral development finance institutions were excluded from the study because their engagement with the private sector is less on a mutual partnership basis but rather on a contractual basis with conditions for social and environmental performance. As a result, their policies did not mention ethics principles in the same context as the other actors examined.

## Themes, analysis and interpretation

The review revealed a number of key terms development cooperation actors use as principles in working with the private sector (Table 1.1, Annex 1). It also revealed actions development cooperation actors take to promote ethics when partnering with the private sector for development (Table 1.2, Annex 1). These include actions involved in the selection and management of partners who are agents for development and the parameters placed on the private sector partner to increase their agency for ethical conduct. The identified actions relate to the ethics principles because the actions are concrete steps taken, whereas the ethics principles are the goals or duties that actions seek to realize, as portrayed by Stiglitz (2000) and Crocker (2005).

In the section that follows, key terms used by development cooperation actors are mapped against the principles developed by Stiglitz (2000) and Crocker (2005). A limited number of representative excerpts are provided, taken from the collected documents and websites, which are categorized under each ethics principle. The examples are meant to show principles from a diversity of development cooperation actors and provide clarity on how ethics principles are manifested in development cooperation actors' policies. The result is a set of excerpts that clearly and thoroughly explain the ethics principles underlying development cooperation actors' policies. Although all OECD-DAC member agencies were explored, only those with policies mentioning ethics principles and terms are presented in the results.

## Key Findings: Ethics principles and terms

Many of the development cooperation actors utilized ethics terms in a way that encompassed all forms of engagement and partnership. The degree to which development cooperation actors engage in different modalities of partnership varies, depending on their mandate and functions (Binder, Palenberg and Witte 2007; Reed and Reed 2008; DiBella *et al.* 2013; Smith 2013). During the review of policies, a variety of partnership modalities were also encountered, but were mainly limited to either cost-sharing grants for business projects, or support in the form of knowledge sharing, technical cooperation and capacity building. For cases in which ethics terms and principles were applied to specific modalities, distinctions are made when presenting the results.

The results are presented in sections denoted by the six ethics principles described above as well as the terms used by development cooperation actors within each principle. For each term, a brief definition is outlined and the context is interpreted. The selected excerpts are also presented as an example to illustrate the language used in policies. The excerpts are not exhaustive, but representative.

It should be noted that while reviewing development cooperation actors' policies and procedures for partnering with the private sector, it became apparent that some actors mentioned ethics terms in statements spread across sections of related documents. At the same time, others have well-defined stand-alone descriptions of systematic methods for selection and management of partners. Examples of the most common and clearly portrayed of these systematic methods include risk management processes, application procedures and key principles, and due diligence processes for careful partner ranking. These systematic methods are employed by Australia (AusAid), Sweden (Sida) and the UN Environment Programme (UNEP), respectively. Within the below sections, each of these systems is highlighted as a best practice (see Boxes 7, 9 and 11). Detailed information on best practices is also available in Annex 3.

### Responsibility

Some development cooperation actors make reference to principles of responsibility – accepting the consequences of their own actions – when engaging the private sector. Those who do, typically use the terms integrity, scientific credibility and accountability.

In their work with the private sector, three UN organizations (UN Development Programme, UNDP; Food and Agriculture Organization, FAO; World Health Organization, WHO), the UN Guidelines and the EC refer to integrity. Integrity is defined

as having strong moral principles, such as honesty and fidelity but can also refer to the harmony of integral parts and the loss of unity when one part violates moral principles – or in other words, ensuring coherence across internal operations. In this sense, development cooperation actors often use integrity as a synonym for reputation. Reputational risks are clearly mentioned by five different OECD-DAC member agencies – Australia, Canada, Netherlands, New Zealand, and the United Kingdom – when partnering. For their part, the UN Educational, Scientific and Cultural Organization (UNESCO) and the FAO focus on scientific credibility which suggests that these organizations are concerned with defending their scientific credibility or research integrity that may arise from partnerships with the private sector. Accountability is also an important theme that arose from the analysis. To ensure the effective and efficient achievement of development objectives, three UN organizations (UNESCO; FAO; International Labour Organization, ILO) and the UN Guidelines refer to accountability conditions that allow the measurement and verification of tasks and responsibilities of each partner.

#### **Box 1. Excerpts on responsibility**

##### Integrity

Reputational risk: AusAid's (Australia) standing in the public domain could be damaged if it were perceived to be using public funds in inappropriate ways. The risk is a clear possibility when the ECF is seeking to subsidize profit making endeavour. This risk is increased by the expectation of working with large and often powerful enterprises (AusAID 2006, 46).

Neutrality and integrity: Partnerships must ensure that the neutrality of the Organization is maintained and the integrity, independence and reputation of FAO are not put at risk (FAO 2013, 13).

##### Scientific credibility

Scientific credibility and innovation: Partnership activities should be defensible in terms of objective scientific judgment. FAO will further develop this principle to ensure that scientific credibility is protected (FAO 2013, 14).

##### Accountability

The arrangement must be based on a clear understanding of respective roles and expectations, with accountability and a clear division of responsibilities and, as mutually agreed, shared risks and responsibilities, resources and benefits. This understanding will be set out in a partnership agreement along with defined timelines and measurable outputs (UN 2009, 4).

Assure accountability, clearly spelling out the responsibilities of each party in a partnership agreement along with defined time lines and measurable outputs and making information on partnership activities publicly available (ILO 2012).

## Fairness

The principle of fairness suggests that development cooperation actors have a duty to provide horizontal equity; they should not give special treatment to special interests. Development cooperation actors do not typically refer to “fairness” in their policies, rather, the terms impartiality and independence are used to be consistent with the principle of fairness. In addition, trust, respect, reciprocity and mutuality were cited as terms related to fairness.

Principles related to fairness are cited most by four UN organizations (UNDP, UNEP, FAO, ILO) and the EC, but not by any OECD-DAC member agencies. In this context, actors typically use the terms impartiality and independence in the same way. The actors define these principles as pertaining to autonomy of action, for which the organizations are accountable to their stakeholders. The statements suggest that influence by any partner on the policies, positions and decision-making processes of the organization will be avoided. Three UN organizations (UNEP, UNESCO, FAO) and the UN Guidelines emphasize the importance of trust and respect, along with reciprocity and mutuality, to ensure equitable benefits of partnerships between public and private sectors.

### **Box 2. Excerpts on fairness**

#### Impartiality and independence

... the principle of impartiality, meaning that the implementation of Actions must solely respond to identified needs, without discrimination of any kind; the principle of independence, which implies the autonomy of the humanitarian Action with regard to economic or other motivations as well as the principle of neutrality which means that, in order to continue to enjoy the confidence of all, humanitarian agencies may not take or appear to take sides in hostilities or engage at any time in controversies of a political, racial, religious or ideological nature (EC 2011, 13).

Guarantee impartiality, being managed with the interests of the ILO as paramount, in accordance with ILO regulations, rules and procedures and with no access or influence on the Organization’s policy-making system or structures, including its standard-setting and supervisory machinery (ILO 2012).

#### Trust, respect, reciprocity, and mutuality

To this end, the UN General Assembly encourages the organization to give due consideration to the following principles when entering into partnerships:

- Common purpose,
- Trust, transparency and accountability,
- Bestowing no unfair advantage upon any partner of the United Nations,
- Mutual benefit and respect,
- Respect for modalities of the United Nations (UNEP 2011, 5).

## Honesty

Development cooperation actors do not typically refer to "honesty" in their policies for engaging the private sector. However, they do recognize its importance in partnerships, typically through references to transparency and disclosing conflicts of interest.

Transparency conveys the same meaning as honesty and encompasses the duty to tell the whole truth, avoid misrepresentation and disclose conflicts of interest.

Transparency is a long-standing principle underlying aid effectiveness (HLF4 2011). As such, six development cooperation actors (Canada, Switzerland, Sweden, EC, UNESCO, FAO) as well as the UN Guidelines outline transparency. A system of transparency increases the possibility of reviewing and scrutinizing the behaviour of development cooperation or private sector actors, and making fair and equal treatment more likely to occur. Four development cooperation actors (Australia, New Zealand, EC, FAO), also give explicit mention to conflict of interest. They recognize the need for partners to disclose diverging interests, to be taken into account in the design and structure of partnerships.

### **Box 3. Excerpts on honesty**

#### Transparency

Openness: Cooperation with private sector enterprises demands flexibility, openness and transparency on the part of all players. Only in such a way can a climate of mutual trust unfold (SDC 2013b).

The principle of transparency could be defined as the unimpeded visibility and openness in all transactions, ensuring that all information on procurement procedures, opportunities and processes are clearly defined and made widely known and available. A transparent system increases the possibility of detecting any deviations from fair and equal treatment, and therefore makes such deviations less likely to occur (EC 2011, 19).

#### Conflict of interest

Pursuit of the public-health goal takes precedence over the special interests of participants. Risks and responsibilities arising from public-private partnerships need to be identified and managed through development and implementation of safeguards that incorporate considerations of conflicts of interest. The partnership shall have mechanisms to identify and manage conflicts of interest. Whenever commercial, for-profit companies are considered as potential partners, potential conflicts of interest shall be taken into consideration (WHO 2010, 78).

## Social justice

The ethics principle of social justice refers to the duty of development cooperation actors to reduce poverty and help those in need by ensuring benefits of the development process accrue to the poor over the rich. In the literature on private sector partnerships, this is often understood in terms of development additionality – or in other words, the ability of development cooperation actors to demonstrate that additional development outcomes have been achieved through partnership with the private sector

that otherwise would not have occurred (Heinrich 2014; Kindornay and Reilly-King 2013). Development cooperation actors do not typically refer to the term "social justice" in their policies but rather mention the importance of placing priority on people over profit, having shared values and interests, and ensuring coherence with donor policies and priorities which typically reflect the development mandate of the organization.

Seven OECD-DAC member agencies (Australia, Belgium, Canada, New Zealand, Sweden, United States, EC) state that publicly funded aid should be used first and foremost for the achievement of development objectives, including reducing inequality, and benefitting the poorest and most marginalized. Recognizing that incentives must exist for the private sector to engage in partnership, members of the OECD-DAC also ensure, as a secondary priority, that partnerships meet corporate interests, including profit generation. The UN Guidelines and three UN organizations (UNDP, UNESCO, FAO) also placed importance on working with partners who shared common values or objectives. This condition is seen as necessary to ensure the creation of effective partnerships based on mutual benefit, leading to progress on shared development objectives. In addition to the requirement of shared values and interests, five OECD-DAC member agencies (Australia, Canada, Germany, New Zealand, Switzerland) ask that projects proposed by the private sector align with OECD-DAC member agency policies and priorities in the target country.

#### **Box 4. Excerpts on social justice**

##### People over profit

The ethics of these activities are reflected in the following principles:

- Aiming at service delivery to the community or the members rather than at profits;
- Pre-eminence of people and work over capital when redistributing revenue (BTC 2013).

##### Shared values and interests

Engagement is based on shared values - UNDP will partner with organizations committed to core UN values and its causes as reflected in the UN Charter and other relevant conventions and treaties (UNDP 2009, 8).

Shared objectives: define a common purpose with mutual benefit that is consistent with UNESCO's mandate and its programme objectives and priorities (UNESCO 2013, 4).

##### Coherence with donor policies

The project must be in accord with the principles of German development policy, of obvious relevance to development policy, and acceptable in environmental and social terms (BMZ 2013).

Relevance to mandate and coherence with Canadian government policy: Proposals for funding support must contribute to Canada's international development mandate of poverty reduction. In addition, they must be consistent with Canadian government policy (DFATD 2013b).

## Protection of life and promotion of security

The ethics principle regarding the protection of life and promotion of security refers to the duty of institutions to protect human life, provide security against threats and, above all else, do no harm. The promotion of this ethics principle is manifested in language related to ensuring gender equality, environmental sustainability and human rights. These cross-cutting themes contribute to the protection of life, promotion of security and prevention of harmful acts on disadvantaged people.

Five OECD-DAC member development agencies (Australia, Canada, New Zealand, Sweden, Switzerland) had provisions in their partnership policies that projects will promote cross-cutting issues, such as gender equality, environmental sustainability and human rights, a finding that is consistent with the work of others in this area who also found that only some OECD-DAC members refer to these issues in their policies (Kindornay and Reilly-King 2013). The UN Guidelines and the FAO refer to the UN Charter and key goals such as maintaining peace and security.

### **Box 5. Excerpts on protection of life and promotion of security**

#### Gender equality, environmental sustainability and human rights

Applications should also consider opportunities for positive impacts relating to human rights, gender, and the environment. Where there are risks of negative impacts, the Concept Note must demonstrate how these will be managed and mitigated (NZ MFAT 2014, 23).

The objective needs to be articulated clearly and must advance UN goals as laid out in the Charter. Chapter 1 of the UN Charter outlines key UN goals such as: maintaining international peace and security as well as solving international problems of an economic, social, cultural or humanitarian character, and promoting and encouraging respect for human rights and fundamental freedoms for all (UN 2009, 4).

## Promotion and protection of democracy

The ethics principle related to democracy essentially refers to the need for development cooperation actors to allow beneficiaries to participate meaningfully in the decisions concerning the collective actions that have such profound effects on their lives and livelihoods. This principle manifests itself in the policies of four OECD-DAC member agencies (Belgium, Canada, Sweden, Switzerland) and the WHO as encouragement of equitable participation for all stakeholders in the design and benefits of projects undertaken through partnerships with the private sector, without any exclusion or discrimination based on social factors.

## Box 6. Excerpts on promotion and protection of democracy

### Equitable Participation

In one way or another, these activities share the following features:

- They produce goods and services that actively involve communities and/or basic social networks which foster the participation of men and women;
- They form local, regional and national but also international consultative and cooperative networks of associations and communities (BTC 2013).

Local partner: A close cooperation with relevant local bodies is as fundamental as in any other form of development cooperation. Local commitment to the project is critical in the form of a formal partnership and strong interest from relevant local national bodies, such as local public sector institution, a ministry, department or a trade union (Sida 2013b).

## Key Findings: Actions to promote ethics

The actions identified in this study are defined as measures taken that will lead to the support of ethics principles important to stakeholders. This involves the selection and management of partners who are agents for development and the placement of parameters on the private sector partner to increase their agency for ethical conduct. The identified actions differ from the ethics principles because actions are concrete steps taken whereas ethics principles guide action.

### Exclusion criteria

Broadly, industries seen as working in contradiction to development objectives are excluded from partnership, namely tobacco, alcohol, gambling, and military. It is seen to be unethical to partner with such a company, who is working against development objectives such as promotion of health, protection of the environment or maintaining peace, or individual businesses such as those convicted of corruption, fraud or criminal activity.

For example, the UNEP takes a systematic approach to partner exclusion. During a partner ranking process, UNEP excludes partners that tolerate child labour or manufacture landmines, and takes due consideration of sensitive industries such as alcohol and tobacco or extractive industries (UNEP 2011). The partner ranking and selection process at UNEP is described in more detail in Box 7 below, and more information can be found in Annex 3.

Four OECD-DAC member agencies (Australia, New Zealand, Norway, Sweden) and four UN organizations (UNDP, UN Children's Fund, UNICEF, UNESCO, FAO) have

listed criteria to exclude certain industries, project topics, and companies from partnerships for development. Four OECD-DAC member agencies (Australia, Canada, Denmark, Norway) and the EC also explicitly exclude companies who have been convicted of corruption, fraud or criminal activity.

#### **Box 7. Best practices: UNEP policies and procedures**

UNEP has published a *Partnership Policy and Procedures* document (UNEP 2011) to provide a strategic, organizations-wide approach to the identification of partners and to establish a due diligence process for partner selection. After a phase of scoping to determine the purpose and type of partnership, a due diligence and screening process is undertaken. There is a separate procedure for situations when UNEP intends to receive funds from for-profit entities, which describes exclusionary as well as inclusionary criteria. The procedure described below applies to for-profit organizations, recognizing that commercial entities pose certain ethics and policy considerations that normally come with the business of producing and selling goods and services (UNEP 2011, 16).

The due diligence and screening process is led by a responsible officer, who applies three steps: exclusion screening where an answer of 'yes' to any of the questions results in rejection of the partner; cautionary questions where an answer of 'yes' to any of the questions results in referral of the decision to a Partnership Committee; and positive screening where a score of one to nine is generated to identify and rank those organizations that are ahead of their peers in terms of social and environmental responsibility.

The questions included in the due diligence template for ranking potential partners (UNEP 2011, 26-27) illustrate how this set of policies and procedures act in a systematic way to promote ethical partnership with the private sector.

#### **Box 8. Excerpts on exclusion criteria**

##### Exclusion of industries working in contradiction of development objectives

Private sector activities that produce weaponry or other military material, intoxicants such as alcoholic drinks and narcotics, as well as tobacco, will not be supported (NORAD 2012, 3).

We have also identified exclusionary criteria and UNICEF gives special attention to some industry sectors. Some are unacceptable under any circumstances. Thus, for example, no alliances are possible with businesses in the armaments and weapons sector; toy manufacturers manufacturing replica weapons marketed to children; alcohol or tobacco companies; companies which violate United Nations Sanctions; manufacturers of infant formula whose marketing practices violate the International Code for the Marketing of Breastmilk Substitutes; and companies involved in pornography, exploitative and/or corrupt practices; companies found in violation of environmental laws. UNICEF is prepared to consider alliances with corporate affiliates of companies in the alcohol or tobacco industry, but only within strict limits (UNICEF 2001, 2).

##### Exclusion of businesses convicted of corruption, fraud and other crimes

We are not the subject of a conviction by final judgment for one or more of the following reasons: participation in a criminal organisation; corruption; fraud; money laundering (DANIDA 2013b, 3).

The grant recipient respects the principle of zero tolerance for corruption (NORAD 2012, 3).

## Inclusion criteria

Development cooperation actors not only exclude partners they see as working against development objectives, but actively seek to include businesses that comply with international standards for socially responsible business such as the OECD Guidelines for Multinational Enterprises and the UN Global Compact. Also, the compliance of private sector partners with the international legal commitments of development cooperation partners is deemed to be not only ethical, but the promotion of these commitments is obligatory by their commitments to the legislation. International commitments mentioned in policies included, for example, the ILO's Declaration on Fundamental Principles and Rights at Work, or the UN Framework Convention on Climate Change.

The Swedish International Development Agency (Sida) implements a systematic selection process to determine the degree to which a potential partner is socially responsible. Sida's application process and key principles provide a best practice example, described in more detail in Box 9 below (see also Annex 3).

### **Box 9. Best practices: Sida's application process and key principles**

Sida has a very thorough selection process for collaboration with the private sector. As part of the application process, potential partners submit a concept note and complete a detailed application. Applications are then compared against a list of comprehensive eligibility criteria and for compliance with Sida's ten key principles for governance (Sida 2013a, 1-4; Sida 2013b). The comprehensive eligibility criteria looks at examines questions like "Does the project contribute to an improved situation for women and girls?" while the key principles for governance include provisions for principles such as transparency and accountability.

Four OECD-DAC member agencies (Canada, Denmark, Sweden, Switzerland) and two UN agencies (UNICEF, UNEP) reward potential partners for complying with international standards for socially responsible business. Four OECD-DAC member agencies (Canada, Denmark, New Zealand, Sweden) mention their obligations to international legislation. In the excerpts below, some overlap exists between ethics principles of gender equality, environmental sustainability and human rights and actions to promote ethics; this is because of legislation including these principles.

## **Box 10. Excerpts on inclusion criteria**

### Inclusion of socially responsible business

Assurances that business is conducted under high social and environmental standards and is complying with international conventions and standards including environmental and climate sustainability. Environmental impact assessment for the business venture is mandatory as for all Sida engagement (Sida 2013b).

### Alignment with legislative obligations of the development actor

Canada has ratified a number of the ILO's core labour standards as per the ILO Declaration on Fundamental Principles and Rights at Work and supports certain agreements such as the UN Global Compact, which, among other things, aim to protect and improve the rights, freedoms, and conditions of workers (CIDA 2003).<sup>4</sup>

Only those Concept Notes which meet the following criteria will be considered by the Panel: meets New Zealand's international obligations (including international trade obligations arising from the World Trade Organisation (WTO) or Free Trade Agreements (FTA) (NZ MFAT 2014, 6).

## Practicing good governance and management

Certain actions taken by development cooperation actors fall into the category of good governance and management, such as establishing agreements, conducting risk appraisal and management, and requiring monitoring and evaluation. Donors see the importance of outlining clear tasks and responsibilities in a contractual agreement, which may also include conditions for termination of the partnership. Risk management processes allow for control and reduction of risks related to ethical conduct of partnerships. In order to ensure transparency and accountability and progress toward meeting goals as well as demonstrate the achievement of outcomes, several development cooperation actors require partners to participate in monitoring and evaluation activities throughout the project cycle.

The former Australian Agency for International Development (AusAID)<sup>5</sup> most thoroughly describes their risk management process in publicly available documents, briefly outlined in Box 11 below. Many of the ethics principles identified in this report can be found within the risk appraisal and management considerations in the AusAID documents (Annex 2).

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<sup>4</sup> This document has been archived.

<sup>5</sup> AusAID's merger with the Department of Foreign Affairs and Trade was announced in September 2013.

### Box 11. Best practices in risk management: AusAID

Many development cooperation actors mentioned ethics principles and actions when partnering within sections about risk management. AusAID publishes a *Risk Management Handbook* which is to be applied to all projects at the agency (AusAID 2012). It also has risk management guidelines included in project strategy and design documents for the Enterprise Challenge Fund (AusAID 2006). Annex 3 includes AusAid's comprehensive table of risks, their possible impact and methods of mitigation, which demonstrates the thorough procedures that AusAID employs to ethically select and manage private sector partners (AusAID 2006, 47-48).

When structuring partnerships, two OECD-DAC member agencies (Denmark, New Zealand) and four UN organizations (UNDP, UNEP, UNESCO, ILO), as well as the UN Guidelines, emphasize the importance establishing agreements. Two OECD-DAC member agencies (Australia, United Kingdom) describe their risk management process while three OECD-DAC member agencies (Australia, New Zealand, Sweden) and four UN organizations (UNDP, UNESCO, FAO, WHO) describe their requirements for project partners to cooperate with monitoring and evaluation activities.

### Box 12. Excerpts on practicing good governance and management

#### Agreements

Design phase: making agreements about the partners' tasks and responsibilities. Things to do:

- Agree and adopt the partnership's specific goals, activities and outcomes;
- Make clear what resources and capabilities the different parties will contribute;
- Investigate the partners' track records;
- Clarify and agree the PPP's organisational and decision-making structure;
- Make the risks explicit and agree how the parties will share them (NL MFA 2010, 11).

In this regard, comprehensive arrangements need to be in place to ensure the efficient and sustainable management of UNESCO's partnerships, such as:

- Clear principles for engagement with partners;
- Established procedures for the selection and, where appropriate, the accreditation of a partner, the renewal of a partnership, and eventual disengagement from a partnership;
- An accountability framework for the development, implementation and assessment of a partnership;
- Modalities for joint planning and monitoring (UNESCO 2013, 6).

#### Risk management

As in many areas of government activity there is always a potential risk. Working with the private sector is no different. The DFID label could be exploited for commercial gain or we could engage in partnerships that have limited added value for poverty reduction. DFID will minimise these risks by using corporate risk management tools, supplemented by clear and updated policies and guidelines for working with the private sector (DFID 2008, 47).

#### Monitoring and evaluation

The monitoring and evaluation components will be key for demonstrating the validity for partnering with the private sector (UNESCO 2013, 12).

The partnership has an independent external evaluation and/or self-monitoring mechanism. The time frame, purpose, objectives, structure and functioning of a partnership shall be regularly reviewed and modified as appropriate (WHO 2010, 79).

## Conclusions

This research report shows that development cooperation actors emphasize, to varying degrees, a range of ethics principles that align with those outlined by Stiglitz (2000) and Crocker (2005) when they partner with the private sector. These include integrity, scientific credibility and accountability; impartiality, independence, trust, respect, reciprocity and mutuality; transparency; elements of social justice; shared values and interests to meet objectives; ensuring gender equality, environmental sustainability and human rights; and encouraging the equitable participation of all stakeholders, without any discrimination based on social factors.

In order to select and manage partners who are agents for development, or place parameters on private sector partners to increase their agency for ethical conduct, development cooperation actors take certain actions as describe in their policies. On one hand, they tend to exclude partners that work in contradiction of development objectives such as promoting health, protecting the environment or maintaining peace. On the other, they seek to partner with socially responsible business which follow standards such as the OECD Guidelines for Multinational Enterprises and the UN Global Compact and who comply with legislative obligations of the development cooperation actor, such as the ILO Declaration on Fundamental Principles and Rights at Work or the UN Framework Convention on Climate Change. Development cooperation actors also take action to practice good governance and management of partnerships that will help to promote ethics principles, such as outlining clear tasks and responsibilities in a contractual agreement, engaging a risk management process and having in place provisions for monitoring and evaluation. Typically, conditions related to good governance and management are placed on private sector partners to increase their agency to ethically delivery on development objectives.

## Recommendations

The range of ethics principles identified in this study are relevant for any development actor to consider and discuss when partnering with the private sector for development. A number of best practices also exist to promote ethics in partnership. These include adopting procedures to promote effective aid, processes of risk management, applications for potential private partners, lists of principles, and due diligence processes.

A number of key recommendations arise from this analysis. While it is clear that development cooperation actors make use of ethics principles when partnering with the private sector for development, a number of concrete steps could be taken to

strengthen and ensure partnerships that meet the highest ethical standards.

Development cooperation actors can:

- **Establish a criteria for industries that are excluded from partnership**

A number of donors have developed exclusion lists or policies for certain industries or individual companies. Given the goals of development cooperation, such as promoting health, protecting the environment and maintaining peace, partnership with an industry that works in contradiction of these objectives undermines ethics principles and meeting development objectives. As noted by others (Di Bella *et al.* 2013; Smith 2013), the use exclusion lists serves as an important way to ensure that development cooperation actors are clear on who they will and will not engage in a partnership.

- **Establish a criteria for inclusion of businesses who are socially responsible**

Another meaningful way development cooperation actors can ensure they are partnering with the right kinds of partners is to establish criteria for including socially responsible businesses in their partnership; a number of actors have done this. Businesses that already follow standards, such as the OECD Guidelines for Multinational Enterprises and the UN Global Compact, may be more likely to share the values of the development cooperation actors and be already working towards development objectives.

- **Expand on the current partner selection process to include an extensive application procedure and a due diligence consideration of the potential partner's track record**

The review showed that only a minority of development cooperation partners make public extensive application procedures and due diligence considerations for potential partners. Denmark, Norway, Sweden, and UNEP have provisions in place to assess potential partners' track records. Yet, as noted by others (Heinrich 2013; 2014), the creation of clear application processes and procedures for due diligence is an important part of how development cooperation actors can ensure that they are working with the right partners.

- **Develop a risk assessment and management process for partnerships with the private sector**

Australia and the United Kingdom were the only development cooperation actors that mentioned risk management processes specifically for the selection and management of private sector partners, although many of development cooperation actors examined

have risk management processes in place that cover all initiatives and partnerships. Consideration of the risks inherent to partnerships with the private sector specifically, where the *modus operandi* varies greatly from traditional partnerships with governments, international organizations and civil society, would be valuable to ensure that the right kinds of risks and management processes are being used.

- **Determine task and responsibilities, as well as provisions for monitoring and evaluation by independent parties, in contractual agreements with the private sector, and make all aspects of the partnership transparent**

It is likely that contractual agreements are comprehensively written for partnerships, but more can be done to make the contracts and elements of the agreements transparent and open to the public. Very few donors include the elements of contractual agreements with the private sector in policies. While certain commercial details may need to be excluded, transparency around contracts with the private sector is important for constituents to be able to hold development cooperation actors and their partners to account (see also GDI 2005).

## Future research

While this report provides an initial starting point for understanding the ethics principles used by OECD-DAC and UN organizations when partnering with the private sector, a number of areas exist where future research is warranted.

1. **In-depth exploration of the concerns of decision-makers in development organizations that may compromise stated ethics principles defined in policies and how this impacts partnership with the private sector.**

The results presented in this report are based on a document review of policies; the analysis of published text does not allow the assessment of actual impacts on the ground. Decision-makers in development cooperation agencies may selectively follow the published policies and ethics principles, have a broader set of important considerations, or take an entirely different perspective on ethics than what is published in their policies. An in-depth exploration of the true concerns of decision-makers would shed light on the ethics principles followed in practice, and provide an assessment of the actual impacts on the ground.

**2. Independent review of the partnership arrangements and their contracts to determine the extent to which development cooperation partners incorporate policies on ethics into partnerships with the private sector in practice.**

In the same sense as the point above, this report is based on a document review of policies, and actual impacts on the ground may differ from the published text. Again, the presentation of opportunity in partnership may lead to a compromise of the published policies and ethics principles, and the resulting partnership arrangements and their contracts would shed light on the ethics principles followed in practice, and provide an assessment of the actual impacts on the ground.

**3. Examination of the ethics principles of other public sector agencies such as government export development corporations and embassy services for businesses, and development agencies from countries outside the OECD.**

Since all government agencies are also stewards to their constituents and have certain expectations and obligations, it would be valuable to examine the conditions in place to promote ethics when partnering. Similarly, development cooperation actors from countries outside the OECD have similar ethics expectations but have not been reviewed. An exploration of the ethics important to these actors may reveal valuable insights into consideration for ethics across the perspectives of different government agencies, nations and cultures.

**4. Exploration of the ethics principles that the private sector actors themselves may follow when partnering to achieve development objectives.**

The ethics principles followed by private sector actors would be a very interesting area to explore in order to understand the ethics perspective of private sector actors who engage with development cooperation actors. An examination of the ethics principles followed by private sector partners would provide insight into whether ethics principles align between the partners, and the extent to which development cooperation actors would need to take action to promote ethics not considered by their partners.

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# Annex 1 - Methodology

## Objectives and sample

This research study is based on a framework analysis approach, a qualitative method of applied policy research (Srivastava & Thomson 2009). The framework analysis approach is a dynamic process that allows emergence of themes throughout the analysis. Access to original text in results provides an example to illustrate the language used in policies.

In this study, the framework was structured to be flexible. The ethics principles outlined by Stiglitz (2000) and Crocker (2005) were used as a basis for comparison against the themes that emerged from the collected data over the course of the research. The issues to be addressed in this research were pre-determined. The study aimed to:

- Identify ethics terms and principles that are currently included in development cooperation actors' policies for partnership with the private sector; and
- Identify actions undertaken by development cooperation actors to promote ethics principles when partnering with the private sector for development.

The sample was designed early-on to include organizations that have a responsibility to act in congruence with the values and ethics of their constituents, and are stewards of funding meant to effectively and efficiently achieve development outcomes. The development cooperation actors included in this analysis are those that are government or public representatives, provide grants for international development projects, and engage as mutual partners with the private sector. The study includes OECD-DAC member development agencies most significantly engaged with the private sector and United Nations organizations most significantly working on development issues. Although all 29 members of the OECD-DAC were examined, only 12 mention ethics terms and principles in their policies. Along with the European Commission and all eight United Nations organizations examined, the number of development cooperation actors that mention ethics terms and principles is 21. For a list of the actors from which excerpts on ethics principles and terms were taken, the document or website reviewed, and a description of the modality, see Annex 1.

International and bilateral development finance institutions were explored for inclusion in the sample. Though a lot of information exists on how effective development is ensured through their financing mechanisms, finance institutions were excluded from the study because their engagement with the private sector is less on a mutual partnership basis but rather on a contractual basis with conditions for social and environmental

performance. As a result, their policies did not mention ethics principles in the same way as OECD-DAC member development agencies and United Nations organizations, and were excluded from the sample.

## Data collection and identification of themes

Past and current private sector partnership policies and strategy papers of development cooperation actors included in the sample were collected and reviewed between October 2013 and April 2014. Browsing through organization websites and consultation with reference lists of recent literature (Kindornay & Reilly-King 2013) were utilized to complete the collection. Many of the development cooperation actors publish policies and guidelines specific to partnering with the private sector, but relevant information was also found in website descriptions of programs that involve partnership with the private sector, organizational strategies for poverty reduction, and documents that apply to all programs, such as risk management guidelines.

Following an initial familiarization with the documents, a broad range of possible themes was identified. The documents were then combed again for exact phrases and context. Table 1.1 below provides an overview of the key terms, used by development cooperation actors as principles to follow when partnering with the private sector, identified in the document review against the ethics principles outlined by Stiglitz (2000) and expanded by Crocker (2005).

<b>Principle</b>	<b>Terms</b>	<b>Definition</b>
Responsibility	<ul style="list-style-type: none"> <li>• Integrity</li> <li>• Scientific credibility</li> <li>• Accountability</li> </ul>	Individuals and institutions should take responsibility for their own actions and for the consequences of those actions.
Fairness	<ul style="list-style-type: none"> <li>• Impartiality and independence</li> <li>• Trust, respect, reciprocity and mutuality</li> </ul>	Development agents have the duty to not discriminate on the basis of morally irrelevant factors; provide horizontal equity and not give special treatment to special interests.
Honesty	<ul style="list-style-type: none"> <li>• Transparency</li> <li>• Conflict of interest</li> </ul>	Development agents have the duty to be honest and transparent, tell the whole truth, avoid misrepresentation, and disclose conflicts of interest.
Social justice	<ul style="list-style-type: none"> <li>• People over profit</li> <li>• Shared values</li> <li>• Coherence with donor policies</li> </ul>	Development agents have a duty of social justice in the sense of reducing poverty, and helping those in need by benefitting the poor over the rich.
Protection of life and promotion of security	<ul style="list-style-type: none"> <li>• Gender equality, environmental sustainability and human rights</li> </ul>	Institutions, especially national governments, have the duty to protect human life, provide security against threats and, above all else, do no harm.
Promotion and protection of democracy	<ul style="list-style-type: none"> <li>• Equitable participation</li> </ul>	Development agents have the duty to promote and protect democracy, and allow beneficiaries to participate meaningfully in the decisions concerning the collective actions that have such profound effects on their lives and livelihoods.

The same process was performed simultaneously for common and recurrent themes relating to actions taken to promote ethics when partnering with the private sector for development. The actions identified in this study are defined as measures taken that will lead to the support of ethics principles important to stakeholders; which involve the selection and management of partners who are agents for development and place parameters on the private sector partner to increase their agency for ethical conduct. The identified actions differ from the ethics principles because the actions are concrete steps taken, whereas the ethics principles are the goals or duties that actions seek to realize. Table 1.2 below provides an overview of the actions identified in the document review and a brief explanation of how the action promotes ethics in partnership.

<b>Table 1.2. Key actions to promote ethics emerging from the document review</b>	
<b>Action</b>	<b>Promoting ethics in partnership</b>
Exclusion of industries working in contradiction of development objectives; and businesses convicted of corruption, fraud and criminal activity	By excluding certain industries, the development cooperation actor takes steps toward maintaining integrity and scientific credibility; and ensuring the priority of people over profit, shared values and coherence with donor policies.
Inclusion of socially responsible businesses; and alignment with legislative obligations of the development cooperation actor	By including responsible businesses, the development cooperation actor takes steps toward promoting gender equality, environmental sustainability, human rights and equitable participation.
Practice good governance and management including: establish agreements; conduct risk appraisal and management; and require monitoring and evaluation	By practicing good governance and management, the development cooperation actor takes steps toward remaining impartial and independent, while engaging in partnerships based on trust, respect, reciprocity and mutuality; and ensures transparency and management of conflicts of interest.

## Analysis and interpretation

The section that follows provides excerpts taken from the collected documents and websites. These are categorized under each ethics principle. A limited number of excerpts are provided below. The examples are meant to show principles from a diversity of development cooperation actors and provide clarity on how ethics principles are manifested in development cooperation actors' policies. The result is a set of excerpts that clearly and thoroughly explain the ethics principles underlying development cooperation actors' policies. Although all OECD-DAC member agencies were explored, only those with policies mentioning ethics principles and terms are presented in the results.

## Limitations

There are a number of limitations due to the parameters of this research. First, the study is a document review and is based on policies rather than actual practice; the analysis of published text does not allow the assessment of actual impacts on the ground. Nevertheless, the language used by the development cooperation actors provides an indication of the consideration for ethics that concern certain organizations.

Second, the review is confined to OECD-DAC member development agencies and United Nations organizations. There are other types of development cooperation actors for which expectations and obligations exist to act in an ethics manner, as stewards to their public constituents, such as bilateral and multilateral development finance institutions, government export development corporations and embassy services for businesses. It was necessary to limit the scope of the sample for practical reasons, and the results are thus most applicable to the organizations included.

Third, development cooperation actors from countries outside the OECD were not included, and an exploration of the ethics important to these actors may reveal valuable insights. However, information from additional actors about partnership with the private sector for development is not readily available and must be reserved for future research.

Finally, the study does not consider to the ethics principles that the private sector actors may follow when partnering to achieve development objectives. This would be a very interesting area to explore in order to understand the ethics perspective of private sector actors which engage with development cooperation actors, and whether ethics principles align between the partners.

## Annex 2 - Document list and partnership modality definitions

Development actor	Document or website	Modality description
<b>OECD-DAC Development Agencies</b>		
Australian Agency for International Development (AusAID)	<a href="#">Enterprise Challenge Fund for the Pacific and South-East Asia (2006)</a>	Cost-sharing grants for large and foreign-owned companies with pro-poor business models
	<a href="#">Financial Services for the Poor: A Strategy for the Australian Aid Program 2010-15 (2010)</a>	Capacity building of governments and financial institutions to increase access to financial services for the poor
	<a href="#">Risk Management Handbook (2012)</a>	
Belgian Development Agency (BTC)	<a href="#">Social and Solidarity Economy (2013)</a>	Institutional support to agricultural and rural development ministries, local economic development, and agricultural value chains
Canadian Department of Foreign Affairs, Trade and Development (DFATD)	<a href="#">CIDA's Policy on Private Sector Development (2003)</a>	Supporting growth of local small and medium enterprises
	<a href="#">Assessment Criteria (2013a)</a>	
	<a href="#">Partners for Development Program (2013b)</a>	Funding for small and large development organizations to undertake development programming
	<a href="#">Private Sector and Development (2013c)</a>	Cost-sharing grant for multi-stakeholder partnerships with private sector and not-for-profit organizations
Danish International Development Agency (DANIDA)	<a href="#">Partnerships: General Conditions for Support under DANIDA Business Partnerships (2013a)</a> <a href="#">Partnerships: Screening of Companies and Business Case (2013b)</a>	Cost-sharing grant for commercially oriented partnerships between a Danish company and a local business
German Federal Ministry for Economic Cooperation and Development (BMZ)	<a href="#">Public Private Partnerships: develoPPP.de (2013)</a>	Cost-sharing grants for German companies with relevance to development policy
Netherlands Ministry of Foreign Affairs (NL MFA)	<a href="#">A Guide to Public-Private Partnerships (PPPs): A Practical Handbook on Launching an Effective Public-Private Partnership (2010)</a>	Cost-sharing grant for (Dutch or non-Dutch) companies wishing to make an innovative investment in partnership with a local business
Norwegian Agency for Development	<a href="#">English Translation of Grant Scheme Rules for Application-Based Support</a>	Cost-sharing grant for companies from developing countries with a

Cooperation (NORAD)	<a href="#">for Private Sector Actors (2012)</a>	development impact
New Zealand Ministry of Foreign Affairs and Trade (NZ MFAT)	<a href="#">New Zealand Partnerships for International Development Fund Guidelines (2014)</a>	Cost-sharing grant to support New Zealand organizations working with local partners for development
Swiss Agency for Development Cooperation (SDC)	<a href="#">Approaches and Methods - Poverty Reduction Through Participation in Economic Growth (2013a)</a>	Mobilization of financial resources for the private sector in developing countries
	<a href="#">Guidelines for Cooperation with the Private Sector (2013b)</a>	
Swedish International Development Cooperation Agency (Sida)	<a href="#">Innovations Against Poverty: Guide for Applicants (2012)</a>	Cost-sharing grant to companies from developing countries targeting people living in poverty
	<a href="#">Public Private Development Partnerships: Guidelines for Application (2013a)</a> <a href="#">Ten Key Principles and Criteria Governing the Public Private Development Partnerships (2013b)</a>	Co-financing for large companies, partnering with a local business, to achieve development goals
United Kingdom Department for International Development (DFID)	<a href="#">Private Sector Development Strategy. Prosperity for All: Making Markets Work (2008)</a>	Supporting medium and large international and domestic companies to align their core business with reducing poverty
United States Agency for International Development (USAID)	<a href="#">Partnering with USAID: A Guide for Companies (2012)</a>	Support to US businesses working abroad for supply chain stability, to achieve a social license to operate, and promote market development
European Commission (EC)	<a href="#">Guidelines for the Award of Procurement Contracts within the Framework of Humanitarian Aid Actions Financed by the European Union (EC, 2011)</a>	Supply and service contracts to the private sector for humanitarian actions
<b>United Nations Organizations</b>		
United Nations (UN)	<a href="#">Guidelines on Cooperation between the UN and the Business Sector (2009)</a>	Agreement between the UN and Business, to achieve a common purpose and to share responsibilities, resources, and benefits
United Nations Development Program (UNDP)	<a href="#">Revised Guidelines on Cooperation between UNDP and the Private Sector (2009)</a>	Working with companies to develop solutions, mobilize resources and advocate for change that supports poverty reduction and MDGs
United Nations Environment Program (UNEP)	<a href="#">UNEP Partnership Policy and Procedures (2011)</a>	Agreement between the UN and Business, to achieve a common purpose and to share responsibilities, resources, and

		benefits
United Nations Educational, Scientific and Cultural Organization (UNESCO)	<a href="#">Comprehensive Partnership Strategy (2013)</a>	Agreement between the UN and Business, to achieve a common purpose and share responsibilities, resources, and benefits
United Nations Children's Fund (UNICEF)	<a href="#">UNICEF Guidelines and Manual for Working with the Business Community (2001)</a>	Agreement between the UN and Business, to achieve a common purpose and to share responsibilities, resources, and benefits
Food and Agriculture Organization (FAO)	<a href="#">Principles and Guidelines for FAO Cooperation with the Private Sector (2000)</a> <a href="#">FAO Strategy for Partnership with the Private Sector (2013)</a>	Facilitation and mobilization of managerial, technological, scientific, financial and other resources through alliances with private industry
International Labour Organization (ILO)	<a href="#">ILO Policy and Procedure Relating to Public-Private Partnerships (2012)</a>	Promotion of the decent work agenda through a transfer of funds or other types of cooperation
World Health Organization (WHO)	<a href="#">Policy on WHO Engagement with Global Health Partnerships and Hosting Arrangements (2010)</a> <a href="#">Public-Private Partnerships for Health (2013)</a>	Various organizational structures, relationships and arrangements in order to achieve better health outcomes

# Annex 3 - Examples of best practices

## UNEP due diligence template

### **Exclusionary Criteria**

1. Is it complicit in human rights abuses?
2. Does it tolerate forced or compulsory labour or the use of child labour?
3. Is it involved in the sale or manufacture of anti-personnel landmines or cluster bombs?
4. Does it not meet relevant obligations or responsibilities required by the United Nations?
5. Does it violate sanctions established by the UN Security Council?

### **Caution – Decision by Partnership Committee**

1. UN Global Compact sensitive industries list:
  - a. Military, armaments and weapons manufacturing
  - b. Tobacco and alcohol
  - c. Gambling (excluding lotteries with charitable objectives)
  - d. Breast milk substitutes
  - e. Extractive industries
2. UNEP sensitive sectors
  - a. Fossil fuels
  - b. Chemicals
  - c. Genetically modified organisms
3. Potential conflicts of interest
  - a. Does the entity already work with other UNEP Divisions as implementing partner?
  - b. Is it a participant in a UNEP industry voluntary initiative, or becoming one?
  - c. Does an online search show it being accused of significant cases of irresponsibility or green washing?
  - d. Is there a potential for reputational risk for UNEP arising from the partner's promotional activities or its use of UNEP logo?

### **Positive Screening (Eligibility Criteria)**

1. Does it support core values and goals of the UN and UNEP?
2. Is it currently a participant in the UN Global Compact, or becoming one?
3. Does it publish an environmental or sustainability report, disclosing on its environmental/CSR policy and performance?
4. Does it publish a sustainability report based on the Global Reporting Initiative Guidelines?
5. Is it open to engagement in multi-stakeholder dialogue with UNEP and others?
6. Does it have any relevant corporate sustainability activities?
7. Is it listed on global/national sustainability indices or award schemes?
8. Does it have any sustainability-related certifications?
9. Is the activity to be funded linked with the core business of the company?

Source: UNEP (2011, 26-7).

# Sida application questions

## Relevance

How is the project relevant in relation to the overall objective of Swedish development cooperation, namely to “create conditions that will enable poor people to improve the quality of their lives”?

### 3.1 Poverty Focus

What poverty related problems and issues can the project contribute to solving?

### 3.2 Target Group/s

Who will benefit from the project and how?

### 3.3 Gender

Does the project contribute to an improved situation for women and girls?

### 3.4 Environment and Climate

What positive and negative environmental effects are generated by the project?

### 3.5 Working Conditions

What positive or negative effects will the project have on the local labour market/working conditions?

### 3.6 Participation

Will the people affected by the project have possibility to participate in the project design?

### 3.7 Non-Discrimination

How does the project address hierarchies and social change?

What impact will the project have on potentially repressive power structures?

### 3.8 Openness and Transparency

What communication strategies are in place, which consider accessibility of information for poor and marginalised groups?

### 3.9 Accountability

How will information on the project’s performance, such as economic, social and environmental impacts, be disclosed?

### 3.10 Regional context

How will the project activities support and complement existing local democratic and institutional systems?

## Risk and risk management

### 7.1 Risks

What are the key risks relating to implementation and reaching the project objectives?

Are there other risks that will not impact implementation of the project but may result for example in negative impacts on human rights, children, gender equality or environment/ climate?

### 7.2 Corruption

What are the risks of corruption in the project and how will the project contribute to combatting corruption?

### 7.3 Risk management

How will risks be prevented and managed in the project?

## Monitoring and evaluation

### 8.1 Monitoring

How will the implementing partner follow up the implementation and ensure that it is progressing according to plan?

### 8.2 Evaluation

What system will be used to measure results and outcomes, during and after the project?

## Social responsibility

Do the partners align with any internationally agreed norms/ standards for social responsibility?

Source: Sida (2013a, 1-4).

## Sida's ten key principles for governance

- 1. A social problem and an area of developmental improvement as the point of departure.**  
Projects should be anchored in defined problems and needs in partner countries, and not be driven by company's supply desires (although the latter might be the basis of interest by the company).
- 2. Country focus.**  
The programme addresses projects that take place in Sida's partner countries in Africa, Asia, Latin America, the Middle East and Eastern Europe.
- 3. Country strategy and sector alignment.**  
The project should be within the parameters of the country's existing national policies. Preferably, the PPDP should be focused on the key sectors defined in Sida's development assistance in line with the Paris agenda but is not limited to these sectors.
- 4. Rights based approach.**  
The project shall align with a rights-based approach, strengthening key principles such as participation, transparency and accountability. Operations should support and complement existing local democratic and institutional management systems rather than be contra productive to these.
- 5. Local partner.**  
A close cooperation with relevant local bodies is as fundamental as in any other form of development cooperation. Local commitment to the project is critical in the form of a formal partnership and strong interest from relevant local national bodies, such as local public sector institution, a ministry, department or a trade union.
- 6. Scaling-up potential.**  
PPDPs which potentially can have considerable scale effect, and a greater impact will be given priority.
- 7. Market creation, not distortions.**  
The PPDP is designed and shall be conducted in a way which does not imply subsidies to individual enterprises. Thus, the support should be provided neutral to different existing or potential market players, not favouring one company over another.
- 8. Transparency.**  
The company should be willing to share information, results and outcomes from the projects as it is an important part of improving methods for development partnerships.
- 9. Additionality.**  
The Sida support shall have a strong degree of additionality by stimulating pro-poor developmental impact of business and economic activities which would not have emerged to the same extent without Sida support.
- 10. Corporate Social Responsibility (CSR).**  
Assurances that business is conducted under high social and environmental standards and is complying with international conventions and standards including environmental and climate sustainability.  
Environmental impact assessment for the business venture is mandatory as for all Sida engagements.

Source: Sida (2013b).

## AusAID's table of risks

<b>Nature of risk</b>	<b>Possibility of occurrence</b>	<b>Likely impact</b>	<b>Risk management and mitigation</b>
AusAID is perceived to favour chosen firms	Low	Low	General publicity will be used to extend opportunity to all eligible businesses
Grants are used for private gain more than as an approach to poverty reduction	Low	Medium	Private gain is encouraged providing likely poverty impacts can shown to be significant
Funded projects fail to meet their objectives	Medium	Medium	Grantees meet at least half the costs so are motivated to succeed
The public benefits derived from the projects are insufficient to justify providing subsidy to profit makers	Medium	High	Assessment criteria should ensure applicants focus on maximisation of public gain
The ECF funds projects that have detrimental impact on the environment	Low	Low	Eligibility criteria should eliminate any such proposals
The ECF funds projects that sustain or worsen gender inequities	Low	Medium	Eligibility criteria should eliminate any such proposals
The ECF clashes with AusAID country programs	Low	Medium	Liaison on marketing and involvement in Assessment Panels should ensure cohesion
The ECF clashes with other donor PSD initiatives	Low	Medium	ECF fits a niche and is supported by other donors. Managers can use ECF to contribute to PSD coordination
Projects are implemented but grants are used other than in accordance with agreed purpose	Low	High	Grants disbursed incrementally and providing grantee can demonstrate appropriate use of funds
Grants are obtained fraudulently and projects are not implemented	Low	High	Grants disbursed incrementally and providing grantee can demonstrate appropriate use of funds
Grantees are perceived to be involved in corrupt practices	Medium	High	Grants disbursed incrementally and providing grantee can demonstrate appropriate use of funds
Outsourcing of management weakens or even undermines AusAID control	Low	High	Donors have relevant experience in the procurement and contracting of facility managers

*Source: AusAID (2006, 47-48).*