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Donor agencies and multi-stakeholder partnerships:

Harnessing interests or herding cats?

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ECDPM – EUROPEAN CENTRE FOR DEVELOPMENT POLICY MANAGEMENT

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Key messages

Promoting and supporting partnerships is a complex and iterative process, requiring considerable resources, knowledge, and time. A deeper analysis and understanding of the role of donor agencies in the partnership process is thus required to foster effective partnerships.

This paper studies the roles of donors in a selection of partnership related instruments. It shows that there is a gap between donor agencies' policy objectives and their current practice, which needs to be filled to realise the full potential of partnerships.

Overall, donor agencies tend to limit themselves to funding partnerships, often through competitive procedures, adopting a reactive attitude to supporting partnerships. More could be done in terms of coordination between their instruments and donor agencies to maximise the effectiveness of their interventions.

Therefore donor agencies can contribute more significantly, by using their large palette of resources, including political connections, networks, expertise and knowledge. This depends in turn on the design of their instruments, their level of understanding of the operating context, and degree of involvement and flexibility in the partnership.

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The views expressed in this study are those of the authors only and should not be attributed to any other person or institution.

Acronyms

AAAA	Addis Ababa Action Agenda
BMZ	*Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung*/German Federal Ministry for Economic Cooperation and Development
BoP	Base-of-the-Pyramid
CSO	Civil Society Organisation
CSR	Corporate Social Responsibility
DfID	UK's Department for International Development
DG DEVCO	European Commission's Directorate-General for International Cooperation and Development
ECDPM	European Centre for Development Policy Management
EG	Engagement Global
EU	European Union
GIZ	*Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH*/German Federal Enterprise for International Cooperation
ISEAL	International Social and Environmental Accreditation and Labelling Alliance
M&E	Monitoring and Evaluation
MFA	Finland's Ministry of Foreign Affairs
MinBuza	Dutch Ministry of Foreign Affairs
MS	Member States
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
PbR	Payment by Results
PPP	Public Private Partnership
RATE	Responsible, Accountable and Transparent Enterprise
SDG	Sustainable Development Goal
ToC	Theory of Change
WSSD	World Summit on Sustainable Development

Executive Summary

Promoting and supporting partnerships is a complex and iterative process, requiring considerable resources, knowledge, and time. This paper studies the roles of donors in a selection of partnership-related instruments, with a view to better understanding their challenges and opportunities, constraints and incentives. It shows that there is a gap between donor agencies' policy objectives and their current practice, which in formal terms is overly passive in terms of funding mechanisms and administration systems towards supporting partnerships. This diminishes the benefits that might be gained from the large palette of resources and capabilities of donor agencies. That said, informally donor agencies go further than their roles *stricto sensus*, implying a gap between policy and practice. Based on these insights, some reflections, implications, and recommendations are presented below for policy makers and donor agencies aiming at boosting the effectiveness of their support to partnerships.

Main implications for policy makers

Implication #1: A need to shift the approach of policy makers from funding to (smart) investment in CSO-business partnerships

Development partners often limit themselves to financing partnerships, and therefore miss the opportunity to exploit non-financial resources such as their broad social networks, links to companies, or their knowledge and expertise. Although doing so would demand a more direct and intensive engagement from donor agencies, this is to be expected when the nature and mission of partnerships are complex.

Conversely, for project-based and/or strongly balanced partnerships, a light-handed approach would be most relevant. As a result, donor agencies need to be clear on the nature of the partnership being supported and, based on that, be flexible and provide differentiated support to partnerships, according to their level of complexity.

Implication #2: A need to balance between a results-focused approach, accountability requirements, and learning to get to an adequate monitoring and evaluation system

Donor agencies need to solve a difficult equation: the monitoring and evaluation (M&E) system needs to be comprehensive, but not too cumbersome; results-focused and accountable but flexible enough to integrate lessons learn. Further, while a logframe approach to monitoring and evaluation may be relevant for project-based partnerships, it may be less relevant for complex partnerships, which need a more sophisticated, adaptive approach based on a set of relevant performance indicators. Therefore donor agencies may need to adopt a differentiated M&E system, with adapted objectives and sets of indicators, depending on the type of partnerships they support, altering their focus from results (and success) to learning. This will in turn allow partnerships to keep focusing on transformational long-term objectives (vs. reactive short-term objectives), and change/progresses rather than reporting for reporting's sake.

Implication #3: A need to break through the silos between sectoral and thematic approaches and act as a development strategist

Donor agencies have an important role to play in directing development interventions in certain contexts and sectors, always based on critical knowledge of the territorial, political, and societal contexts in which they operate. This however does not mean that donor agencies should be in the

driver's seat, but rather that they should facilitate and accompany the partnership and stimulate innovation and initiative by partners.

Adopting a more explicitly territorial or spatial approach that brings together the different components of local governance and development could lead to the design of a holistic, realistic and context-driven strategy, and/or partnerships, which would combine these sectoral and thematic programmes.

Implication #4: Focus on brokerage and realising the low hanging fruits
Transformational partnerships often involve a wide range of stakeholders beyond the primary civil society organisations (CSOs) and businesses involved, meaning it is crucial to embed partnerships in their market and institutional frameworks, and scale them up. At the same time, policy makers have vast social networks and can open doors to businesses and can thus play a crucial role in brokering partnership relations, bringing together CSOs and businesses and authorities, incentivising new forms of cooperation with potential for long-term change. Donor agencies might leverage their local social networks by proactively using country offices and delegations and actively brokerage linkages in a way that takes into or even offsets power imbalances in the partnership.

Looking forward
CSO-business partnerships are not a silver bullet to development issues, even though they have great potential. Realising this potential implies acknowledging and working with the accompanying complexity, i.e. the fact that they are part of and can transform a real sectoral (value chain), political, and local reality. Getting from a partnership to tangible development results requires development partners to deal with this complexity, and equip themselves beyond what they currently can do. To realise such aspirations, donor agencies should accept the risks of failure, and see these investments as a must.

1. Background

Multi-stakeholder partnerships and those connecting private sector and civil society organisations (CSOs) are a goal, a means of implementation, and a way of making financial resources go further, as promoted in the Sustainable Development Goals - Goal 17 (UNDESA, 2016) and the Addis Ababa Action Agenda (AAAA) of the Third Financing for Development Conference in Addis Ababa in 2015 (ECDPM, 2016). Multi-stakeholder partnerships, including Public Private Partnerships (PPPs) are an integrated part of the Development Agenda (Bilal et al, 2014; ECDPM 2014; ECDPM, 2015; ECDPM, 2016ab).

Beyond the opportunity to harness private sector resources for development, CSO-business partnerships offer a range of potential benefits for promoting economic transformation. By linking commercially, market-driven investment projects and private sector know-how, with socially-grounded, networked approaches of CSOs, partnerships can contribute to creating more and better jobs in a way that promotes inclusive development within a given location (Kuenkel & Aitken, 2015; Webb et al., 2010).

But partnership forms, motivations, activities and practice vary widely, making partnerships a complex tool to implement. This is revealed by numerous case studies (Peterson et al., 2014; Karaki & Byiers, 2016; Medinilla, 2016). Further, donor funded partnerships are often “reactive”, but too rarely “transformative”[1] (Tennyson, 2016), with a limited impact on communities.

Prior research shows that promoting and supporting partnerships is a complex and iterative process, requiring considerable financial, knowledge, and time resources. A regular quote in interviews and discussions on the topic for this study was: “*don’t partner if you don’t have to*”. One might add: “and *if you do, be well prepared!*” Deeper analysis and understanding of the role of donor agencies in the partnership process has never been more pressing if they are to succeed and contribute to sustainably improving livelihoods.

Building on a literature review on CSO-business partnerships (Byiers et al., 2015); and on case studies that investigate the main partnership characteristics and institutional factors that drive and constrain the process of establishing and maintaining effective CSO-business partnerships in the extractive (Medinilla, 2016a; Medinilla, 2016b) and dairy sectors (Karaki, 2016), this paper looks specifically at the role of donor agencies in supporting CSO-business partnerships for sustainable development. In doing so, it reviews the approaches and practices of some of the instruments of the German Federal Ministry for Economic Cooperation and Development (BMZ) via Engagement Global (EG), the European Commission's Directorate-General for International Cooperation and Development (DG DEVCO) and EU delegations, the Dutch Ministry of Foreign Affairs (MinBuza)[2] and the Dutch Embassy in Nairobi, Finland’s Ministry of Foreign Affairs (MFA) and the UK’s Department for International Development (DfID). It analyses the drivers, opportunities, challenges and draws for policy makers to better link policy to practice.

This study is organised as follows: the next section looks at the motivations of policy makers and donor agencies to engage with partnerships, while recognising that such form of cooperation is not without challenges. While section three provides the methodology used in this research, the fourth

[1] Partnership intentionally created to challenge and change mainstream systems and mindsets (Tennyson, 2015).

[2] Also including the Dutch Embassy in Nairobi.

section dwells on the five key roles of donor agencies in CSO-business partnerships using some examples from the aforementioned case studies. It will then finally present some of the implications for policy makers and donor agencies supporting and promoting CSO-business partnerships.

2. Setting the scene

Why partnerships?

Policy makers and donor agencies have embraced the concept of multi-stakeholder partnerships (see Figure 1). Partnerships involving the private sector, civil society, (local) authorities, and communities in general are seen as both a resource and a means of implementation to deliver the Sustainable Development Goals (SDGSs) (IRF, 2015). The idea is gaining further traction with the growing recognition of the potential role of the private sector in development, shrinking budgets for civil society organisations, and a renewed private sector interest in investing in Africa and other developing countries in a sustainable manner (Byiers et al., 2015). In this respect, CSO-business partnerships are one of the modalities for engaging the private sector. From a policy maker perspective, the specific development appeal of multi-stakeholder partnerships has several sides:[3]

First, partnerships potentially offer a means to combine, and leverage the financial resources and capabilities of actors across sectors. This in turn offers opportunities to engage the private sector in development and incentives for governments and civil society to collaborate to promote economic transformation and the creation of more and better jobs.

Second, partnerships can help (better) link commercially, market-driven investment projects and private sector innovation and know-how, with sustainable, inclusive and equitable outcomes. They facilitate cross-sector dialogue towards aligning diverse actors and interests around a common agenda for action, potential cross-sector synergies and collaboration, and innovations and systemic change. This in turn can enhance the effective use of aid by reducing fragmentation and duplication - especially when both the public and private sectors *"make decisions that [may] affect the development opportunities of others negatively*" (DIIS, 2014).

Third, partnerships can promote inclusive participation in solving sustainable development challenges. By providing opportunities for local actors to be involved in projects, partnerships can promote local ownership[4] as understood by the Paris Declaration (2005) and more recently by the Busan Partnership for Effective Development Cooperation (2011).[5]

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3 Although this section focuses on the motivations and policies of donor agencies in engaging in multi-stakeholder partnerships, it should be noted that business' and CSOs' motivations to enter such forms of cooperation follow a different but parallel logic, away from donors/public actor. This relates to Corporate Social Responsibility (CSR), social license to operate, and social impact suggesting that donor agencies might be part of the equation, but not necessarily.

4 For example, donor agencies require proposals to be submitted and/or implemented with (local) partners to foster the inclusion of South partners.

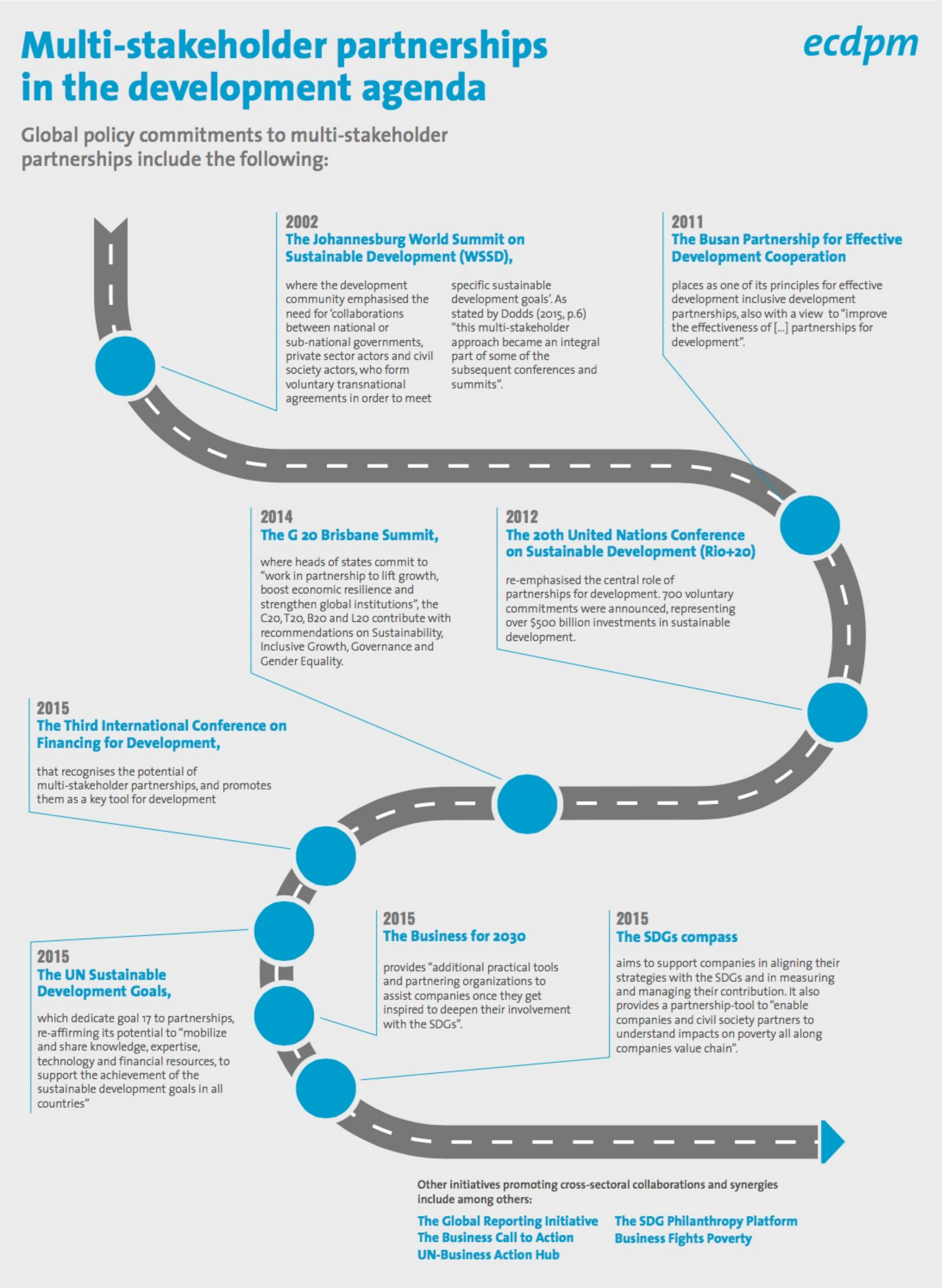
5 The Busan Partnership agreed on the following four shared principles to enhance the effectiveness of development cooperation: i) ownership of development, ii) focus on results, iii) inclusive development partnerships, and iv) transparency and accountability to each other. (Busan Partnerships, 2011).

Fourth, multi-stakeholder partnerships involving citizens and civil society, backed by private sector resources and common interests can advance good governance by enabling greater participation in policy-making processes. This relies on improved connections across different levels of government and with social actors in the business and civil society sectors (Stott, 2011).

The quest for green and inclusive growth has also sparked much optimism over the transformative role of the private sector in developing countries, which activities need to take place in collaboration with, rather than in parallel to civil society engagement (WEF, 2013). Multi-stakeholder partnerships for sustainable development are often portrayed as a vital new element of the emerging system of global sustainability governance (Pattberg et al., 2014).

All these potential (perceived) benefits have led to a range of public policies, strategies and programmes integrating and/or dedicated to promoting and supporting partnerships. However, these policies have reportedly often led to disappointing results (Pattberg et al., 2014), with significant challenges arising both for donor agencies and the partnerships they support (Medinilla, 2016; Karaki and Byiers, 2016).

Figure 1: Multi-stakeholder partnerships in the development agenda



Source: from the authors, elaborating on Dodds, 2015.

CSO-business partnerships in practice

The vast amount of multi-stakeholder partnerships globally, as well as the near endless varieties of partnerships, makes it difficult to draw comprehensive conclusions on the performance of this form of cooperation. To fill this gap, ECDPM carried out a comprehensive literature review and looked into the drivers and incentives that underpin partnerships in a number of sectoral case studies. Our analysis **suggests that investing in CSO-business partnerships is a complex and iterative process.** The complexity and multifaceted nature of these partnerships requires considerable financial investment, knowledge, and time to make partnerships more than a buzzword, a transformational tool for the 2030 Agenda. As a key financier, donor agencies that seek to do so face major challenges.

The need for a differentiated approach to partnerships

CSO-business partnerships are complex, 'non-traditional' instruments (see Halper and Tennyson, 2009) **that can vary widely in terms of mission, location, activities and interests**.[6] These variations in turn affect the type of partnerships - whether they are commercial/Base-of-the-Pyramid (BoP) partnerships; social investment partnerships and/or; philanthropic investment.

To add to the complexity, partnering requires a flexible, dynamic and evolving process. This means that partnership types may change over time. Some partnerships start from a social, philanthropic approach with a view to becoming commercial, while some begin from a commercial standpoint but try to be more inclusive.

Despite this, donor agencies' procurement and administration systems tend to lack flexibility to address partnership's complex and changing nature. This opens up the risk that donor agencies miss responding to the needs and interest of specific type of partnerships, thus hindering the partnerships' process and limiting developmental outcomes.

The need for an integrated territorial approach

Any CSO-business partnership takes place in a specific political, economic, social and societal framework, and needs to be fully embedded within it to be effective. In fact, our analysis of CSO-business cooperation in the mining and dairy sectors shows that the transformational potential and development outcomes often depend on the level at which a partnership approach is embedded, in a sector, in the local and national economy and in society (Karaki et al. 2016; Medinilla, 2016). A similar observation is made by Jacobs et al. (2016) who underline that to achieve systemic change, partnerships to need to build the capacities of those "[systemic] *dimensions and actors to create the conditions and support necessary to scale*" and hence maximise development impacts.

To be fully relevant, donor agencies' approach to development problems and solutions need thus to be based on a thorough knowledge of the territorial, political and societal context, and move away from purely sectoral/thematic approach. This may also call for complementary measures to support partnerships from the outside, working with partners, but at times also with (local authorities) and other civic or community actors to ensure the sustainability and development potential of a partnership. This is even more important when addressing the drivers of systemic change and for scaling impact through a more programmatic approach (IRF, 2015).

[6] See http://ecdpm.org/business-cso-partnerships/

The need to balance power relationships within partnerships

Although shared control can foster development outcomes of partnerships, experience shows that businesses very often dominate CSOs and community-based partners. This makes it very difficult to build a critical level of trust, or a balanced participation of CSOs and communities in the design, decision-making process, management, and evaluation of the partnership. Such power imbalances often lead to the exclusion or lack of meaningful participation of stakeholders, in particular local actors (Karaki et al., 2016; Byiers et al., 2016; IRF, 2015). However development agencies can potentially alter these power imbalances, thus safeguarding the independence and negotiating position of weaker partners.

Implications

To make CSO-business partnerships a key means of implementation of the SDGs and valuable instrument for engaging the private sector in development, development partners will need to address these aforementioned challenges and adjust their approach to specific context and process/governance of the partnership, as well as better capitalise lessons from experiences, so as to achieve better results. This therefore means moving away from traditional, single beneficiary approaches, which may be limited or even counter-productive when supporting partnerships.

The following section therefore takes stock of how donor agencies approach, deal with, promote and support CSO-business partnerships, analysing their drivers and challenges, and drawing recommendations based on these insights.

3. Methodology

In order to understand and foster the inclusive development potential of this form of multi-stakeholder cooperation it is crucial to better understand the drivers and constraints that actors face when they decide to pursue this form of cooperation. ECDPM therefore focuses on the *process* of establishing and operating CSO-business partnerships rather than evaluating the effectiveness of impact of isolated examples of cooperation.

ECDPM developed a methodology to assess CSO-business cooperation using a political economy analysis perspective (Byiers, Guadagno and Karaki, 2016). We look at four specific dimensions of CSO-business cooperation:

1. The type of partnership (is it primarily a philanthropic, commercial, strategic or Base-of-the-Pyramid (BoP) partnership?);
2. The partnership activities;
3. The degree and level of partner's engagement; and
4. The governance structure of partnerships.

At each step we look at the interests, incentives, and the internal and external factors that drive partners to work together, constraints and opportunities for long-term and transformational partnerships.

This framework is applied to a series of targeted case studies that investigate the main partnership characteristics and institutional factors that drive and constrain the process of establishing and maintaining effective CSO-business partnerships in the extractives and dairy sectors in Eastern Africa (Kenya and Tanzania), Madagascar and Ghana respectively (Karaki and Byiers, 2016; Medinilla, 2016a, 2016b).

This study sets out to reveal the challenges and opportunities donor agencies face in supporting and promoting CSO-business partnerships for sustainable development and what the implications are, therefore linking practice to policy.

To approach the complexities inherent in the above discussion, analysis necessarily becomes more qualitative in nature so as to facilitate the research process of exploring and discovering new aspects of the field (Creswell, 1998).[7] Such an approach allows one to capture and explain the reality of the donor's role in CSO-business partnerships and analyse them as being part of, rather than isolated from, their environment (Lowder, 2009).

The study looks at instruments related to CSO-business partnerships from DfID, DG DEVCO and the EU Delegations, Minbuza, the MFA of Finland and BMZ via Engagement Global (see Table 1). Findings are based on deskwork and semi-structured interviews with partnerships experts, EU and Member State (MS) policy makers and practitioners.

Table 1: Selected donor agencies and their instruments

Donor agency	Instruments[8]
DfID	• Trade Value Chains Initiative • **Responsible, Accountable and Transparent Enterprise** • Programme partnership arrangement
MFA of Finland	• Civil society support • Innovation for development programme • **Finnpartnership**
Dutch Embassy in Nairobi	• **Kenya Market-Led Dairy Programme** • Kenya Market-Led Horticulture Programme • Kenya Market-Led Aquaculture Programme
MinBuza	• **Dutch Good Growth Fund** • **Facility for Sustainable Entrepreneurship and Food Security**
BMZ via EG	• **Bengo**
DG DEVCO and EU Delegations	• **No dedicated instrument** • Variety of options under civil society support programmes (CSO-LA instrument, EIDHR); sectoral programmes (e.g. private sector support, governance and civil society)

7 "Qualitative research is an inquiry process of understanding based on distinct methodological traditions on inquiry that explore a social or human problem. The researcher builds a complex, holistic picture, analyses words, reports details of informants, and conducts the study in a natural setting" (Creswell, 1998, p. 15).

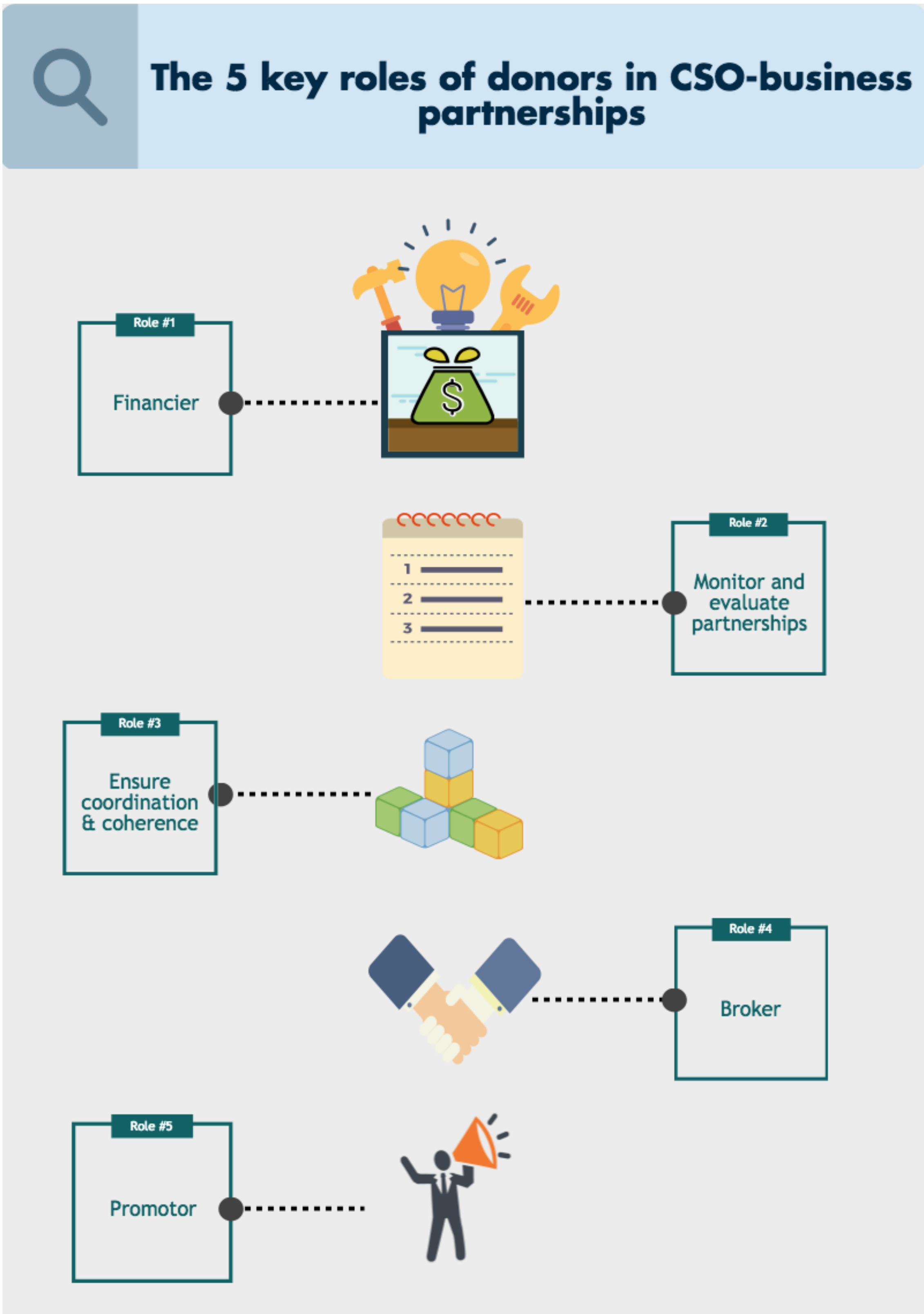
8 In bold figure the specific instruments this study focused on, more in-depth.

4. From policy to practice: different roles for donor agencies

Acknowledging that donors agencies can play a key part in partnerships, this section looks at their roles and the challenges and opportunities they face in making partnerships a transformational tool contributing to the 2030 Agenda. It dwells specifically on the type of support donor agencies provide partnerships with.

Donor agencies often act as partners in development partnerships, whether they provide financial resources, contribute with technical expertise and implementation capacities; or monitor and evaluate; and promote partnerships (see Figure 2) (Tewes-Gradl, 2013). These roles are not mutually exclusive, and it is often the case that donor agencies and development partners assume several of them. This section discusses these different roles and seeks to highlight, throughout the analysis of selected donor agencies and partnership related instruments, some of the challenges and opportunities donor agencies face in supporting and promoting partnerships, with a view to better understanding donor practices.

Figure 2: The five key roles of donor agencies in CSO-business partnerships



In the instruments selected for this study, donor agencies assume almost all these five roles, with some more active in particular roles than others. For example, while all agencies fund, monitor and assess, and promote partnerships, only a few actively broker them (see Table 2).

Table 2: The roles of donor agencies in the instruments considered

	DfID	MFA Finland	Dutch Embassy in Nairobi	MinBuza	EU: DEVCO and EU Delegations	BMZ via EG
Finance	Grant - **Competitive** bidding process based on developmental criteria[9]					Grant - **non-competitive** bidding process based on development al criteria
Other resources provided	Limited knowledge and expertise	Limited	Active - Knowledge and expertise; social networks		Active - Knowledge; social networks	Active - Training in partnering; knowledge and expertise
Monitoring and evaluation	Annual basis[10]	Annual basis	Annual basis + visits		Annual basis	Annual basis + visits
Ensure effectiveness	Check additionality of their funding & Collaborate with partner authorities					
Instruments coordination	Limited but work in progress					Active
Donor coordination	Limited					
Broker	Limited	Limited	Active	Active	No	Limited
Promotion	Active					

Role #1: Financier

Providing the necessary financial resources is often viewed as a key role and contribution from donors agencies, be it through seed capital, grants, competitive procedures (calls for proposals), risk guarantees, tax incentives or other. Caplan (2016) explained that dedicating sufficient funds is necessary to "*allow or encourage partnerships to experiment and take risks or even effectively respond to changing circumstances or risks that emerge after the collaborative effort has started*"; or in other words to explore the transformative potential of partnerships. Seed funding - i.e. funding the first stage of a partnership's development - is an important incentive that facilitates the start of multi-stakeholder partnerships, by lowering the transaction costs perceived by cross-sectoral stakeholders (OECD, 2016).[11]

In the instruments considered here, the majority of the donor agencies provide financing to partnerships, based on a competitive bidding process, whereby CSOs and/or businesses apply for funding for projects in Official Development Assistance (ODA) - eligible countries.[12] To be selected, proposals must respond to the development criteria of donor agencies who assess and then decide

9 These include criteria such as job creation; gender; business scale; link to making market work for the poor; working condition; environmental impacts.
10 Field visits may be included in the future.
11 OECD Forum on Responsible Business Conduct, session on multi-stakeholder partnerships.
12 Most of the instruments studied are not sector-specific.

what percentage of the project will be financed and thus what the amount of the grant will be. Donor agencies combine together paying for success and de-risking methods in their funding mechanisms (Barder et al., 2014).[13]

While policy makers and development partners promote multi-stakeholder partnerships, most donor representatives acknowledge that in practice such approaches, because of their inherent complexity, require more investments in terms of time and (human and financial) resources, than non-cross sectoral instruments. Supporting partnerships is thus rather costly, which is an aspect that is often overlooked. Logically, the more complex the partnership is, the more resource consuming it will be.

Besides financing is often provided through grants, without offering alternative forms of financing (such as equity, soft loans…) that could potentially better fit some types of partnerships; or including a budget line or technical assistance to partnership's management[14], which is often advocated by partnerships experts.[15] This seems to suggest that a differentiated approach to financing partnerships could help them achieve their transformational potential.

Further, while most donor representatives learnt how to support partnership on the job, very few of their agencies invested resources and time to build (formally) their internal expertise and capacities on partnerships. This is an observation often picked up by partnerships experts who argue that donor agencies will be able to support partnerships most relevantly when they start investing in their capacities.

Furthermore, the level of a donor's engagement is determined, at least to some extent, by the timing of its participation in the partnership. For example, donor agencies entering partnerships before or after a proposal is agreed between CSO and business partners will not face the same challenges and opportunities, as outlined in Table 3. This led MinBuza to change its approach to partnerships to be engaged upfront before the proposal is even finalised. This allows them to ensure the design of a high quality proposal and be more involved in the partnership.

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13 On the one hand they pay for developmental results (job creation, poverty reduction…), but they won't pay more if the end-results are higher. The grant also lowers the risks for businesses to invest in developing countries.

14 As CSOs and businesses design the proposal, donor agencies should/could suggest them to include these aspects in their budget proposal.

15 EDD 2016, Session on "Strengthening multi-stakeholder partnerships to achieve the Sustainable Development Goals" with Petra Kuenkel (Collective Leadership Institute); Dave Prescott (The Partnering Initiative); Mike Wisheart (World Vision); Adriaan Heinsbroek (ING Bank Belgium). https://eudevdays.eu/sessions/strengthening-multistakeholder-partnerships-achieve-sustainable-development-goals

Table 3: Pros and cons of early and late donor's participation in the partnership process

	Pros	Cons
Early participation (coming before and/or while the proposal is being designed)	Early participation means that donors are able to: • Contribute to a proposal's design to make it fit with other development interventions; balance better power relationships between businesses and CSOs • Provide actively diverse resources: donors do not only offer capital, but also (local) social networks, expertise and knowledge depending on what's most relevant	But this also means that donors: • need to commit more resources, capacities and time to be actively involved in the partnership, providing solutions to challenges, even before partnership activities take place • might be over-dominating in the CSO-business partnership, leading it away from the intent of the partners, to please the donor's priorities and interests, thus reducing ownership.
Late participation (coming after the proposal is designed)	Late participation means that • CSO-business partnerships will mainly come to donors for funding and hence donors' involvement is more limited (so less resources, capacities and time spent)	But this also means that: • Donors have limited space to positively influence the proposal design • Donors will be less involved, having an arm's length type of relationship with partnerships • Donors will limit their involvement to financing, when they have much more to offer

Donor agencies also learn by doing and occasionally adapt their financing role to the needs of partnerships where relevant and procedurally feasible. In this regard, it seems that in country access is key to enable adaptive support and accompanying measures. For example, the Dutch embassy in Nairobi helped businesses and CSOs to design and formulate good quality proposal combining adequately economic and social development impact, and hence the interests of the actors involved in the partnerships. They also offered their social networks to facilitate the partnership's development (Karaki and Byiers, 2016).

Sometimes, such learning also happens at headquarter level. DfID, through the RATE programme also shares, when required, their expertise and knowledge on specific issues. This shows that donor agencies' support to partnership can go further than providing financial resources by providing intangible resources (see Box 1), contributing to innovative and adapted solutions to partnerships.

Box 1: The importance of donor agencies' intangible resources

Intangible resources provided by donor agencies include, *inter alia*:

- **Credibility**: the approval and funding of partnerships from donor agencies generate more trust, credibility and reputation than other initiatives. This in turn can provide the partnerships with further business opportunities and legitimacy.
- **Social networks**: donor agencies offer an extensive social network composed of their political connections with the central/regional/local authorities; business connections with the private sector; other key actors such as CSOs and/or initiatives/programmes. Beyond the importance of 'talking/ collaborating with the right person at the right time', social networks are crucial to the development or scale-up of partnerships, and for information sharing.
- **Knowledge and expertise**: donor agencies' knowledge and expertise can further improve the project and/or the partnerships' processes, thus increasing the efficiency and effectiveness of the partnership supported. This in turn can be translated by great developmental impacts.

Such intangible resources demand more commitment (more capacity, financial and human resources) and involvement from the donor side, which will come mainly if the partnership funded is strategic and considered core business to their organisation (Karaki & Byiers, 2016).

Last but not least, some donor representatives point out that businesses tend to dominate CSOs in partnerships, and thus express a preference in targeting the funding towards CSOs rather than businesses as funding businesses would enhance power imbalance within the partnership and lead to less efficient and inclusive results. Some donor agencies are also more reluctant to directly support companies, in particular big business or companies operating in some sectors such as oil and mining, by fear of potential reputational damage or being perceived as using development money to subsidise multinational companies. That is why working through CSOs, which then partner with the private sector, is at times perceived by some donor agencies as a more relevant approach - as long as CSOs are equipped to work with the private sector, i.e. not too slow and bureaucratic.

Role #2: Monitoring and evaluation

Donor agencies are responsible for monitoring and evaluating (M&E) the development outcomes and impact of the partnerships they support. Studies on M&E of partnerships (Tulder et. al, 2016; OECD, 2015) however point out that there is a general "*lack of convincing evidence based on monitoring, reporting and evaluation*" (Tulder et al. 2016, p.3). Supporting and engaging multi-stakeholder partnerships requires donor agencies to move from traditional project funding, for example for service delivery, to pursuing more complex objectives of sustainable development. As these partnerships go beyond delivering goods and services, but involve change processes at various levels, and almost always some level of advocacy and policy influence, the traditional tools of the M&E trade are no longer sufficient (Caplan, 2016). Measuring results and outcomes can make sense from a perspective of ensuring accountability for the spending of public money, but it does not tend to benefit learning and strategic adaptation of partnership initiatives. Additionally sticking to a traditional reporting and M&E approach may lead to a more conservative and risk-averse approaches, that focuses on those activities that are easier to quantify, often at the expense of the more political engagement that is key for those initiatives to take root. This then tends to go against the political and transformative nature of partnerships, with a long time horizon.

Much has been written about M&E for political change processes, civil society advocacy, and even CSO-business partnerships (Tulder et. al, 2016; Vogel, 2012). One recommendation made by Prescott and Stibbe (2015) for example is to move from a logframe approach to requiring good practice standards[16] in partnerships and using standardised (adapted) reporting and measurement frameworks across partnership projects. The general message is again to focus on the process rather than the outcomes, as durable change is rarely linear, and every context requires a unique approach.

As development partners are investing more and more in multi-stakeholder approaches and different partnership arrangements as key drivers for change, there is an urgent need to adapt M&E architectures to match these new approaches **and to create/build a system that is suited to partnerships, in a way that reflects their complexity and iterative and non-linear nature**.

In this study most donor agencies rely on monitoring and evaluation data provided by the partners, which are then reviewed and audited by them through for example field visits. In other words, while CSOs and/or business are in charge of the M&E, donor agencies rather overlook it

[16] For example The World Business Council for Sustainable Development (WBCSD)'s' Measuring Impact Framework', http://www.wbcsd.org/work-program/development/measuring-impact.aspx

because of resource/time constraints and thus for more efficiency. On the other hand, **evaluation and impact measurement and attribution is hard to assess in such condition**. Donor agencies therefore recognised this domain as a challenging area, where more efforts are needed in order to build reliable data, and draw lessons. This is especially the case for developmental impacts which can sometimes be hard to assess based on quantitative data, and/or hard to attribute - did donors' funding contribute to job creation, or would have it happened anyway otherwise?

From the business and CSO's perspective, M&E systems tend to be perceived as too cumbersome, and time and resource consuming. This is happening even in times where M&E systems are becoming more comprehensive by integrating development criteria (more details below). However, such a trend also enables partnerships to not only focus on short-term outputs, but on longer-term outcomes and development impacts, which is their core objective. This is echoed in the aforementioned literature on M&E systems for partnerships.

Making M&E more suited, and most of all, more useful for partnership initiatives begins with building it into the design of the initiative. The majority of funding proposals are built around a logical framework approach which is gravely inadequate to assess partnerships because it oversimplifies the process, and tends to cement the work in a static list of measurable outputs. A Theory of Change (ToC) approach can break through some of the limitations of traditional programme design (Tulder et. al, 2016) by making a much more explicit context analysis, including of the partnership dynamics themselves. ToCs also allow for far greater flexibility in the partnership approach than a traditional logframe model (Vogel, 2012). However, these tools can demand significant resources, skills, and can in some cases make the process very heavy (Brossard and Garrette, 2016). If treated as a reporting tool rather than a strategic reflexion, a ToC approach can have more disadvantages than benefits, and over-formalising the process tends to defeat its own purpose, which then becomes an issue for practitioners and partnerships.

This study also shows that the quest towards a tailored M&E system to partnerships does not always depend on donor agencies themselves. As expressed by interviewees, donors must find a trade-off between the political pressure for a results-based management approach (which does not respond to the dynamic and changing nature of partnerships), and the reality on the ground (many and diverse stakeholders), which is unpredictable and requires donors some flexibility. This trade-off is translated differently according to donor agencies, with some applying a single M&E framework, while others tailor it according to the nature or mission of partnerships; some conduct monitoring on an annual basis until two years after project completion, while others monitor on a semestral basis until project completion.

In many cases, donor agencies find ways to make their M&E approach more flexible while satisfying political pressure: the Dutch embassy in Nairobi implemented a logframe type of approach (focusing on results), but would revise it on a regular basis to integrate new changes affecting positively or negatively the evolution of the partnerships. This is only possible because of a stronger involvement from the donor's side, to know what happened and why so as to validate these changes in the logframe. The Finnish MFA has seen its M&E system change by integrating a wider set of monitoring criteria: while the previous ones focused on financial data (to see how well the money has been spent), the current one includes a stronger focus on human rights and developmental criteria. This is also in the thinking for the Bengo programme of BMZ/EG.

Role #3: Ensure their coordination and coherence

Another key role of donor agencies is to ensure the coordination between their instruments and programmes (including CSO-business partnerships), and other donor agencies' to maximise the effectiveness of their interventions while aligning with, and supporting, the priorities of host countries' government. Although such statement would apply for any instruments, it is particularly relevant for partnerships as their progress and outcome influence, and are heavily influenced by, the context (location, market and institutional framework) in which they take place (Karaki and Byiers, 2016).

Drawing lessons from past experience, the Organisation for Economic Co-operation and Development (OECD) (2015) suggests 10 success factors for effective multi-stakeholder partnerships (see Box 2). While some focus specifically on the partnership's design, others such as factors 2, 3, 5 relate to the question of coordination and coherence as framed above.

Box 2: Ten success factors for making partnerships effective coalitions for action

1. Secure high-level leadership
2. Ensure partnerships are country-led and context-specific
3. Avoid duplication of effort and fragmentation
4. Make governance inclusive and transparent
5. Apply the right type of partnership model for the challenge
6. Agree on principles, targets, implementation plans and enforcement mechanisms
7. Clarify roles and responsibilities
8. Maintain a clear focus on results
9. Measure and monitor progress towards goals and targets
10. Mobilise the required financial resources and use them effectively

Source: OECD (2015).

In this regard, Prescott and Stibbe (2015) also recommend donor agencies to connect existing programmes, support government partnership capacity building, and build own staff understanding and give them the skills, tools and support to engage with business.

In all the cases covered in this study, donor agencies - especially at regional or country office, collaborate and coordinate with national/regional/local authorities to ensure the relevance of the partnerships projects and/or programmes supported for the beneficiaries (local communities), and their coherence with host country's priorities. Second, by assessing *ex ante* the economic and social impacts of the received proposal according to their criteria, donors seek to ensure the additionality of their funding, providing support to projects that would otherwise not come to fruition or engender the desired developmental impacts.

While effective donor coordination can contribute significantly to the effectiveness of partnerships and is thus key to maximise developmental impacts, interviewees acknowledge that in practice this is often still a "work-in-progress". While they occasionally link the partnerships they support with other private sector development instruments, achieving real synergy between instruments and agencies remains the exception. As one of the interviewees pointed out, the lack of coordination between donor agencies relates to the misalignment between government's strategies, which in turn impedes donors' coordination as they don't follow the same interests or incentives. Sometimes donor agencies and their instrument coordination are affected by external factors and interests. Another donor representative added that donor agencies' coordination - for example through information sharing – sometimes may not go hand in hand with business interests, especially when they are confidential. Finally, external factors such as CSO competition for funding can impede their cooperation and thus leaves potential synergies between donor agencies' instruments unexplored.

That said, we encountered several examples demonstrating donor agencies' attempts to build synergies between their instruments, including between development and non-development focussed programmes; and improve coordination with other donor agencies (see Box 3).

Box 3: Examples of synergies built between private sector (for) development instruments

Finland:
Finnpartnership is a business partnership program, managed by the MFA of Finland, which can support piloting and demonstration projects of new technologies and solutions for **sustainable development**. BEAM - Business with Impact - is, in turn, an innovations-for-development programme managed by Tekes (The Finnish Funding Agency for Innovation) that supports the development of innovations by companies and universities/research institutions for **commercial purposes**.[17] Their differences in terms of mandate is translated into different criteria: when Tekes looks at the novelty of the solution and its potential for up-scaling and income generation, MFA looks at the inclusiveness of the solution and its potential for development impacts. In case a project cannot receive funding from BEAM due to for example insufficient business prospects, it can still apply for funding from Finnpartnership if the business potential of the project is at least modestly positive and its development impacts and inclusion are assessed sufficient. Therefore, although their mandates and management differ, these programmes come together to build synergies when possible.

UK:
As part of DfID RATE (Responsible, Accountable and Transparent Enterprise) programme,[18] the grantees (i.e. UN Global Compact, Global Reporting Initiative; ISEAL, the umbrella organisation for standards systems; UK National Contact Points of the OECD) meet on a regular basis to update each other on their progress, projects with a view to building synergies between their respective programmes. Besides, some of the grantees work with other DfID programmes, thus providing linkages between different DfID departments. This shows that donor agencies' partners can contribute to instrument coordination and synergies.

Other examples can be found with the other donor agencies studied in this paper.

Another factor impeding such coordination is the lack of communication with, and/or involvement of donor agencies' country offices or embassies at national level. The majority of donor agencies do not often coordinate with their national counterparts (national offices or embassies) in the context of a partnership's financing, management, and sometimes monitoring. These national counterparts know the local political, economic, social and societal contexts, and can more easily link up with the actors on the ground - whether they are donor agencies, CSOs, authorities and private sector actors. However such coordination is also affected by the interests, incentives and constraints of donor agencies in terms of capacities, network and resources. Do they have a large or small network of country offices and embassies? Any implementing agencies on the ground? However BMZ/EG shows an option in regards to how to engage with embassies (see Box 4).

[17] See https://www.tekes.fi/en/programmes-and-services/tekes-programmes/beam--business-with-impact/
[18] See https://devtracker.dfid.gov.uk/projects/GB-1-203448

Box 4: Coordination process with national counterparts

In the case of the Bengo programme,[19] the proposal is sent to and approved by Engagement Global, which transfer it to BMZ. After a careful review, it is forwarded to the regional and sectoral desks, which then get in touch with the foreign office and the local embassies. These in turn provide feedback and recommendations on the proposal, based on their knowledge of the local context and the development interventions led by BMZ, and find ways to build synergies with other programmes when relevant. That said, such a process is more resources and time consuming.

Another challenge relates to the design of the funding mechanisms itself: although they are flexible in terms of sector, they are mainly reactive, i.e. donor agencies don't design proposals but rely on competitive procedures (call for proposals). In practice, this impedes donor agencies to undertake a strategist role, where they could widen the perspective and actively and creatively build the conditions that would make a partnership really work. This in turn would help donor agencies understand partnerships as one operational component of an integrated local development approach. But this also represents a dilemma: can a donor promote participatory, inclusive, adaptive, approaches that are at the same time strategic (and supporting its core interests)?

Role #4: Broker

As part of their private sector (for) development policies, policy makers often use partnerships to engage the private sector for development (Große-Puppendahl et al., 2016; Bilal et al., 2014). In this context, where the trade and aid agenda converge around promoting outwards investment from donor countries, donor agencies formally and/or informally broker partnerships with businesses; and between CSOs and businesses - using their international, regional and local networks. This calls for quite specific skills that differ considerably from the traditional project management and administration skills that feature most prominently in many donors' agencies. It also requires close attention to interests, incentives and power relations between potential partners, beneficiaries and other actors outside the scope of the partnership.

In reality, the brokerage role varies according to donor agencies, their funding mechanisms and where they are located - headquarters, or regional-country offices. Formal brokerage rarely happens at headquarter level as it may distort the competitive process usually required to accompany funding calls for proposals. That said, interviewees acknowledge that this may happen occasionally and when relevant, on an informal basis.

At country level, brokerage becomes an important role in supporting partnerships. Whenever there is an opportunity, donor agencies can use their social networks and political connections to link CSOs, businesses and other relevant stakeholders. This is key to embedding the partnership within the local market and institutional frameworks, a key condition itself for scaling up partnerships activities. This was for example the case of the Dutch Embassy in Nairobi, which put a CSO in touch with a (Dutch) consultancy firm to build their technical capacities in the dairy industry. This in turn allowed the CSO to deliver better services, which then helped foster the effectiveness of the partnership and thus its developmental outcomes. This type of support is particularly important in middle-income countries, where (bilateral) donor agencies also seek to develop investment or business opportunities for their own private sector. GIZ, for example has set up a Business Development Unit in several African countries for cooperation with the private sector, often in

[19] https://www.bmz.de/en/what_we_do/approaches/bilateral_development_cooperation/players/selection/bengo/index.html

development partnerships or multi-stakeholder setting.[20] These units actively seek to link German and other European companies with local African private sector for promising initiatives in country.

In the wider context of private sector promotion and its engagement for development, where donor agencies aim to facilitate business opportunities for (usually domestic) businesses among other (development) objectives (Roodenburg, 2014), multi-stakeholder partnerships involving donors, domestic business and international/local CSOs or companies are increasingly important. While brokering 1) becomes part of the core business of donor agencies; 2) may potentially increase the development outcomes of partnerships; and 3) give development agencies a greater level of influence on the sustainability of these initiatives, it does come with a greater level of responsibility. By shifting from a purely development to an economic diplomacy or internationalisation perspective, where public support can contribute to systemic changes in a local economy and/or value chains, donor agencies need to adopt an adequate level of engagement based on a thorough knowledge of the context, to ensure that partnership initiatives actually lead to both economic and development outcomes. This means looking at potential risks such as market distortion and additionality.

As explained by an interviewee, the brokering role also allows donor agencies to co-create and influence the partnership by clarifying responsibilities and activities and ensuring that all partners are involved significantly in the partnership's governance, often ahead of a financing proposal. This offers opportunities to pro-actively work to address power imbalances in CSO-business partnerships. However, if '*smart'* brokerage can contribute to better developmental outcomes, such a role becomes possible only when donor agencies are close to the partnerships, and involved in their operations - through formal and informal activities (such as monitoring activities and informal meetings). But this also means stronger investments in terms of financial-human resources, and time.

Role #5: Promoter

Last but not least, donor agencies and development partners *promote* partnerships. Donor agencies invest for example in multi-stakeholder partnerships' platforms[21], which aim to spread good practice and share their experience around partnerships' opportunities and challenges. Such platforms allow donor agencies to further learn about partnerships' development processes, inspire other partnerships, and tailor their support further to partnerships' identified constraints – a solution which is often not of a financial nature.

Donor agencies also facilitate CSO-business partnerships by engaging businesses together with the civil society in policy dialogue. Such dialogue allows parties to exchange information and better understand their respective needs and demands. This in turn facilitates identifying and exploiting opportunities to collaborate, and ease to some extent the partnering development processes by creating an enabling partnerships environment.

In cases selected for this study, donor agencies' promotion of CSO-business partnerships is comprehensive and rather elaborated. Four key areas of action stand out (although donor agencies may not be active in all of them):

1. Providing a better business environment
2. Establish public-private dialogue

[20] https://www.giz.de/expertise/html/12423.html
[21] Promoting Effective Partnering http://www.effectivepartnering.org/

3. Providing incentives for CSOs and businesses to collaborate
4. Investing in best practices through partnerships platforms.

First, through their work at the policy level, donor agencies aim to improve whenever possible the business environment and support the civil society in developing countries. By organising multi-stakeholder dialogues where CSOs and businesses share some of the lessons learnt and issues that impede their work and possible collaborations, donor agencies come up with ideas and solutions to address these using donor dialogue and/or donor support. In some cases, donor agencies such as the Finnish MFA use their relations with other players, including the central and local authorities, using economic diplomacy, to provide partnerships with an enabling environment

Second, donor agencies can support joint public-private dialogue to overcome some of the barriers that affect their potential collaborations such as an historical negative perception about collaboration or the very different background and language used. In this way, donor agencies are also facilitators. For example, the MFA of Finland supports the CSOs umbrella organisation in Finland in providing training and seminars, among which figures some that focus on why and how to partner with businesses. Similarly, the Finnpartnership programme organises events for businesses to look at opportunities in developing countries, and raise awareness about instruments and benefits from the collaboration with CSOs, for example on how the private sector can work in fragile states. This allows us to slowly deconstruct some of the myths about CSOs and businesses.

Third, some donor agencies promote partnerships by providing financial incentives to CSO-business partnerships. These are often considered more interesting than support provided to CSOs or businesses only. For businesses, the proposal process is often deemed too bureaucratic and unclear (the private sector rarely considers developmental impacts in the ways that the development community does), and so partnering with the CSO facilitates greatly such a process and its understanding.

Last but not least, some donor agencies are particularly involved in promoting partnerships at the policy level, through partnerships platforms or donor dialogue. The Ministry of Foreign Affairs in the Netherlands is for example chair of the Global Partnerships for Effective Cooperation, which aims at providing "*practical support and guidance and shares knowledge*[22] *to boost development impact with a strong country focus to implement internationally agreed effectiveness principles*[23] *at country level – country ownership, a focus on results, inclusive partnerships and transparency and mutual accountability*". They further support the Promoting Effective Partnerships initiative, which aims to develop a set of 'factors impacting effective partnering for the SDG' with guiding questions, evidence-based recommended practices and stories from the front line to indeed provide partnering actors with solid support towards increased effectiveness of their operations.

5. Implications for policy makers

Donor agencies can assume all five of the abovementioned roles to varying extents, as illustrated in the cases selected in this paper. However the extent to which they (can) tailor their support to partnerships differs following a plurality of factors such as the design of their funding mechanisms;

[22] http://effectivecooperation.org/insights-resources/resource-library/
[23] http://effectivecooperation.org/about/principles/

procurement rules and other funding procedures; incentives; degree of complexity of the partnership; degree of involvement; and experience in fostering partnerships developmental outcomes. Based on these insights, some reflections, implications and recommendations are presented below for policy makers and donor agencies aiming at boosting the effectiveness of their support to partnerships.

Implication #1: Shifting the approach of policy makers from funding to (smart) investing in CSO-business partnerships

Donors' financing role is key to support and promote CSO-business partnerships, but development partners mostly limit themselves to providing grants through a competitive process, based on the business and development case of partnerships. They then establish and maintain an arm's length relationship with the partnerships they fund, and reactively respond to their needs. While a light-handed approach may be relevant for project-based partnerships or with strong balanced partnerships[24], this is less so for (complex) SDG partnerships aiming at achieving systemic changes.

We argue that donor agencies might rather shift their approach from funding towards *smart-investing* in CSO-business partnerships. By this we mean to be:

1. **Strategic:** a *smart* approach means going beyond the business or even the development case, and structure support and financing for partnerships as part of an integrated (territorial) approach to development. This requires that donor agencies have a thorough understanding of the geographic, political and sectoral context in which a partnership operates (Prescott et al., 2016[25]), and that they make use of their political, financial and institutional capacity where needed, including outside the partnership itself.

2. **Pragmatic**:
   a) As acknowledged by all donor agencies, multi-stakeholder partnerships are often complex and unpredictable instruments, which demand more efforts than non-cross sectoral ones. So donor agencies should dedicate the adequate amount of time, financial and human resources to support partnerships, which will vary depending on the complexity of the latter. This would allow donor agencies to be adequately involved, provide better support in a proactive manner, and further build their knowledge and expertise on partnerships, which could foster their effectiveness. If investing in multi-stakeholder partnership is perceived as too demanding for the development issue tackled, then other private sector (for) development modalities can/should be explored.
   b) To effectively support partnerships, donor agencies should be involved at the right time to be able to help shape partnerships: the more complex the partnership is, the more relevant it is for donor agencies to be involved early, and reciprocally. The nature of their standard funding mechanism, where they intervene only when the proposal and agreement between partners are finalised, does not allow them to invest efficiently in these instruments.

3. **Flexible**: As an investor, development agencies have also more than finance in their toolbox: their expertise and knowledge, networks and image can effectively support partnerships (for instance through technical assistance or capacity-building programmes), provided that they are adequately involved to share these resources where and when most relevant.

[24] Where a too heavy handed donors engagement might also inhibit innovation, responsibility and ownership of the partners.

[25] "Insufficient consideration has been placed on local context and the need for more holistic solutions integrated across related SDG issues". (p.2)

4. **Adaptive**: CSO-business partnerships vary in terms of purpose, location, activities and interests, which in turn affects the type of partnerships. Therefore, policy makers should explicitly tailor their approach to the type of partnerships: what policies can better help BoP partnerships; social investment partnerships; and/or philanthropic investment? What type of involvement better fits specific types of partnerships over others? Such thinking could be extended to:
   a) The funding mechanisms themselves: donor agencies could provide alternatives in terms of financial instruments: while grants can be effective depending on the context and objective of the partnership, equity and soft loans could be relevant in other scenario which remain yet unexplored. While a plethora of funding modalities can be explored to support CSO-business partnerships, the diversity of partnerships (in terms of scale, location, sector, objectives) rules out an instrument or modality-driven approach. The holy grail of a truly tailored approach is difficult to attain, but many donor agencies already dispose of a wide range of funding mechanisms that can be activated as part of a strategic approach to partnerships.
   b) The partners: an adaptive approach explicitly recognises the specificity of civil society and private sector and supports these accordingly. Doing so allows donor agencies to address power imbalances and try to alleviate them by channelling their funding through CSOs able to work effectively with businesses.
   c) Donors incentives' system: while "*de-risking investments*" by providing grants may be relevant for commercial/BoP partnerships, "*paying for success*", i.e. financing the project according to the (social) impacts achieved, could be relevant for other types of partnerships, such as the socially-oriented ones (see Box 5).[26]

Box 5: Advantages of "paying for success" approach

According to Barder et al. (2014), the advantages of payment by results are that it:

- Enhances the autonomy of both implementers and recipients
- Instills a performance measure close to the underlying objective
- Reduces "gaming" and perverse incentives and recognises political economy
- Forces transparency in risks and accountability for results
- Encourages a concern about verified results and not just financial incentives
- Places a "reality check" on intangible objectives and co-benefits
- Increases autonomy and risk-willingness even in fragile contexts
- Moves costs from input monitoring to results verification
- Can support people's intrinsic motivations or provide incentives to implementers
- Invests long-term through performance-based contracts, possibly via intermediaries
- Pursues outcomes, but may include desirable process requirements such as participation
- Offers multiple PbR types, from cost reimbursement and cash-on-delivery to prizes or rewards.

Source: from Barder et al., 2014.

Implication #2: Finding the right balance between a results-focused approach, accountability and learning

Donor agencies are accountable to their government and public society, and hence they must monitor, evaluate and report on their results achieved. This pushes them to implement results-based approaches (often following a logframe format). They however face two key challenges: the

[26] See for instance the Social Impact Incentives (SIINC) piloted by Roots of Impact, with the support of donor agencies such as the Swiss Agency for Development and Cooperation (SDC). http://www.roots-of-impact.org/siinc/ On pay-for-success, see Barder et al. (2014) and Rangan and Chase (2015).

first one relates to impact measurement and attribution. Translating developmental criteria in quantitative data and ensuring that there is a causal link between the involvement of donor agencies and developmental impact are challenging - even more when donor agencies are far from the partnerships; and lightly involved. The second challenge relates to inadequateness of a logframe approach to the complex, unpredictable and iterative nature of partnerships, therefore limiting potential learning opportunities. This is even more crucial looking at the limited knowledge that exists around CSO-business partnerships' governance and processes.

A first rule of thumb for monitoring and evaluation is that it is most useful when the information it generates is useful and also used in practice, preferably to advance collective action in the partnership, and a second one is that it should not overload the time and capacity of those involved. Monitoring the process of partnership activities, engagement and influence requires fundamentally different tools and methods. When working on long-term change, for example transforming a community's livelihood or adapting a global value chain, M&E should seek to register contribution rather than attribution of a linear causal link between partnership actions and achieving their objectives. Similarly, progress markers tend to become much more important than the final outcomes. When developing indicators, this inevitably means finding a new balance between measurable, quantitative and qualitative indicators. It also changes the way in which M&E collects information. When faced with the complexity of transformational and political change, data collection needs to be more than an afterthought for when the reporting deadline approaches. It requires a reflection upfront of what type of information can be useful to collect, how to best frame a change process, and how to use this and build in learning moments - be it formally or informally - along the way.

Therefore donor agencies need to find the right design for M&E system, which means at least four things:

1. The M&E system needs to reflect the nature and type of partnerships;
2. The M&E system needs to adequately combine accountability and flexibility, which can ultimately lead to more learning and hence better support to partnerships (provided that donor agencies shift their behaviour from being risk averse to accepting risk of failure);
3. The M&E system needs to involve more intensely donor agencies (and their country office - when relevant) to ensure that the impacts measurement and attribution are as elaborated and informative as they can be;
4. The M&E needs to remain not too burdensome and cost-effective, including for the CSO and business partners.

Moving the focus from results (and success) to learning will in turn allow partnerships to keep focusing on transformational long-term objectives (vs. reactive short-term objectives), and change/progresses. Such a shift is especially important for partnerships operating in environments where market and institutions are weak and risks high, as changes are long-term and iterative processes. This requires donor agencies to find the right balance between their focus on results, which is a key principle for aid effectiveness, and learning. The balance of such a trade-off could evolve according to the learning curve of donor agencies, i.e. where donors will focus more on results once they know enough about partnerships and how to support them.

Implication #3: Breaking down silos between sectoral and thematic approaches and acting as a development strategist

Although donor agencies occasionally build synergies between their different instruments, this is clearly an area where more efforts are required to maximise the effectiveness of their development interventions - including with CSO-business partnerships. Such coordination and coherence efforts should happen within and between donors' sectoral activities, and between donor agencies.

For this to happen, three major obstacles should first be tackled:

- the first one relates to the misalignment between government strategies and interests which affect donors' coordination;
- the second one has to do with the funding mechanism used by donor agencies (call for proposal); and
- the third one relates to the lack of knowledge of territorial, social, economic and societal dimensions in which partnerships operate.

The last two challenges are key factors preventing donor agencies to move from being a development investor to a development strategist.

Building on these insights, donor agencies should:

1. Not only rely on calls for proposal but offer alternative mechanisms allowing them to play a preponderant role in directing development interventions towards certain contexts, sectors based on critical knowledge of the territorial, political and societal context in which they operate. This however does not mean that donor agencies should be in the driver seat, but that they should rather facilitate, accompany the partnership; and stimulate innovation and initiative by partners.
2. Adopt a territorial development approach allowing donor agencies to break free from the traditional sectoral silo-approach of international cooperation and adopt a solid regional approach that brings together the different components of local governance and development. This in turn could lead to the design of a global, realistic and context-driven strategy to, and/or partnerships, which would bring together these sectoral and thematic programmes. To realise such aspiration, donor agencies should accept the risks of failure, and see these investments as musts, not 'nice-to-haves'.
3. Foster policy dialogue between donor agencies and home and host governments to share information about interventions and initiatives before and when they happen, at different levels (host country, home country and EU levels).

Implication #4: Brokerage, realising the low hanging fruits

Transformational partnerships often involve a wide range of stakeholders beyond the primary CSOs and businesses, which is crucial to embed partnerships in their market and institutional frameworks, and scale them up. At the same time, policy makers have vast social networks and can thus play a crucial role in brokering partnership relations, bringing together CSOs and businesses and authorities, incentivising new forms of cooperation with potential for long-term change. They can also facilitate access to diverse networks (private sector actors, CSOs, central and local authorities) to generate business and development opportunities.

However the study highlights some of the constraints that donor agencies face in doing so. First, the competitive nature of the bidding process does not allow donor agencies to formally link applicants with other stakeholders (otherwise it could be seen as favouritism). Second, there is a gap (of information, and sometimes capacities and strategies) between donors' headquarters staff and country-office staff, where although it is the former who receive the proposal, it is the latter that is best placed to provide relevant contacts in the partnerships' host countries. But such an information gap should be filled so as to leverage the country-office staff resources and social networks.

Therefore donor agencies should leverage their social networks to support partnerships in the following ways:

1. Ensure better coordination between headquarter and country office staff, with a view to sharing information about the partnerships funded; foster local ownership; and build synergies when relevant. This would allow the country-office staff to proactively link the partnerships with potential local relevant actors and initiatives.
2. Broker smartly, i.e. in a way that does not reinforce but equilibrates power imbalance within the partnerships.

6. Looking ahead

Donor agencies and development partners need to better align their policy objectives with their current practice if they want to better support and promote CSO-business partnerships. The study shows that there is a gap in between that needs to be filled in order for donor agencies to realise their ambitions related to partnerships. Although the cases presented in this study suggest that this gap is narrowing as donors' approach to partnerships is improving, it still needs to be addressed.

This gap relates to the often low degree of involvement of donor agencies beyond financing; the limiting constraints they face (capacities, resources and incentives); and sometimes their lack of experience and understanding of partnering processes.[27] All in all, this prevents them from designing fully tailored support to partnerships, from funding mechanisms to monitoring and evaluation systems. This in turn results in (formally) a too passive type of approach towards supporting partnerships, which is far from exploiting the large palette of resources and capabilities of donor agencies.

But in practice (informally), donor agencies reviewed in this study - aware of some of these gaps - show some flexibility and go further than their prescribed roles, based on higher degree of engagement and a better understanding of partnering processes and governance. Donor agencies thus try to find trade off and/or do more whenever possible (e.g. making M&E systems more flexible or providing wider resources than finance). Yet, more systematic (rather than occasional) processes are needed to ensure that donor agencies adequately support partnerships throughout their administrative procedures and systems. This in turn requires donor agencies to commit more resources, and accept risks of failure. However there is no one-fit-all approach to partnerships support, and while a light-handed approach might work well with strong balanced partnerships, a higher degree of engagement may be relevant for complex partnerships. The underlying principle being that donor agencies should support, not drive the partnerships.

This leads us to the following conclusion: CSO-business partnerships are not a silver bullet to development issues, even though they have a great potential. This potential stems from their complexity: i.e. the fact that they are part of and can transform a real sectoral (value chain), political, local reality. Getting from a partnership to tangible development results requires development partners to deal with this complexity, and equip themselves beyond what they currently can do.

[27] This relates to the systems and administrative procedures in place aiming to support partnerships.

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Annex

Interview guideline

What and why?

- (How) does your agency define ‘multi-stakeholder cooperation/partnerships’?
- What policies refer to multi stakeholder partnerships and how? (Where does it sit? Is it fully in the PSD silo or is there a broader take?)
- Where do you engage/broker/support multi-stakeholder cooperation involving private sector (LDCs, MICs...)? Why?
- Why supporting partnerships – what benefits can they yield that no other approach can? Are they about market creation/development?
- Do you support partnerships as a tool for development? E.g. spread good practice; invest in partnership's platforms
- Where do you use partnerships (sector – geographical focus – specific context)? Did that change over time? = Critic that most partnerships happen in OECD countries and not LDCs; link to context…)

How?

- How do you support partnerships? How does that differ from business as usual (e.g. supporting project)? (Modality; Differentiated approach; M&E system; incentives…)
- Do you have a different approach following the different types of partnerships you are supporting?
- Have you had/what type of training/capacity building training to facilitate partnerships? (Level of expertise)
- How do you ensure coordinate all these partnerships initiatives to avoid duplication of efforts?
- How do you ensure accountability of partnerships?
- Do you link partnerships with other initiatives/programmes or is it more on stand-alone basis? (policy coherence; territorial development)

What challenges?

- What have been the results so far?
- What are the main challenges you are facing?
- Critics about partnerships being reactive… How do you help making them transformative?
- To your experience, are power balance/trust issues/unequal benefits between CSO-PS an issue? How do you deal with them?

Wrap up

- What have you learnt? What could you have done better?
- What are the next steps?

About ECDPM

ECDPM was established in 1986 as an independent foundation to improve European cooperation with the group of African, Caribbean and Pacific countries (ACP). Its main goal today is to broker effective partnerships between the European Union and the developing world, especially Africa. ECDPM promotes inclusive forms of development and cooperates with public and private sector organisations to better manage international relations. It also supports the reform of policies and institutions in both Europe and the developing world. One of ECDPM's key strengths is its extensive network of relations in developing countries, including emerging economies. Among its partners are multilateral institutions, international centres of excellence and a broad range of state and non-state organisations.

Thematic priorities

ECDPM organises its work around four themes:

- Reconciling values and interests in the external action of the EU and other international players
- Promoting economic governance and trade for inclusive and sustainable growth
- Supporting societal dynamics of change related to democracy and governance in developing countries, particularly Africa
- Addressing food security as a global public good through information and support to regional integration, markets and agriculture

Approach

ECDPM is a "think and do tank". It links policies and practice using a mix of roles and methods. ECDPM organises and facilitates policy dialogues, provides tailor-made analysis and advice, participates in South-North networks and does policy-oriented research with partners from the South.

ECDPM also assists with the implementation of policies and has a strong track record in evaluating policy impact. ECDPM's activities are largely designed to support institutions in the developing world to define their own agendas. ECDPM brings a frank and independent perspective to its activities, entering partnerships with an open mind and a clear focus on results.

For more information please visit www.ecdpm.org

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ECDPM Discussion Papers present initial findings of work-in-progress at the Centre to facilitate meaningful and substantive exchange on key policy questions. The aim is to stimulate broader reflection and informed debate on EU external action, with a focus on relations with countries in the South.

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