COUNCIL *for* INTERNATIONAL DEVELOPMENT
Kaunihera mō te Whakapakari Ao Whānui

Public Private Partnerships

Collaborations for Sustainable Development

CID discussion paper

January 2019

COLLABORATIONS FOR SUSTAINABLE DEVELOPMENT

Introduction

MFAT has recently reviewed the PFID scheme. While one key element of the scheme is to encourage collaborations between the private, public and NFP sectors, in practice, around 89% PFID funding has been directed through INGOs and although many INGOs have explored partnerships with the private sector, few private/NGO partnerships are in place.

The purpose of this discussion paper is to flag an opportunity of a new model for INGO/Private Sector (PSOs) and State Sector (SSOs) collaborations, and simultaneously to present ‘points to ponder’ for further discussion. As with all CID ‘discussion papers’, the intention is that this paper is first presented at a CID Talk; discussion relating to the topic is then generated; and finally a potential CID task-force developed to progress the actions.

Background

The INGO sector is having to respond to a rapidly changing international environment as well as seeking to address sector capacity and capability issues, new technologies, engaging with multiple stakeholders and fostering collaborations. In addition, the sector is grappling with the implications of localisation, changing supporter behaviours and the drive towards greater transparency and a focus on outcomes. The typical INGO business model of a stand-alone INGOs acting as a broker between NZ based funders (both private and public) and locally based partners is unlikely to survive this disruption.

These challenges are not unique to the INGO sector. Most NZ businesses are facing similar levels of disruption. The public sector similarly. MFAT, NZ Trade and Enterprise, along with other Government Ministries are having to adapt their business and operating models to be far more agile and responsive, hence the growing interest in design led policy development, high trust contracting, multi-sectoral partnering and contracting for outcomes.

At the local or field level, there are increasing calls for greater aid accountability and localisation of aid funding and delivery. The recent commitment by the NZ Government to direct at least 25% of its aid and development funding direct to indigenous INGOs by 2020 is in response to this movement.

To date, however, much of this work has been siloed and at the expense of an ecosystem, i.e. an ‘end to end’ approach to New Zealand’s aid and development objectives.

Incentives and Disincentives for INGO Collaborations with the Private Sector

There is increasing acceptance across the NZ INGO sector that INGO/PSO collaborations can be good for development including:

- Access to specialist knowledge
- Access to capital
- Means of diversifying risk
- Potential to scale new technologies and approaches
- Potential of sustainable employment for communities.

Nonetheless INGO/PSO uptake has been slow for a number of reasons:

- Limited knowledge of each other's activities/interests
- Differing understanding of risk including timeliness, reputational risk etc.
- No readily accessible source of knowledge re. collective activities of NZ government in country (i.e. Health, Corrections, MFAT, Police etc.)
- Due diligence on potential partners is hampered by a lack of information or independent source of verification.

From a review of the successful INGO/private sector partnerships, almost the sole reason why some partnerships succeed and others do not reach maturation is simply the presence of at least one visionary leader in a position of influence in both the INGO and in the private sector organisation; in many cases it is not the CEO – rather a strongly values driven senior manager who has the backing of the CEO.

The trend towards PSO/INGO partnerships is not unique to NZ. A number of OECD nations are experimenting with similar models. A UN global survey conducted in 2013 observed similar results to New Zealand – i.e. much discussion but few examples of successful and sustainable partnerships. The report concluded the few successful partnerships that they were able to observe were characterised by:

- Long period of getting to know each other's business
- Time spent understanding the differences in organisational cultures
- Strong and sustained leadership from senior management
- Time spent clarifying the outcomes each party was seeking to achieve
- Commitment to joint problem solving and early identification and resolution of disputes.

Other Constraints

The PFID review earlier this year has highlighted the considerable efforts and time the MFAT Pacific team are spending nurturing/monitoring these partnerships. The intensity of this activity will only increase as more and more partnerships come on stream. This is not sustainable given staffing levels and competing priorities. Inevitably resource constraints will drive a move towards “fewer, better, bigger” projects, but arguably for the wrong reasons.

A Way Forward

If we are to see more successful INGO/PSO partnerships we must take a whole of systems approach i.e. look at the whole system and not just a part of that system. In short, the following concept outline would see:

- MFAT – becoming the investor and coordinator
- CID – facilitating capability and capacity building of INGOs
- NZTE – becoming the matchmaker.

Ministry of Foreign Affairs and Trade – the investor and coordinator

The concept would be supported by a change in the role of the Ministry as their emphasis shifts from being a funder of projects to an investor in outcomes. This is accompanied by a significant boost in the role of the local Post to plan and coordinate service delivery in country. Ideally MFAT would be responsible for coordinating whole of government country wide strategies and would be ultimately responsible for developing a clear set of outcomes, informed by the SDGs, local needs and wider foreign policy considerations the Government wishes to achieve in a particular context, but:

- the onus for developing partnerships would rest with INGOs, PSOs and SSOs facilitated by CID Business Council, NZTE and others;
- Accredited INGOs and collaborations would be subject to high trust contracts (see below) reducing the extent of hands on monitoring required;
- MFAT’s new ‘Tailored Approach to Partnering Impact’ (replacing the old PFID) will support negotiated partnerships, contestable funds and organisational strengthening.

CID – Sector capability and capacity building

Most INGOs have rapidly professionalised over the past few years, however, in preparing this discussion paper a number of INGO CEOs and Boards raised issues with me about the capability and capacity of their own organisations including:

- Quality of governance
- Inadequate risk management
- Difficulties attracting and retaining high performing executives and directors
- Insufficient investment in systems and processes
- Challenges of scaling their business models.

The CID Code has helped raise the bar in terms of development practices but organisational practices (systems, processes, leadership, culture) are variable between INGOs. This works against strong enduring collaborations.

These difficulties have been compounded by the singular focus on the ratio of operating costs to revenue and getting as much money as possible to the recipients. While laudable, this has been at the cost of increasingly undercapitalised and poorly resourced for purpose organisations. It is not sustainable. But, it takes a heroic board and CEO to acknowledge to their peers that they need help.

To do this, incentives are key. These would include:

- Accredited for purpose organisations could seek funding outside of the PFID envelope;
- Light touch, high trust contracting environment;
- Access to development funding to help build the capability and capacity of their organisation;
- Network of PSOs and access to business resources and opportunities.

Currently MFAT does not recognise the CID Code in its accreditation, potentially devaluing its utility and acceptance. However, it is hoped that under the new funding framework (Negotiated Partnerships), at least parts of the CID Code will be used in MFAT's accreditation processes. The NZ Sports model (and the Qualmark accreditation programme), are useful benchmarks for looking at how this could work.

A concept like this would also increase the attractiveness of the INGO sector to potential private sector partners; the private sector partners could rely on external 3rd party assurance that the INGO had both capacity and capability to deliver.

NZ Trade and Enterprise – "the matchmaker"

We also see an expanded role for NZ Trade and Enterprise in the INGO space. Currently NZTE role as the Government's business development agency is focused on companies interested in growing their business internationally and on investors wishing to invest into NZ. Its catchphrase is "we can help you grow your business internationally bigger, better and faster". NZTE is currently working with over 1000 NZ businesses ranging in size from SMEs to large multinationals. Their model of business support is simple:

Under the proposed scheme, MFAT would signal its investment intentions and NZTE could offer a 'matchmaking' service through its Collaborations Programme where it introduces INGO and PSOs to each other e.g. a PSO keen to export to PNG would be introduced to local accredited INGOs (CID Code). The relevant MFAT Post would be tasked with keeping an inventory of all SSO, PSO and INGO activity in a particular country context.

Initial discussions with NZTE indicate that there is interest in exploring ways of better matching PSOs and INGOs, and funding could be made available to kick start collaborations in the same way that funding is currently made available to encourage exporting i.e. subject to short form business cases.

One potentially complicating (or maybe compelling) factor is that NZTE operates its own well-regarded accreditation scheme. It is based on three levels:

Level One: Starting Strong

Aimed at new entrants to the export market. This step includes access to practical tools and knowledge, mostly online including guidelines on exporting (e.g. logistics and pricing). Further support is available via access to a business advisor (largely by phone or online). Participants attend local events and workshops and NZTE helps connect aspiring exporters to other agencies and resources.

Level Two: Build and Grow

Build and Grow clients have achieved some success in exporting and wish to grow further. Each Build and Grow client is allocated a NZTE customer manager whose job it is to connect the business up with NZTE resources. Disclosure requirements are light touch e.g. each potential client only has to complete a 10-minute on-line assessment to be eligible.

Level Three: Focus and Evolve

This group is for those who are achieving export sales in excess of $3 million pa. In return for increased NZTE support, participant businesses must demonstrate a clear desire to scale their business and a willingness to work with NZTE. The disclosure requirements are far higher but in return they are eligible for support of up to $150,000 pa to help grow their business.

At first glance the CID Code could work in well with this model. An analysis of where the two schemes align, in particular what they share in common and where they diverge would we useful.

Other Advantages of the Model

Incentivising Collaborations and Mergers

The ‘for purpose’ market is ripe for collaborations and mergers. Ironically for a sector which typically values collaboration over competition, it is one of the least collaborative sectors. Joint ventures are few and mergers and acquisitions unheard of. There are many reasons for this, however, change is inevitable particularly as more and more scrutiny is placed on measuring the impact of these organisations. Unfortunately, the competitive element of PFID works against collaborations and in particular for purpose organisations choosing to develop deep skill sets in a particular sector.

This also means that despite the aspiration to do fewer, bigger and better, hardly any INGOs can currently, on their own, support larger scale, sector wide programmes of activity. Bringing for purpose organisations into NZTE's Collaborations programme would change this. The current $3m pa threshold for NZTE support is arguably sufficiently high enough to encourage for purpose collaborations in order to access the advantages of the scheme.

Make "Trade Popular Again"

The new Minister of Trade and Enterprise wishes to make "trade popular again". He sees strong links between improving trade performance and improvements in labour laws, gender rights, indigenous communities and environment. Indeed, trade agreements such as 'Pacer Plus' are arguably as much about a development agenda as a trade agenda. A partnership between CID and NZTE would go a long way to bringing a human face to trade and ensuring INGO skillsets are valued, particularly in relation to the SDGs.

Other Issues

Localisation agenda

As part of the Pacer Plus negotiations the NZ Government has committed to spending at least 25% ODA directly with organisation's in-country effectively bypassing NZ domiciled INGOs. This commitment to building local capability and capacity is to be welcomed and is reflected in MFAT's 'Tailored Approach to Partnering for Impact'.

Existing Compliance/Quality Assurance Processes

As well as the CID Code, a number of the internationally connected INGOs have their own compliance/quality assurance frameworks e.g. World Vision conducts a five-yearly peer review of governance. Rather than imposing another compliance/accreditation framework – the scheme would allow INGOs to apply to have their internal schemes recognised, in a similar manner that cross credits contribute to a degree.

Harmonisation with Australia

Increasingly NZ businesses are trans-Tasman in operation and some INGOs also have trans-Tasman links. Secondly the NZ and Australian Governments are active investors in aid in the Pacific. It would make sense, once the accreditation and collaborations model has been established, to initiate discussions with ACFID and the Australian equivalent of NZTE to see whether it is possible to development a trans-Tasman accreditation and collaborations model. This might also open up the possibilities of trans-Tasman partnerships being able to source both NZ and Australian Government funding.

Other INGO/private sector collaborations

As part of the PFID review, a survey of other funding schemes designed to promote private sector engagement was undertaken. The following is a summary of that review:

Australia

DFAT recently introduced the Business Partnership Platform (BPP) which is the main mechanism by which the private sector can engage with DFAT. The Scheme:

"..*matches funding from business for projects that support commercial objectives whilst: (i) advancing Australia's aid investment priorities; (ii) allowing DFAT to increase the number of its private sector partners; (iii) leveraging the experience and ability of business to address intractable development challenges*."

Projects are required to generate social and commercial returns in developing contexts.

Denmark

Denmark has developed an excellent strategy *'Policy for Danish Support to Civil Society*' which recognises that Danish and in-country NGOs are increasingly working with the private sector

Swedish International Development Agency (SIDA)

SIDA works with a large number of organisations including INGOs and PSOs. 19 Swedish organisations currently have a framework agreement with SIDA which sees them receive funding for collaborating with CSOs in developing contexts.
SIDA encourages private sector collaborations through 'guarantee instruments' which are designed to reduce the risk of lending for development interventions.

Conclusion

This proposal needs to be further tested and debated, but it does offer a means of addressing many of the issues currently confronting the sector which are outside of the PFID review including:

- How do we build sector capacity and capability?
- How do we encourage more enduring PSO/INGO partnerships?
- How do we move from a funding to an investment environment?
- How do we encourage sector collaborations and consolidations?