Post-2015 Partnerships: Shared benefits with the private sector? [1]

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Introduction

There is no question that the international development community is excited about the potential of new and innovative partnerships to address sustainable development challenges. Much attention has focused on the private sector and the possibilities offered by increased engagement for improved development solutions. The private sector is seen as a source of innovation, expertise, effectiveness, long-term business solutions, and perhaps, most importantly, finance in future sustainable development efforts. Combined with declining aid resources and significant global development and environmental challenges, the private sector presents donors with a potential way to harness each aid dollar and demonstrate value-for-money to taxpayers.

Now, as policymakers look towards the 2015 deadline for the Millennium Development Goals (MDGs), they see clear possibilities for the private sector in implementing (and financing) the post-2015 agenda.[1] Civil society organizations (CSOs) engaged in the process — many of whom have seen first-hand the negative impacts of foreign and domestic companies on development outcomes — have voiced their concerns with this approach,[2] some of which argue that the UN, and by extension, the post-2015 agenda, is increasingly becoming corporatized.[3] On the other hand, some CSOs are equally excited about the potential of partnering with socially responsible companies on sustainable development initiatives. While there is no question that governments will need to play a critical regulatory role in the realization of the post-2015 agenda — particularly in terms of addressing systemic challenges in areas such as trade, taxation, development financing, and climate change — the excitement around the potential of partnerships across sectors to deliver on sustainable development outcomes is likely here to stay. ‘

Over the past three years, the North-South Institute has carried out a number of research projects examining the role of the private sector in development cooperation. These projects have looked at the terms on which members of the development cooperation community partner with the private sector for development[4] and examined cases of partnerships in practice.[5] This work shows that the push for partnerships with the private sector is based on the assumption that partnerships among development actors represent wins for everyone: recipient governments, the private sector, donors, and CSOs. As has been argued elsewhere,[6] the rationale for partnership is described in terms of capitalizing on the shared interests and comparative advantages of different partners to achieve positive sustainable development results, often in situations where the nature of challenges — such as climate change — is such that no one sector can address them alone.

1 This chapter draws from Kindornay, Shannon, Stephanie Tissot, and Nabeel Sheiban. 2013. The Value of Cross-Sector Development Partnerships. Available at: http://www.nsi-ins.ca/private-sector-partnerships-for-development/.

Each sector has a role to play in the overarching narrative on private sector partnerships for development. The private sector provides expertise, innovation, and finance while governments regulate and incentivise as well as convene different stakeholders across sectors. NGOs provide on-the-ground legitimacy in the communities that they operate, as well as knowledge and expertise, and implementation capacity. The comparative advantages of these different actors and the benefits of working through partnership — *in theory* — have been described in great detail in the development context.

Yet, partnerships in and of themselves do not necessarily guarantee sustainable development outcomes. Nor are they an assurance that marginalized populations will benefit. Indeed, the extent to which partnerships lead to sustainable development outcomes such as the realization of human rights, poverty reduction, and environmental sustainability is an obvious and critical determinant of success. In the excitement of the post-2015 discussions, stakeholders should not develop partnerships simply for the sake of partnership. A clear alignment of interests, examination of costs and benefits and a strong likelihood of achieving more or better sustainable development results than what could be achieved working on one's own are important factors in the consideration of whether or not to partner.

Furthermore, less attention has been paid to the necessary mechanics of partnership that make it possible to realise sustainable development outcomes and shared benefits across sectors. There is an implicit assumption in the international discussions on partnership that more can be achieved by working together than alone. While this is often true, benefits from partnership are not automatic, nor are they necessarily equally shared among partners. This chapter goes beyond current policy discussions on private sector partnership for development, which tend to focus on the policies, approaches, and programming that promote partnerships, and case studies, usually with a bias toward successful examples.[7] Rather, it focuses on the various ways in which partners benefit and improve their effectiveness through partnerships across sectors, presenting a summary of key findings from a recent literature review. This chapter focuses on the types of financial and non-financial benefits that arise from partnership, and considers to whom these benefits accrue. It concludes with a summary of key issues that should be considered in embarking on cross-sectoral partnerships.

Why partner?

Partnerships provide short-term and long-term benefits to organizations and society arising from the complementarities that occur due to interaction between and among public, private, and non-profit partners.[8] Among international cooperation actors, partnerships with the private sector combine the capabilities and resources of public and private actors to leverage different interests and resources. They support businesses' corporate social responsibility strategies, mandates, and operations and enable businesses to access new markets, improve relationships with key stakeholders, and strengthen the quality and vitality of their supply chains.[9]

However, the usefulness of these partnerships is contingent on the complementarity, nature, direction, and use of resources between partners. The degree to which partners invest in the partnership has important implications not only for outcomes achieved, but also for the impact of the partnership on the behaviour of participants. The section below examines what is gained through partnership and what dynamics potential partners should consider when partnering.

What are you really getting from partnership?

Before embarking on any partnership (within or across sectors), organizations should examine what they bring to the table and what they hope to get out of partnership. Austin and Seitanidi argue that participants gain from partnerships in four ways: through association, transferred resources, interaction and synergies.[10] Association with a particular partner can lead to reputational gains, including improved projected credibility. For example, the UN Global Compact offers greater credibility to private sector members, who, through association with the UN system, are able to project greater legitimacy and credibility with respect to being a good corporate citizen. Association also presents risks, particularly if potential conflicts of interest exist (such as in the case of partnerships between organizations dedicated to promoting health outcomes and companies in the food and beverage industry).

Resources that are transferred between partners represent an obvious area where benefits accrue to partners. The potential for private sector resources to fill development finance gaps has been a significant part of international discussions on the private sector for development, which tend to focus on who brings what to the table.

Partners also benefit from interacting with one another — what Austin and Seitanidi call "interaction value." This refers to what partners gain by working with one another, such as improved relationships, greater knowledge, and skills development. For example, through partnerships CSOs may build their capacity to engage on and develop solutions to development challenges through more market-based approaches; meanwhile, private sector partners may build their capacity to engage on sustainable development issues.

Finally, synergies are created through partnership. Synergies refer to the benefits generated from the partnership that otherwise would not have occurred if partners acted alone. In the context of post-2015 discussions, synergies represent the sustainable development outcomes for beneficiary populations that arise from partnership. A concrete example of synergies is in the field of advanced market commitments in health. Public, private and non-government actors are each playing a role to develop new vaccines, which could not have occurred (or would have occurred, but within a much longer timeframe) without partnership.

These benefits are not mutually exclusive; partnerships typically generate a combination of benefits arising from association, resource transfers, interaction and synergies. The extent to which benefits are garnered depends on the interests of participants, the level of integration and interaction between the various partners, and the nature of resources transferred. For example, a business may choose to work with an NGO on a discrete project that serves both partners' interests. This type of partnership would likely mean associational value for both parties—in other words, reputational gain. However, the scope of the partnership and distribution of responsibilities will have implications for the extent to which each organization benefits from interacting with one another and the extent to which the partnership offers synergies – i.e. outcomes that would not have occurred on their own or could not have occurred working with other partners.

Who benefits from partnership?

Concerns have been raised regarding the extent to which partnerships with the private sector really benefit marginalized populations in ways that would not have occurred without public support. In instances where public funding is used to subsidize innovative business models and new products and services, there is also concern regarding the extent to which benefits accrue to the private sector partner versus the supposed beneficiaries of the project. For example, if public funding is used to support the creation of an organic line of produce for sale in a partnering retail store, the question of how benefits (increased profits) are shared between the retailer and smallholder farmers needs to be addressed.

Ideally, society, partnering organizations and individuals would experience and share in the benefits of partnership.[11] The extent to which benefits accrue on different levels depends on the goals and objectives of different organizations involved in the partnership. In the case of development partnerships, typically, the most important rationale for partnership relates to potential sustainable development outcomes for society, articulated through goals such as poverty reduction, generation of improved livelihoods and inclusive socio-economic development, and the creation of key services and products aimed at meeting the needs of the poor. The benefits to society occur beyond the domain of either organization's participation in the partnership; i.e. the benefits (such as developing new vaccines) that otherwise would not have happened without the partnership.

At the organizational level, partners benefit through the fulfilment of partnership objectives. For private sector actors, this can be in the form of improved corporate image, increases in sales and firm performance, access to new markets, greater legitimacy and social license to operate, achievement of corporate social responsibility objectives, and compliance with other business principles and standards. For their part, public and non-profit actors may improve their ability to leverage financial and non-traditional resources, gain new skills and visibility, exchange knowledge, engage in opportunities for innovation and sustainable approaches to development, and share risks and costs associated with development initiatives. Individuals who represent their organization in partnerships also benefit. Through working across sectors, individuals may see the development of new skills, higher levels of trust and personal commitment, and improved job satisfaction owing to shared project success.

What kind of partnership is needed?

There is no question that a wide variety of partnership mechanisms have emerged as a result of the increasing emphasis on the private sector as a development partner.[12] Rather than unpacking partnership mechanisms (which has already been done by others), another way of thinking about partnerships is in terms of the level of integration or collaboration that occurs between participants. Austin and Steidini identify four existing stages of partnership: philanthropic, transactional, integrative, and transformative. These stages, though not mutually exclusive, represent a continuum along which partners move as they deepen their relationships. This can allow for the achievements of greater benefits.[13] While Austin and Steidini consider donations a form of partnership under the philanthropic stage, international discussion on cross-sector partnerships typically refer to broader relationships that move beyond the unilateral transfers of resources where no repayment is required, and thus fall within the transactional, integrative and transformative stages. Partnerships at the transactional stage are those in which a reciprocal exchange of resources occurs through specific activities and where there is an agreed exchange of goods or services based upon an explicit or implicit contract. An example of this is when a business and a NGO enter into a contractual agreement under which the business develops a project and then transfers resources to an NGO for implementation. In this example, the NGO essentially serves as implementing partner and the private sector as funder, working more closely together.

The integrative stage refers to partnerships that require greater efforts from partners to work jointly to define a common partnership plan that will meet each partner's interests and create benefits. These types of partnership are typically manifested in the form of a joint development project supported by public, private, and non-profit actors, where partners develop clear objectives and employ joint decision-making processes and implementation strategies. In this instance, projects or initiatives are co-developed by partners across sector, and each actor plays a role in achieving shared benefits.

An example of an integrative partnership is the Tim Hortons Coffee Partnership that supports small-scale coffee farmers throughout Latin America, with the aim of building sustainable coffee communities through improved farming practices and more efficient production of higher quality coffee.[14] Under the partnership, Tim Hortons serves as a funder and coffee purchaser, partnering with government and non-governmental organizations to work directly with farmers, local coffee organizations, and NGOs. All partners play a specific role under the project to support implementation of projects with coffee growers and other aspects of the Coffee Partnership, such as educational and environmental sustainability initiatives. Over time, the initiative has allowed partners to increasingly and jointly find new ways to combine their key competencies and resources to achieve the partnership's goals.

The transformational stage is the most advanced collaborative stage for a partnership. Partners not only agree on the social issues relevant to those involved, but also on their intention to deliver transformation through social innovation and better the lives of those affected. While integrative partnerships can also lead to social transformation, transformative partnerships are characterized by interdependence and collective action as the operational modality. Partners collaborate on longer-term timeframes and express stronger commitments to the development initiative. Partnerships at the transformational stage include catalytic engagements between public, private, and non-profit actors that have clear and sustainable development impacts, the potential to alter or reform business practices, and even the possibility of new modalities for public service provision. The scope of efforts employed and the extent to which partners are invested in the outcomes of the partnership is the most advanced at this stage.

For instance, initiatives may aim to fundamentally alter the sustainability of supply chains through reduced inputs, changes in farming practices, and the promotion of organic or fair trade products. Such initiatives would be transformational partnerships, long-term in nature and potentially wide-reaching in impact – resulting, for example, in improved livelihoods for farmers, and more socially conscious production and consumption. The impacts of transformational partnerships go beyond the goals of any one actor involved, such as enabling non-profits and governments to meet objectives with respect to improving livelihoods and reducing poverty, and enabling the private sector partner to ensure sustainability within supply chains and to position itself as good corporate citizen. Transformation partnerships provide greater possibilities for wider transformations across society (consumption habits and sustainable livelihoods), organizations (behavioural change in the form of new business models and approaches) and individuals (new skills for managing partnership developed for example).

In practice, it is difficult to identify clear "stages" of partnership; often partnerships include elements of more than one stage as they progress. Nevertheless, Austin and Steindini's theoretical conception of the stages of partnership is helpful for thinking through the type of partnership needed to achieve different goals. If the goal of partnership is to secure financing for a particular campaign, then partners may benefit more from a philanthropic arrangement. If the goal is a more systemic change in terms of behaviour of business and consumers, a transformational partnership may be needed.

Partnerships evolve and new benefits emerge over time. Not all partnerships aim to reach the transformational stage as the goals of the partners determine the level of integration required (Table 1). Nevertheless, as partners' interactions strengthen and expand, so too do the possibilities for shared benefits. When partners collaborate more closely, they employ resources and capabilities that are key determinants of their respective success, which may lead to resource complementarity and greater co-creation of benefits. Stronger integration and deepened relationships allow partners to achieve greater congruency of their missions, values, and strategies. This may help in creating organizational cohesion, and in finding new means of innovation and joint problem solving.[15]

Conclusion

There is no question that a significant push for partnerships exists in discussions on how the post-2015 SDGs will be realized. However, partnerships should not occur simply for the sake of partnership. It should not always be assumed that the benefits of working through partnership outweigh the costs, or what could be achieved by working on one's own in terms of development outcomes; organizational differences and transaction costs of working with partners can be quite high, at least initially. Furthermore, realizing the post-2015 SDGs will require systemic change in areas such as trade, taxation, development financing, and approaches to climate change. These issues require action by governments whose regulatory role should not be diminished

Table 1. Sources of organizational benefits accruing from partnership[16]

	Sole creation	→	Co-creation
Organizational			
Resource complementarity	Low	→	High
Resource nature	Generic	→	Distinct competency
Resource directionality	Unilateral	→	Joint
Linked interests	Weak/narrow	→	Strong/broad
Types of benefits			
Associational	Modest	→	High
Transferred resource	Depreciable	→	Renewable
Interaction	Minimal	→	Maximal
Synergistic	Least	→	Most
Innovation	Seldom	→	Frequent
Stages	Philanthropic Transactional Integrative Transformational		

in an era of partnership and for whom taking steps to address systemic issues at the multilateral level remains a priority.

Nevertheless, as development actors increasingly engage in partnerships, it is important that the structure and nature of partnerships are determined by agreed upon objectives and purposes, including an understanding of the implications of objectives for the composition of the partnership and roles of each partner. Once deemed beneficial to development, realising the full potential of partnerships depends on the management and maintenance of relationships. Trust is built over time. Overcoming differences and aligning contributions is pivotal as partnerships deepen and expand, enabling partners to co-create social and organizational value. At the same time, while deeper integration among public, private, and non-profit actors can lead to greater value creation, including in terms of achieving more and better sustainable development results, the management and maintenance of these engagements is a challenging task. Policy-makers and practitioners should carefully examine the benefits and costs of forming and maintaining a partnership.

The comparative advantages of different partners determine the types of benefits derived from partnership — associational, resource, interaction, and synergistic. Assessment of the core competencies that each partner possesses is important. It is equally important for partners to identify their weaknesses. Potential partners need to assess partnerships not only in terms of the combined resources and capabilities that each partner brings, but also with a consideration of the organizational impacts that the formation and maintenance of a partnership may entail.

Finally, it is worth pointing out that there is a difference between a successful partnership and a successful initiative carried out in partnership. A development initiative may be successful even if a partnership is dysfunctional or fails. As such, it is important to establish a measurable set of outcomes that focus on both the partnership and the development initiative, particularly as excitement continues to build for the establishment of partnerships in the post-2015 landscape.

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16 Adapted from Austin and Seitanidi 2012.

Endnotes

1 Endnotes
See, for example, UNSG 2012; HLP 2013; UNGC 2013; Chandy et al. 2014.

2 Glennie 2014; Lou Pingeot 2014; European Parliament 2014.

3 For example, GPF 2014; Social Watch 2014.

4 Kindornay and Reilly-King 2013; Di Bella et al. 2013.

5 Kindornay, Higgins, and Olender 2013.

6 Kindornay, Sheiban and Tissot 2014.

7 See, for instance, BCLC 2009; Di Bella et al. 2013; Kindornay and Reilly-King 2013; Kindornay, Higgins, and Olender 2013; Heinrich 2013; Smith 2013; Kwakkenbos 2012.

8 Austin and Seitanidi 2012.

9 Googins and Rochlin 2000; see also Di Bella et al. 2013; Kindornay, Higgins, and Olender 2013.

10 Austin and Seitanidi 2012.

11 Selsky and Parker 2010.

12 Di Bella et al. 2013; BMZ 2011.

13 Austin and Steidini 2012; Tissot 2013.

14 See Kindornay, Higgins and Olender 2013; Tissot 2013.

15 Googins and Rochlin 2000.