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## Position Paper Cooperation with the Private Sector

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# Position Paper

## Cooperation with the Private Sector

### 1. Purpose of the Position Paper

The millennium goals call for a halving of poverty by the year 2015. There is a broad consensus that this ambitious demand can be met only when the state, civil society and the private sector in both the North and the South combine their efforts and embark on new ways together. The means and possibilities of official development assistance are limited. In order to achieve a sustainable improvement in the situation of the poorest population groups, an increase in resources from the private sector is required.

The position paper presented herewith, provides a basis for SDC's cooperation with the private sector with the goal of promoting development initiatives for the poor population groups. It defines principles and development policy guidelines, clarifies roles and responsibilities, and thereby sets up a strategic framework for SDC professionals and interested external parties.

### 2. Background

The debate centering on the millennium goals has brought new awareness about the extent of the outstanding tasks to be dealt with in development. The state, civil society and the private sector face the challenge of re-thinking and re-defining their roles and responsibilities. With the Global Compact Initiative, the UN took up the ongoing discussion of the '90s on ecological, social and economic sustainability and on the social effects of market-economy-based development concepts, thereby substantially contributing to the goal of opening up the dialogue between exponents of different viewpoints and interests. At both the international and national levels, other donor organizations are working on expanding and remodelling their cooperation with the private sector.

Opportunities for enhanced cooperation with the private sector are principally en-

visaged with the triggering of a multiplier effect and in long-term economic growth (linked with new markets and the creation of jobs), along with the growing interest of the private sector in sustainable development. A major challenge will be that of reconciling the different approaches of the market-opportunity and profit-oriented private sector understanding with that of development cooperation's focus on poverty reduction and long-term development, so as to join forces in reaching a common goal.

A central issue is how to secure economic growth for the benefit of the poor population groups. This issue is the axle and pivot of international dialogue in which the SDC and seco actively participate in the context of the OECD/DAC, WTO, UN Global Compact and other fora, on standards regarding working conditions, human rights, the environment, international trade regulations and corporate responsibility.

SDC's cooperation with the private sector is nothing new. The Law on Development Cooperation of 1976 already mentions private sector development through enterprise promotion. Private sector players in developing and transition economies have been receiving support for many years (promotion of SMEs, financial institutions, skills development, etc.). In addition, the SDC concludes around 1,000 contracts annually with private consultants, organizations and enterprises for project implementation and specialist advice.

### 3. Principles and Development Policy Framework

#### Principles

The SDC, in cooperation with the private sector, promotes and supports development initiatives for the benefit of poor population groups. The objectives are: (i) the creation of employment and income, as well as the development of broad-based prosperity, (ii) the securing of access to adequate and affordable basic services, (iii) the strengthening of sustainability of natural resource utilization, and (iv) the improvement of access to knowledge and skills.

#### Development Policy Framework

The SDC's core mandate is guiding the cooperation with private sector enterprises, as outlined in its Guiding Principles and Strategy 2010, as well as in various policy and strategy papers. Central tasks of the SDC are poverty reduction, economic growth, sustainable development, securing of peace and the development of democracy. The following development policy conditions are crucial for cooperation with the private sector:

1. The SDC's services are carried out in accordance with its core mandate;
2. The cooperation leads to a sustainable improvement in the living conditions of disadvantaged peoples;
3. Economic growth benefits the poor population groups;
4. Cooperation with the private sector uses the comparative advantages of all participants;
5. The SDC delivers its services according to the principle of subsidiarity and within a determined period of time.

Partners for an enhanced cooperation are private enterprises in industrial, transition and developing countries, as well as professional associations, business organizations and other interest groups who respect standards of social responsibility. The aim is to create a situation advantageous for all of the parties involved, i.e. the poor population groups, private enterprise, and the public sector.

It is a central concern of the SDC to support governments and civil society institutions in their efforts to negotiate an enabling environment for development and rules for cooperation with the private sector. This takes place in coordination and dialogue with other donors.

The SDC's Guidelines, as represented at the end of the document, provide the basic rules for cooperation with the private sector.

### 4. Forms of Cooperation with the Private Sector

The SDC will continue its cooperation with the private sector as carried out to date:

- mandates to private companies for services in the form of consultancies and implementation of programs and projects;
- promotion of the private sector in developing and transition countries, in particular in the areas of SMEs, the financial sector and skills development.

With a view to enhanced utilization of complementary strengths, there exist various options for pursuing ongoing cooperation with private companies. The examples listed below seldom emerge in reality as clearly distinguishable forms of cooperation; instead, they are more often implemented in combination with one another as mixtures:

## Social Investments

Form	- private investment funds with social goals and financial contributions to development programs
SDC's role	- advisory services and specialist support in the setting up and management of the fund - capitalizing on synergies through co-funding in the context of country programs

## Public-Private Development Partnerships (PPDP)

Form	- contractually concluded cooperation with private enterprises in common projects along value-added chains in SDC priority countries
SDC's role	- operational partner - supports local partners (the state, civil society organizations) in negotiations with private enterprises and in the delivery of products and services - identifies potentials of PPDPs and research partnerships - participates in targeted discussions at the national and international levels - fosters the exchange of experience at the national and international levels

## Corporate Social Responsibility (CSR):

Form	- the commitment of private enterprises to respect human rights and codes of conduct reflecting standards for socially responsible behaviour, compliant with labor regulations, ecologically sustainable, and peace-enhancing
SDC's role	- partner in international dialogue - advocates the concerns of developing and transition countries and fosters the recognition and representation of their interests - targeted support for the consolidation of existing CSR networks, the creation of codes of conduct and mechanisms for their review

## Multi-Stakeholder Initiatives

Form	- multi-partner initiatives and platforms (the state, civil society, private sector) for dialogue on the improvement of framework conditions in trade and development, funding and financial participation mechanisms, etc.
SDC's role	- negotiating partner at the multilateral level - introduces the development policy perspective - promotes and participates in multi-stakeholder initiatives on selected themes (fair trade, market access, etc.) - strengthens poor population groups in countries of the East and the South to make their voice heard

The role, the tasks and the responsibilities of participants varies according to the form of cooperation and must be meticulously clarified beforehand. The SDC's particular task is to promote dialogue among the stakeholders, to capitalize on experience while sharing it with all of the actors, and to provide guidance on the promotion and implementation of development initiatives.

## **5. Coordination**

The SDC's cooperation with the private sector is carried out in a process of exchange and coordination with the State Secretariat for Economic Affairs (seco) and with other Swiss government agencies, with Swiss, international and local NGOs, with international organizations, with private enterprises and private organizations.

The SDC's and seco's activities in the area of Public-Private Partnerships designed to foster infrastructure projects, in the domain of trade policies affecting development, and in issues of Corporate Social Responsibility, are coordinated and harmonized through enhanced institutionalised exchange.

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## Guidelines for Cooperation with the Private Sector

- 1 Concentration and operational proximity:** The SDC implements projects in its priority countries in cooperation with private sector partners. This allows SDC to put its contextual understanding, its partner proximity and its experience to optimum use and to monitor and evaluate projects. At the same time, it offers the possibility of capitalizing on synergies with SDC's programs.
- 2 Economy and development:** Projects carried out with the private sector must be economically viable and follow development policy in the spirit of the SDC's core mandate. This is particularly valid for the anticipated impact on poverty reduction through the creation of employment and income.
- 3 Participation:** Local representatives and organizations are involved as partners with equal rights in the dialogue and in the formulation and realisation of development partnerships.
- 4 Focus on values:** Private sector enterprises are obliged to respect standards in terms of social ethics, labor regulations, and the environment which comply with the nine principles of the UN Global Compact.
- 5 Complementarity:** Using their comparative advantages, the partners involved should be able to achieve their goals more cost efficiently, more effectively, more rapidly, and with enhanced widespread impact.
- 6 Subsidiarity:** The SDC delivers its services within the context of its core mandate according to the principle of subsidiarity. The main support is for initiatives from local actors. The SDC's involvement is pursued in a limited timeframe.
- 7 Objectives and project formulation:** The objectives, impact and risks of projects with the private sector are jointly identified with the partners and are discussed and agreed upon. Property rights relating to the results achieved by the cooperation are contractually defined.
- 8 Cost Sharing:** The costs of the cooperation are shared by the partners according to an agreed formula. Cost sharing must be worked out on a case by case basis.
- 9 Focus on effectiveness:** Success indicators are agreed upon with the partners to form the basis for joint project steering.
- 10 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. It takes into consideration the particularities of each situation.
- 11 Information:** Information on the cooperation with the private sector and on the SDC's contribution is published. The results are available to the public.