

# IDS IN FOCUS POLICY BRIEFING

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## Private Foundations, Business and Developing a Post-2015 Framework

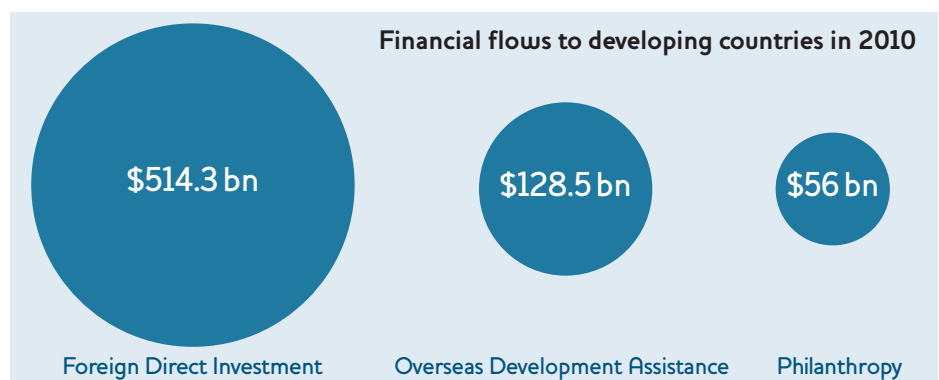
Global debates about what might replace the Millennium Development Goals (MDGs) after their 2015 deadline are currently underway. Philanthropic foundations and businesses need to be integrated into these discussions alongside civil society, national governments and multilateral organisations. This could be achieved by encouraging cooperation on individual MDGs; transferring project ownership and management to private actors where it is deserved; improving knowledge transfer and decreasing project duplication; and creating a common set of performance metrics.

Since the adoption of the MDGs in 2000, the number of actors in the aid universe has expanded. Philanthropic foundations and corporations have gained considerable influence through aid funding.

As we revisit the MDGs, these key actors need to be integrated into the achievement of the current MDGs as well as the development of new frameworks. The integration of private actors requires more coordination, acknowledging the increased costs of doing so and committing to measuring the impact of development efforts. Without integrating foundations and businesses, we risk duplicating efforts and placing an even greater administrative burden on aid recipients. We also risk ignoring the development contributions that foundations make by funding pioneering programmes and that businesses make through economic growth and innovation.

### Why involve private foundations and businesses?

The challenges of providing global public goods have increased with the openness of trade and increased systemic risks that hinder MDG progress, such as food security,



infectious disease and climate change. No single nation-state or multilateral organisation has the resources to cope and non-state actors have comparative advantages and knowledge in providing necessary inputs.

The public sector, private sector and civil society all value poverty eradication via the MDGs, although their motivations for doing so vary – government aid is motivated by political values, FDI and Corporate Social Responsibility (CSR) by economic values, and philanthropy by personal or religious values. After all, providers from all three sectors are often found in the same markets, especially in services such as education and health care.

Businesses have long received government subsidies and contracts and now seek to increase their social impact through CSR programmes. Business practices have also bled into the philanthropic sector in the form of venture philanthropy, social venture capital and impact investing. Many, if not most, non-profits engage in profit-making activities in order to support their agendas.

Although not all MDGs can be achieved through public-private partnerships, foundations and businesses are only systematically included in health and agricultural sector initiatives. This is largely due to their development of intellectual property and technical solutions in these sectors.

## What is limiting private sector involvement?

Three main issues need to be addressed if private foundations and business are to be effectively integrated into a post-2015 framework.

### 1. Coordination

Private foundations and businesses do not have sufficient access to global policy forums and decision-making processes. When including private foundations and businesses along with other stakeholders, it is important to recognise that different stakeholders have different strengths (financial, cultural, expertise or social) and strategies for participating. Simply combining them in a category with other non-state actors may not be a solution either. If a category of stakeholders is too heterogeneous, they will not have enough in common to act collectively.

### 2. Costs of cooperation

There is a trade-off between coordinating development efforts and maintaining room for experimentation.

Information must be shared to avoid duplication of effort and to identify opportunities for cooperation, including data on aid flows, target geographies and past project learning. In addition, as frameworks grow in complexity, some players will not have the resources to continue to participate.

### 3. Measuring performance

A further problem is that each actor's measure of success depends on what they value. Donors want aid effectiveness, private foundations want impact and scalability and businesses want financial performance. There is a need for common performance standards, universal measurement techniques and a global sharing platform. Performance standards need to include financial, wellbeing, social and environmental measures. Although not every metric will apply to every project, they need to be transparent and widely available and partners need to be held accountable for their results.

## Credits

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## Creating the right environment for private sector involvement

### New commitments are more likely to occur and succeed when:

- Aid agencies, foundations and businesses have common objectives.
- There are flexible, easy-entry mechanisms for cooperation on individual MDGs rather than on the entire post-2015 framework.
- Private foundations and businesses are fully included in global public policy forums.
- Organisations that have the relevant skills and knowledge are allowed to own and manage the project regardless of their sector.
- Development knowledge and learning is shared between aid agencies, private foundations and businesses.
- Private sector partners are allowed to retain some of the benefit from their investments as long as they are delivering.
- Performance monitoring, evaluation and reporting are a requirement of participation.
- Everyone is explicit about whose interests they represent (partner governments, shareholders, donor country taxpayers, the poor).
- Projects do not administratively overburden the recipients, and build partner country systems instead of bypassing them.

### Donor agencies need to:

- Continue to reform and reduce corruption.
- Constantly renegotiate and reaffirm their framing of the problems and their right to manage the solutions.
- Respect partners that have different ways of creating legitimacy.
- Tolerate that their partners will come closer or pull away depending on whether they gain or lose legitimacy with their constituents.

### Private foundations need to:

- Continue investing in innovative and risky projects.
- Ensure that projects help strengthen national systems.
- Fund projects further away from home.
- Work more closely with local civil society organisations, other foundations and the private sector.

### Businesses need to:

- Use their influence to strengthen national government systems instead of bypassing them.
- Use their local knowledge and market-finding abilities to identify local demand for aid.
- Learn from aid agencies' best practices and avoid duplicating existing development projects.
- Participate in industry associations and global funds for development or collaborate with other actors as part of official aid programmes.

## Further reading

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