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DEVELOPPP.DE: DO DEVELOPMENT PARTNERSHIPS WITH THE PRIVATE SECTOR PROVIDE INNOVATIVE SOLUTIONS FOR DEVELOPMENT COOPERATION?

Private companies as increasingly important Development Cooperation (DC) actors

For decades, development cooperation (DC) was mainly the preserve of governmental and civil-society organisations. Over the past twenty years, a number of approaches have been developed both at international level and in Germany to enlist support from another actor - the private sector – in financing and implementing development projects. This is due not least to the increase in foreign direct investment in developing countries, and to the high expectations of using entrepreneurial creativity and power to innovate for economic growth and social development. But can cooperation with the private sector really drive sustainable economic development? Or does it involve support for private corporations that oversteps the core tasks of DC, as some critics claim? The German Institute for Development Evaluation (DEval) addressed these questions in its evaluation of the develoPPP.de programme, the largest private sector cooperation programme commissioned by the German Federal Ministry for Economic Cooperation and Development (BMZ) (Hartmann et al., 2017).

develoPPP.de provides 'win-wins' for DC and companies, but the programme's potentials are not sufficiently harnessed

By promoting development partnerships with the private sector (DPPs), develoPPP.de pools public and private resources to obtain long-term benefits for economic and social development

in partner countries, while simultaneously generating added value for the companies involved. Since it was set up in 1999, more than 1,600 DPPs have been carried out in over 100 developing countries and emerging economies. As well as a multitude of small projects with an average funding level of EUR 400,000, support is also provided to strategic DPPs with an average funding level of over EUR 2 million. The (European) companies cover at least half of the project costs.

The evaluation shows that, via DPPs, companies provide not only financial resources but also specific sectoral and technical expertise that is often not available in the partner countries. At the same time, the support provided to the companies reduces the business risks involved in tapping into new markets and establishing supply chains. DPPs therefore provide 'win-wins' for DC and companies alike. Owing to the unclear strategic orientation and conceptual design of the programme, however, these 'win-wins' have only been achieved to a limited extent so far. Both at programme and project level, insufficient consideration is given to areas of tension between development objectives and company objectives, such as training for disadvantaged target groups versus the recruitment of skilled workers. This has negative consequences for the programme's implementation: potential synergies are overestimated, and expectations as regards the development effectiveness of the projects, most of which are small, are unrealistic. The programme's potential to sensitise companies by working with them directly on development themes is also only harnessed to a minimal degree, because this objective is only implicitly anchored in the programme.

Projects provide stimuli in partner countries, but the programme's overarching development objectives remain largely unachieved

The develoPPP.de programme succeeds in providing development stimuli in the partner countries that endure beyond the end of the project. The innovations introduced by the projects, such as new technologies, are frequently used by local business partners and target groups after a project ends. The partner companies also usually continue their engagement in the partner country after the end of the project. Development-related components, such as collaboration arrangements with local public institutions, are often considerably scaled back, though.

Since the innovations are often only available to a very limited extent in terms of their geographical reach, content and number after the end of the project, it is rarely possible for the projects to achieve results that extend beyond the local level. The programme fulfils very few of its expectations in terms of far-reaching income-generating and employment effects, or in terms of scaling up project results at meso and macro level. The develoPPP.de programme therefore promotes a large number of stand-alone projects, despite its intention of providing impetus to enhance performance across entire systems.

The programme will only achieve development effectiveness if extensive adjustments are made

Overall, the evaluation comes to the conclusion that cooperation with companies within the develoPPP.de programme is indeed relevant for achieving development objectives. However, the

programme falls short of its potential to mobilise private capital and entrepreneurial power to innovate. In its current form, the programme will have difficulty meeting its high expectations in terms of development effectiveness.

The evaluation recommends continuing the develoPPP.de programme under the condition that fundamental adjustments be made in terms of its objectives, design and implementation. There is a particular need to further define the programme's objectives and strategic orientation. Leverage can be gained in this context by strengthening the programme's focus on development priorities and results in the partner countries, and by improving the programme's role in raising awareness and promoting dialogue.

The bigger the overlaps between corporate and DC interests, the more successfully private capital can be mobilised for DC objectives. For this to happen, DPPs must offer added value to both sides. The development-policy interests of DPPs can only be realistically furthered if the areas of tension that may arise during cooperation are recognised, as well as the potential synergies, and if the dual objectives structure of the programme (public sector/private sector) is explicitly taken into account for each project.

References

Hartmann, C., F. Gaisbauer and K. Vorwerk (2017), *Evaluation of the develoPPP.de programme*, German Institute for Development Evaluation DEval, Bonn.

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The German Institute for Development Evaluation (DEval) is mandated by the German Federal Ministry for Economic Cooperation and Development (BMZ) to independently analyse and assess German development interventions. Evaluation reports contribute to the transparency of development results and provide policy-makers with evidence and lessons learned, based on which they can shape and improve their development policies.