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Forms of Development Cooperation Involving the Private Sector

Strategy paper 05/2011e

Contents

Acronyms and abbreviations

BMZ	Federal Ministry for Economic Cooperation and Development
BOOT	build-own-operate-transfer (PPP model)
BoP	base of the pyramid
BOT	build-operate-transfer (a PPP model)
CSR	Corporate Social Responsibility
DBO	design-build-operate (a PPP model)
DC	development cooperation
DED	former German Development Service (now GIZ)
DEG	Deutsche Investitions- und Entwicklungsgesellschaft mbH
FC	financial cooperation
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH
InWEnt	former Capacity Building International, Germany (now GIZ)
KfW	Kreditanstalt für Wiederaufbau
MFI	microfinancing institution
NGO	non-governmental organisation
PiF	partnerships in finance
PPI	private participation in infrastructure
PPP	public-private partnership
PR	public relations
PSP	private sector participation
SEQUA	Foundation for Economic Development and Vocational Training
SPV	special purpose vehicle
TC	technical cooperation

Preliminary remark

This first version will be subject to continuous development and adjustment as practitioners from BMZ and the implementing organisations gain new experience. Any feedback that helps bring the forms of cooperation into even sharper focus is therefore welcome.

1. Background

Over the last two decades, many diverse forms of international cooperation (IC) involving implementing organisations for development, the public sector, civil society actors (non-governmental organisations, churches, associations, user committees etc.) and private partners (businesses, banks, associations, foundations etc.) have emerged.

From the German perspective, this cooperation with the private sector is an important way of achieving overarching development-policy objectives, such as the Millennium Development Goals, and implementing the concept of sustainable development in partner countries. We should therefore make greater use of private-sector engagement to achieve these objectives, focusing on Corporate Social Responsibility (CSR) and development partnerships with the private sector (develoPPP.de).[1]

Making global development sustainable and involving the private sector are among BMZ's key goals.

The various forms of cooperation are used to pursue highly diverse objectives such as:

- → mobilise private capital and expertise for development-policy purposes
- → raise efficiency in public service delivery in partner countries
- → supplement state regulations with voluntary commitments by businesses
- → 'enrich' development projects with private contributions
- → support German companies – especially SMEs – in developing markets.

PURPOSE OF THE PRESENT PAPER

German DC organisations have considerable experience of cooperating with the private sector. So far, however, there has been no standardised use of terms and definitions for the various forms of cooperation. In some cases, the terms used have been inconsistent with international usage. Increasingly, this has become a constraint to further development.

The present paper therefore identifies and distinguishes six basic forms of cooperation with the private sector in the development context. Both this and other papers[2] distinguish between objectives (see above), basic forms (Section 2), sub-forms or models[3], and promotional instruments and programmes for cooperation (see Fig. 1). BMZ sees this clarification of terms as an important step toward making more stringent use of the potentials of cooperation with the private sector.

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[1] See the BMZ publication 'German development policy at a glance', p. 7: (http://www.bmz.de/en/publications/type_of_publication/special_publications/BMZ_Policy_at_a_glance.pdf).

[2] Promotion instruments and programmes are discussed in a separate paper, which is currently being prepared and includes a sector-specific analysis.

[3] Concerning sub-forms and models, Section 2 merely identifies a number of examples, which it would not be possible to list exhaustively here. At this stage, it is not our aim to formulate binding definitions.

2. Identifying and distinguishing various forms of development cooperation involving the private sector

At present we can distinguish six basic forms of German development cooperation involving the private sector (see Fig. 1 on page 6).

MAKING DISTINCTIONS: WHICH OF THE BASIC FORMS ARE PARTNERSHIPS?

Almost all the forms of cooperation listed above are often labelled 'partnerships'. This inflationary use of the term 'partnership' is the subject of growing criticism in the literature[4] (legitimation of loose forms of cooperation, concealment of underlying power relations and conflicts of interest etc.).

Based on a review of the literature and the use of the term by leading actors in the field, **partnerships** in the context of cooperation between the state, the private sector, development organisations and civil society can be defined as[5]...

> ... **cooperation projects** between actors from the public sector, the private sector and civil society in which the organisations involved cooperate **transparently** and **as equals**, in order to achieve a **joint objective for sustainable development**. To this end the partners use their **complementary competencies** and **resources**, and agree to **share** the **risks** and the **benefits** of the joint project.

On the basis of this understanding, it becomes apparent that the only arrangements which satisfy these criteria are **multi-stakeholder dialogues and formal networks** geared to **addressing specific problems** (due to their project-like nature) and **development partnerships with the private sector**. None of the other models meet these criteria, even though **each form of cooperation** does display **elements of partnership**.

2.1 Sponsoring and co-financing

Sponsoring is an **instrument of corporate communication**. Two forms – socio- and eco-sponsoring – emerged in the 1990s. Companies using these forms of sponsoring do so primarily in order to increase brand value (image profiling) and raise market share. 'Especially in socio- and environmental sponsoring, demonstrating responsibility and achieving goodwill are key objectives'[6]. In other words, sponsoring is an **instrument** that enables companies to **implement Corporate Social Responsibility** (CSR) goals and strategies.

In the context of **social and eco-sponsoring,** companies are **increasingly entering into cooperation with governmental and non-governmental development organisations** and making voluntary project contributions, in return for which they benefit from those organisations' positive image and credibility. Companies also use sponsoring to respond actively to reputational risks (e.g. the activities of the Accor hotel chain to combat sex tourism). In the case of sponsoring, the contribution a company makes to a project aims to reap a direct return that serves the company's communication goals. By contrast, when individual entrepreneurs or businesses practice **philanthropic patronage,** they do so with no expectation of gaining any business benefit in return.

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[4] Terms also used for development partnerships with the private sector to date – **do not use any longer**: PPPs from develoPPP.de (competitions), integrated PPPs, PPPs of the Africa Facility.

[5] Terms also used for public-private partnerships (PPPs) to date – **can still be used**: private participation in infrastructure (PPI), private sector participation (PSP).

[6] See e.g. Caplan, Ken (2003): 'The Purist's Partnership: Debunking the Terminology of Partnerships'; Bloomfield, Steve (2004): 'When is a "Partnership" not a Partnership?'

FIG. 1 OVERVIEW: BASIC FORMS OF COOPERATION

Basic form of cooperation	Sub-forms/models *(examples, not exhaustive)*
Sponsoring and co-financing (*small-scale*)	→ philanthropy/patronage → socio- and eco-sponsoring
Multi-stakeholder dialogues and formal networks	→ consultative processes → institutionalised dialogues (e.g. public-private dialogue, PPD) → multi-stakeholder platforms (e.g. round tables on CSR) → cross-sectoral networks → associations
Development partnerships with the private sector	→ development partnerships from idea competitions → strategic alliances → round table
Public-private partnerships (PPP)	→ performance-based service contract → output-based aid → management contract → leasing/affermage → concession → BOT, BOOT, DBO → (privatisation, sale) → credit lines through commercial banks → private fund management → arrangements, syndicated financing
Mobilisation and combination of private and public capital	→ structured funds with various risk tranches → securitisation → equity participation → establishment of new or follow-on investment in microfinance banks or microfinance holdings → capital market development (e.g. promotion of bond issues by municipalities or utility companies) → large-scale co-financing arrangements with private actors pursuing project activities of their own
Financial and advisory services for private investment in developing countries	→ Finance for private corporate investment in developing countries, e.g.: → investment loans for manufacturing industry → finance for private infrastructure → SME finance → finance for private contributions in PPPs

increasing assumption of risk by private actors / increasing private investment

For non-governmental organisations, sponsoring has now become an important source of funding. The (co-) financing of state development cooperation projects by companies as part of their corporate sponsoring activities is still in its infancy, though it is emerging as an interesting option.

With regard to the value of sponsoring, the key aspect for development cooperation is the **questions of development results**. If sponsoring can help achieve development goals, then this should be welcomed and supported. However, where sponsoring merely serves the purpose of **greenwashing**[7], and where projects do not aim to achieve sustainable results in partner countries, development cooperation should steer clear.

2.2 Multi-stakeholder dialogues and formal networks

Multi-stakeholder dialogues involving public sector, private sector and civil society actors can drive forward a particular development issue (e.g. CSR), elaborate corresponding proposals and thus prepare the ground for other cooperation arrangements. In the context of the present paper, relevant are only those dialogues that possess a certain degree of formalisation (internal structure, regularity). This would exclude for instance multi-stakeholder meetings, workshops or consultations convened on an ad-hoc basis.

Also subsumed under the generic term **multi-stakeholder dialogue** are **public-private dialogues** (PPDs) designed to improve the climate for business and investment. These are accorded major importance in private-sector development (see sector strategy) and are often institutionalised. Multi-stakeholder dialogues can be consultative processes on specific sectoral issues initiated by the public sector (e.g. national strategies on climate change, health sector reform, resource management, regional policy dialogue etc.), or may take the form of multi-stakeholder dialogue platforms (such as round tables on Corporate Social Responsibility – CSR).

Formal networks can be formed between individuals, groups and organisations, and usually link the different levels. Three characteristic features of networks are emphasised in the literature: ‘a shared intention, a vision, an issue’, ‘a focus on a problem or problems’ and ‘the principle of exchange’[8]. Formal networks are defined here as ‘interrelated groups of several independent institutions or organisations that are established according to a specific design or need. The members of the network share a common vision, objectives and rules, and they carry out a set of common activities, for example regular events’[9]. One **example** of a formal network in this context is the Global Compact. Also subsumed under the heading ‘network’ are **associations** which are maintained jointly by businesses, public institutions and/or civil society actors.

2.3 Development partnerships with the private sector

Development partnerships with the private sector are short to medium-term projects undertaken jointly by private businesses and either DC implementing organisations (type 1) or public partners in developing countries (type 2). These partnerships are entered into because there is an overlap between a (business) interest of a private company on the one hand, and a development-policy or public interest on the other, and because neither partner would be able to achieve their objective on their own or not to the desired extent.

[7] The term ‘greenwashing’ is used particularly in the NGO sector to refer to PR methods that provide a company with an environmentally-friendly and responsible image. Sponsoring is sometimes used for this purpose.

[8] See for instance Mast, Claudia (2002): ‘Unternehmenskommunikation’.

[9] GIZ (2006): ‘Work the Net. A Management Guide for Formal Networks’.

One characteristic feature of development partnerships is that they seek to achieve a **joint project objective** that contributes to sustainable development and that is shared by actors from the public sector (including development cooperation), civil society and the private sector. The partners pursue their own particular interests, whereas the development partnership is founded on the **overlapping objectives**. These are shown in the 'traditional' graphic illustrating the early phase of the BMZ programme[10] (see Fig. 2).

BMZ has defined overarching criteria for development partnerships with the private sector (compatibility, complementarity, subsidiarity, competitive neutrality and a contribution made by the company involved). Two types of development partnership with the private sector are now distinguished according to the partners involved. Both types are supported by BMZ:

→ **Type 1 – the public partner is an implementing organisation for development cooperation**: Examples include projects emerging from the competitions (develoPPP.de) or from BMZ's regional facilities, and development partnerships with the private sector that are integrated into TC projects and programmes. In principle, development partnerships can be entered into in any sector where the objectives of the public sector/development cooperation and the private sector overlap as outlined above, and where a joint objective is identified that makes a contribution to sustainable development. The breadth of sectors covered by the development partnerships with the private sector that have been financed by BMZ is correspondingly large, and ranges from (basic) education (approximately 6 %) to water (approximately 5 %). The priority area of sustainable economic development (45 %) includes development partnerships mainly in the field of vocational training.

→ **Type 2 – the public partner is an institution in the partner country** (ministry, governmental development organisations): As this cooperation model becomes more decentralised, an increasing number of development partnerships are emerging between ministries and governmental development organisations in developing and emerging countries as well as with private businesses, banks or associations.

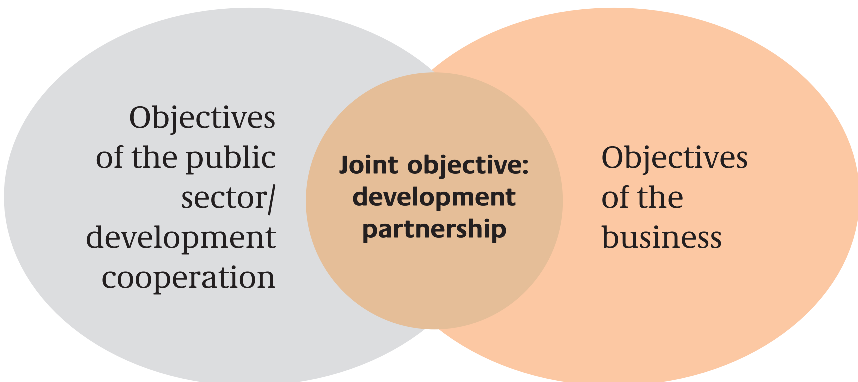

FIG. 2 OVERLAPPING OBJECTIVES – DEVELOPMENT PARTNERSHIP WITH THE PRIVATE SECTOR

[10] The term 'development partnership' came to be used more or less synonymously with the term 'PPP' after the BMZ PPP Facility was set up in 1999; since strategic alliances emerged in addition to PPPs, 'development partnership' has been used as a generic term covering both forms of partnership. It describes these forms of cooperation accurately, and is not used in any other sense within the German development cooperation system

STRATEGIC ALLIANCES

Strategic alliances are a specific form of development partnership with the private sector. The distinguishing feature of these arrangements is that several actors (usually also including civil society action) cooperate on a *specific joint project* over a long time frame. Strategic alliances are designed on a broader regional and/or sectoral basis, and involve complex management structures. BMZ has formulated three additional quantitative criteria for strategic alliances (supraregional design, at least 2 private partners, total volume > EUR 750,000) and seven qualitative criteria (beacon project, structure-building results, participation of several private partners, broad-based impact, innovation, replicability and link to a priority area).

Typical **examples** are initiatives for the introduction of social and ecological standards in developing and emerging countries, such as the Common Code for the Coffee Community (4C).

PRESENT STATUS OF EXISTING PROMOTION INSTRUMENTS AND PROGRAMMES

Fig. 3 provides an overview of current promotional instruments and programmes for development partnerships with the private sector.

2.4 Public-private partnerships (PPPs)

The term **public-private partnership (PPP)** originates from the sphere of public procurement, and refers to the transfer of responsibility for performing a public task to a private-sector actor. In German development cooperation, as well as internationally, the terms **private participation in infrastructure** (PPI) and **private sector participation** (PSP) are also used. The former is usually used in the context of grid-bound infrastructure, and encompasses the energy, telecommunications, transport

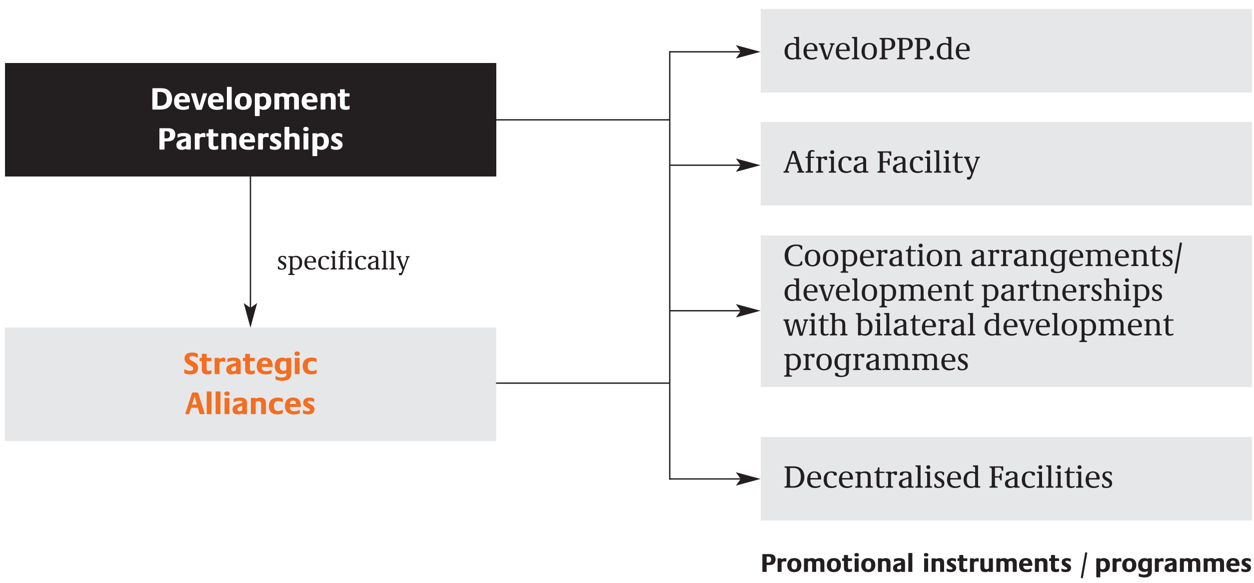

FIG. 3: DEVELOPMENT PARTNERSHIPS AND INSTRUMENTS, GERMAN DC PROGRAMMES

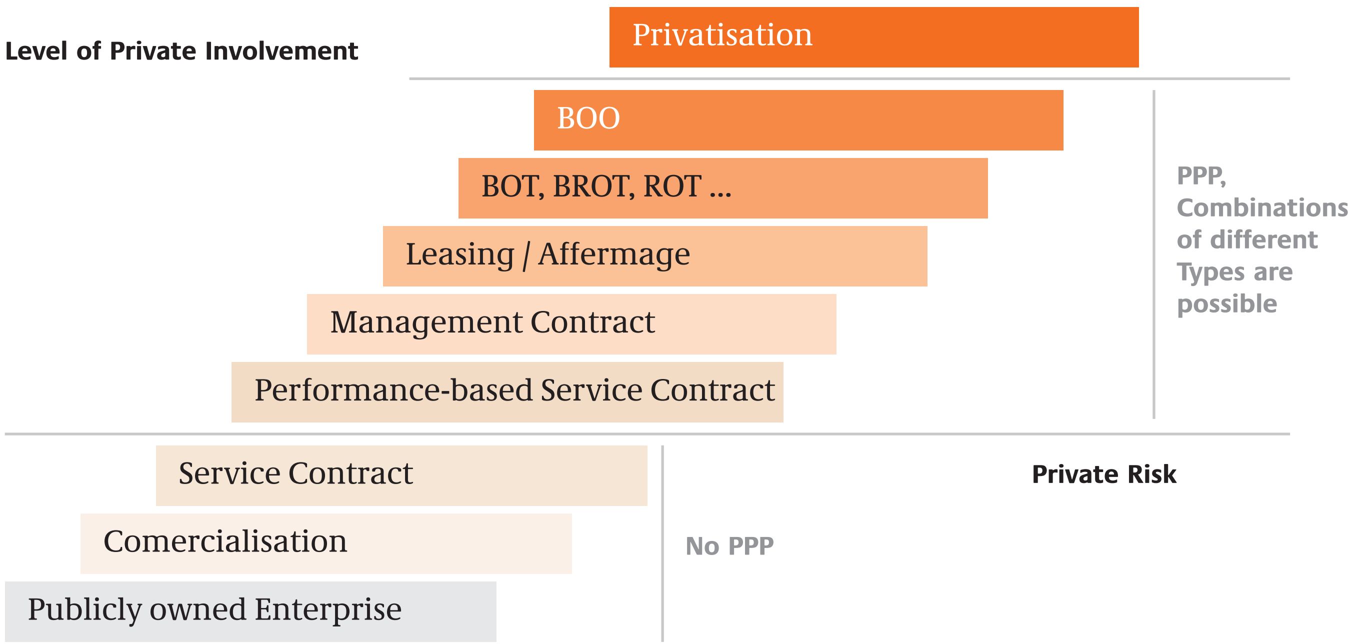

FIG. 4 PPP MODELS IN THE INFRASTRUCTURE SECTOR; SOURCE – BMZ/GIZ/KFW (2008)

and water supply/wastewater sectors[11]. The latter is often used in the context of public social infrastructure (education, health etc.).

Here is one definition of PPPs, provided by the German Federal Ministry of Transport, Building and Urban Development (BMVBS):

> PPPs can be described in abstract terms as a 'long-term, contractually-based cooperation arrangement between public and private sector actors for the performance of public tasks, in which the resources required (e.g. expertise, equipment, capital, personnel) are organised jointly, and in which existing project risks are spread appropriately in accordance with the risk management capacities of the project partners' (BMVBS 2003).

The **objectives** pursued by the public sector in PPPs include relieving the pressure on tight public budgets, and raising efficiency by leveraging private-sector expertise. For the private-sector partners, PPPs form part of their core business. The objectives they pursue include exploiting market opportunities and improving business parameters (profit, turnover), and sometimes also comprise CSR-related goals. Appropriate framework conditions and contractual incentives make for convergence of objectives. PPPs have a long tradition in English-speaking countries (mainly in the UK, USA and Australia), whereas in Germany they are a relatively recent phenomenon. The public partners in these PPP projects are public institutions in the partner countries, which – sometimes supported by development cooperation organisations – also assume responsibility for project preparation. The 'point of entry' for the private sector in infrastructure projects is usually an international invitation to tender for the implementation phase. In the course of PPPs, special purpose vehicles (SPVs, e.g. limited-liability companies) are often established that involve both public and private partners.

The range of possible **models for PPPs** is wide (see the typical forms shown in Fig. 4). Which model is selected depends on the specific situation and actu-

[11] See e.g. World Bank: PPI database.

al needs (e.g. existing infrastructure, ownership situation, type of refinancing, desire of government to retain influence etc.).

2.5 Mobilisation and combination of private and public capital

To co-finance large-scale infrastructure and financial sector projects, KfW Bankengruppe seeks the cooperation of private businesses, ethically motivated private investors, private foundations and commercial banks. In this way, private capital is mobilised for development-policy goals, i.e. is leveraged using public funds. Under these arrangements the private actors assume an appropriate share of the economic risks. Tried-and-tested forms of cooperation include syndicated financing arrangements and structured funds that combine the different interests of the respective investors or donors in various risk categories. The concessionary funds made available by development cooperation and the funding provided by the private investors can thus have different risk profiles (from the first-loss tranche to the senior tranche). Furthermore, the sustainability of the investments made by the private-sector actors is enhanced and underpinned by quality assurance measures (e.g. environmental and social impact assessment) of the implementing organisations.

Models include for instance the establishment of, or follow-on investment in, microfinance banks or microfinance holdings (FC), syndicated financing arrangements, structured funds, loans, equity participations (sometimes at KfW's own risk), securitisations, the payment of start-up costs and assumption by FC and other donors of a share of the risk when establishing special purpose vehicles (SPVs), capital market development (e.g. supporting the issuance of bonds by municipalities or utility companies). This spreading of risks between the public sector and private business means that these projects resemble PPPs; the PPP concession and BOx (DBO, BOOT, etc.) models also include a private financing component.

The initiative for projects of this kind may also come from the private sector. *Large-scale* co-financing arrangements involving private sector actors pursuing development-related objectives *in project activities of their own* have also become more common (note how this differs from the activities described in Section 2.1 – Sponsoring and co-financing). Cooperation with foundations established by businesses also warrants particular mention here, e.g. the Bill & Melinda Gates Foundation or the Aid by Trade Foundation of the Otto group, e.g. to support agricultural value chains. Another example is the DESERTEC initiative, in which private businesses have invited public actors to participate in a large-scale project to harness solar power in the Sahara.

2.6 Financial and advisory services for private investment in developing countries

Private investments in the difficult markets of German development cooperation's partner countries can entail considerable risks, which either cannot be covered by commercial banks or only at high premiums. This is why DEG, acting as a specialised institution for private sector development in developing and transition countries (entrepreneurial development cooperation), provides private enterprises with finance at market conditions. It thus makes projects bankable that make development-policy sense, acts at its own risk and finances subsidiary investments of private enterprises and financial institutions (these private partners also assume considerable financial risks). At the same time it improves the development, environmental and social policy aspects of the projects. As well as providing finance in the strict sense, advisory inputs also play a key role in helping make these projects a success. This is therefore also a specific form of public-private cooperation.

Projects focus on low-income and high-risk countries, and include a sectoral focus on financing in the field of climate change mitigation. The main target group is small and medium-sized enterprises (SMEs), for which risk management in these markets constitutes a particular challenge, and for which this financial support plays an important facilitating role. As well as supporting local enterprises in its partner countries, DEG also promotes the business and investment interests of German companies. At the same time DEG often provides structuring inputs, and sends a signal to other sources of private capital. In a similar way, through microfinancing projects, KfW Entwicklungsbank supports investment by local self-employed persons and small enterprises by facilitating access to finance and financial services for this target group.

Models for cooperation with private investors and financial services providers include long-term loans, mezzanine financing (venture capital), equity participations, risk guarantees (including partial loan guarantees, local currency guarantees) and in some cases the subsidisation of temporary viability gaps. Project development associations and funds are also supported. These inputs are complemented by capacity development, advisory measures and sector policy dialogue.

3. Annexes

3.1 Glossary

BASE OF THE PYRAMID (BOP)

In the late 1990s, Hart, Prahalad and Lieberthal drew attention in a number of articles in the Harvard Business Review to a neglected segment of the market of transnational corporations: the 4 billion people in developing and emerging countries with a per-capita income of less than USD 1,500 per year. This market segment, known as the base of the pyramid, or simply tier 4, initially became a focus of attention in the Anglo-Saxon countries. This year BMZ has produced a position paper on the topic.

The paper defines BoP as follows: 'BoP refers to business at the bottom of the pyramid, and focuses more on the entrepreneurial perspective and the quest for innovative business models than on the approaches traditionally pursued by development cooperation. This usually involves large enterprises from the formal sector cooperating with actors employed in the informal sector'[14]. Clearly, this is an entrepreneurial strategy that – potentially – promises to deliver interesting development results.

CAPACITY DEVELOPMENT FOR PARTNERSHIPS (CDP)

Particularly in the last decade, GIZ has gained comprehensive experience in cooperation with the private sector. For several years partners in project countries – ministries, governmental implementing organisations, associations, funding institutions, non-governmental organisations etc. – have themselves been making greater use of the various forms of cooperation with the private sector to achieve their own objectives. Through the CDP service package GIZ transfers its expertise and experience as a public partner in joint development projects with the private sector to institutions in developing, transition and emerging countries. CDP provides local partner institutions with the expertise they need in order to achieve their objectives more effectively, efficiently, and self-reliantly, by cooperating with the private sector.

The consultancy and training inputs delivered are carefully tailored to the specific needs of the partner concerned, and focus on:

- → **programmes for development partnerships**
- → **public-private partnerships (PPPs)**
- → **stakeholder dialogues**

CORPORATE SOCIAL RESPONSIBILITY (CSR)

According to our understanding, Corporate Social Responsibility (CSR), also referred to as Corporate Responsibility (CR), is about 'exercising social responsibility for sustainable development'[15]. From the development cooperation perspective, the growing willingness of companies to accept their social responsibilities and actively incorporate sustainability criteria into their business strategy is a very welcome trend.

Through its development cooperation, Germany is therefore actively promoting the dissemination of CSR awareness within the international private sector, for instance through information work and by promoting dialogue on CSR and the work of the Global Compact, and by supporting specific measures such as the implementation of voluntary social and ecological standards. In the microfinance sector, compliance with the 'responsible finance' principle is a key prerequisite for the positive development results that emerge from micro and small loans. For the purposes of the present paper it is im-

[14] BMZ (2009b): 'Geschäfte für Entwicklung – Bewertung des BoP-Ansatzes aus entwicklungspolitischer Sicht'. A BMZ discussion paper.

[15] BMZ (2009a): 'Corporate Social Responsibility from a development policy perspective. A strategy paper'.

portant to distinguish between Corporate Social Responsibility, which is a commitment to values, and the engagement of private actors in specific cooperation projects.

The willingness of companies to exercise social responsibility is a key prerequisite for cooperation activities involving various stakeholders (the state, civil society, the private sector) that are geared to sustainability goals. According to this understanding, Corporate Social Responsibility is however not a form of cooperation per se.

ETHICAL INVESTMENTS

This term refers to financial investments made by private and public investors. As well as the traditional financial criteria, the ethical values of the investor also play an important role in the selection and evaluation of the investment options available. Examples of ethical investments include savings deposits with banks or institutions that themselves specialise in ethical investment, or invest directly in ethical businesses (e.g. social enterprises). There are also a growing number of ethical investment funds that base their investment decisions on social and/or ecological criteria.

FUNDS

are often used as an instrument to promote cooperation with the private sector. In most cases this involves support programmes that create a framework under which applicants can apply for funds through public calls to tender in order to implement their projects.

Funds can be used for instance to support development partnerships with the private sector (e.g. BMZ Facility/develoPPP.de). They also play an important role in the promotion of public-private partnerships (PPPs).

Various types of **PPP funds** can be distinguished:

- → Type 1: funds that are refinanced through private and public contributions, and/or that involve private fund management.
- → Type 2: funds that, are used to finance PPP projects. These funds can be specialised in various ways: they can be global, national, regional or sectoral, or focus on a project approach.

Type 1 funds usually have a legal personality of their own, and the model can be used in all sectors. Examples include structured funds for financial systems development or infrastructure finance (PPP element e.g. managed by a private fund manager with risk sharing, administrated through private commercial banks or financial institutions, payment of private capital into the fund).

Type 2 PPP funds can also be used in all sectors, and may also have their own legal personality, though this is not always necessary. PPP projects are often legally and financially complex, and PPP approaches are not always appropriate.

For this reason, alternative options may have to be considered, and this can involve considerable input in terms of professional investment advice. It is usually essential to establish a pipeline of prepared PPP projects and/or project development measures (including transaction advice).

SUPPLY AND SERVICE CONTRACTS AWARDED BY PUBLIC PARTNER INSTITUTIONS AND DEVELOPMENT COOPERATION ORGANISATIONS TO PRIVATE ENTERPRISES

If development cooperation organisations or public institutions in developing countries contract private enterprises (to supply goods and/or deliver services), then transparent and regulated cooperation conducted in a spirit of trust is needed in order to achieve optimal results. Nevertheless, these business relationships have not been included here as forms of cooperation because ultimately they amount to traditional client-contractor relationships.

It is not always easy to distinguish these from PPPs, because private management services for utility companies or fund management services also involve service contracts. The key difference between these arrangements and PPPs is that in these purely contract-based relationships the private companies assume lower risks.

PRIVATE FOUNDATIONS

are major actors in international cooperation. There are countless private foundations (68,000 in the USA and approximately 85,000 in Europe) that are engaged in developing countries. Only a small number of them are important in terms of volume. Only 10 foundations have a capital stock of more than USD 50 million. In recent years, private foundations have spent a total of USD 3 to 5 billion per annum, and this is not expected to change in the next few years.

The best-known example is the Bill & Melinda Gates Foundation, which focuses on improving health care and reducing extreme poverty. With disbursements of USD 1.7 billion in 2007 it surpasses many DAC donors and will continue to grow as a result of the donation of USD 30 billion it received from Warren Buffet in 2006. This makes it a major player in development cooperation.

In the course of their work, private foundations often enter into cooperation arrangements with public institutions and development cooperation organisations, but they are not a form of cooperation per se.

SOCIAL ENTERPRISES

became a focus of attention through Nobel Peace Prize winner Muhammad Yunus. Social enterprises operate according to market principles, but focus on social products and do not distribute dividends. They rather reinvest them in order to reduce the price of or expand social services (an important difference to BoP). Since they do not require promotional funding in order to operate and expand, social enterprises are sustainable, making them a highly interesting phenomenon from the development cooperation perspective.

Although social enterprises are usually geared to broad participation of a range of actors and often enter into cooperation arrangements, they do not constitute a form of participation per se.

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