

LIGHTHOUSE PROJECTS AS A SOURCE OF INNOVATION

Achieving the ambitious Sustainable Development Goals (SDG) that are set out to end poverty, improve global health, ensure universal education and mitigate climate change until 2030, will require joint efforts. States and public actors can't fulfil them on their own – SDG#17 therefore calls for the involvement of the private sector. The Engagement with the Private Sector (EPS) becomes an increasingly important measure to mobilize private resources and engagement, to increase organizational and financial capacities of development aid.



The Swiss Federal Council's strategy for development gives priority to strengthening Engagements with the Private Sector (EPS) and expanding the number of partnerships. The Competence Center for the Engagement with the Private Sector (CEP) of the Swiss Agency for Development and Cooperation (SDC) is facilitating this strategic focus. First step is the elaboration on best practices in the field and the implementation of these in future projects. The CEP identified two so-called "lighthouse projects" that represent particularly successful EPS projects, to be evaluated by a group of students at the University of St. Gallen (HSG). MMV (Medicines for Malaria Venture) and REPIC (Renewable Energy and Energy- and Resource Efficiency Promotion in International Cooperation) were analyzed and can be used to serve as inspiration for future EPS projects.

Both projects have been analyzed in seven structural dimensions that are most commonly used to evaluate similar endeavors: (1) the governance structure, (2) how the cooperation with the private sector is structured, (3) how the project came to be, (4) the eligibility criteria for cooperation, (5) how finance and risk are incorporated, (6) how monitoring and evaluation is handled and (7) how knowledge management is incorporated.

Synthesis of the Best Practices

Analyzing their governance structure, two best practices became obvious. The **lean management** of REPIC allows for **operational flexibility** on all levels. Especially the notion of **subsidiarity** is supported by this governance structure. At MMV, the **corporate structures** are especially striking: It fosters efficient management and helps to meet private partners as likeminded peers. While both MMV and REPIC offer great examples of how governance structures can be borrowed from the private sector to support good cooperation, they also show that more effort is necessary: both lighthouse projects prove that **long-term relationships** foster mutual trust and that **designated relationship managers**, so-called "bridge people", are indispensable for good communication and successful cooperation between both partners.

No project will ever be a success if there is no need for it. Both MMV and REPIC therefore display a strong **demand-driven approach** to their endeavor. This includes that the donor agency will not dictate conditions but act as an equal partner instead. The execution may vary: while REPIC has a rolling open call and waits for the private sector to initiate the cooperation, MMV additionally pursues a **positive approach**, evaluating the demand and actively searching for partners. Whichever possibility is chosen, a **good mix of flexibility and clear criteria** must be found. While the latter serves to make the process transparent and to develop a common understanding of the project, a one-size-fits-all solution has to be prevented.

With all development projects, financing will play a big role. While the financing model may vary, every project has to understand how much financing is needed to provide sufficient **additionality**. To achieve this, the risk that keeps private actors from carrying out their socially beneficial endeavor must be considered. **De-risking projects with financial, technical or regulatory support** therefore helps to make socially worthwhile projects also economically feasible.

At the same time, the project's own risks are to be observed as well. **Careful monitoring and evaluation** of projects is thus essential. MMV can be taken as best practice as they are including expert committees in deferring risks as well as inviting external auditors to evaluate the project as a whole. Active monitoring of projects is just as vital: REPIC shows a great example, fulfilling this task with regular, standardized reports. While checking on milestones and financial indicators, REPIC is also taking changes in the environment into account. The latter can be used to adjust milestones and objectives if necessary: **flexibility is a key factor** in allowing for reasonable and fair evaluation of any project.

Finally, **knowledge-management** is a key-factor in success. Be it institutionalized transfer of knowledge through employed staff, or sharing knowledge with other actors on networking events: the implicit knowledge that builds up when

carrying out projects needs to be shared and used to improve other projects. Both MMV and REPIC serve as great examples on how knowledge management can be implemented – and on why studies like the one at hand are important for the SDC:

The SDC as well as the SECO can look back on many greatly successful projects in the area of EPS. When they are evaluated and presented as case studies of best practice, they can – and should – be used to inspire upcoming public-private engagements. Important to note: best practice should not to be used as a blueprint to clone lighthouse projects. Each project is unique in their setting, the sector involved and the financial means. Instead, they can be taken to inspire new alliances with the private sector, still allowing for innovation that may create new approaches and set new best practice examples. And, these are desperately needed to reach the steep targets, set by the Sustainable Development Goals!

Infobox 1

REPIC

REPIC

REPIC is a joint initiative by four federal entities for the promotion of renewable energy and resource- & energy efficiency in international cooperation. It constitutes a financing platform that is set out to strengthen the multiplication of sustainable projects in the phase before market entry with financial support. Furthermore, the platform aims at building a network of actors, contributing to successful communication, coordination and exchange of knowledge between national and international actors. As of 2015, 108 projects in different countries in Africa, Asia, Central and South America as well as in Eastern Europe have been concluded or are still being carried out. The vast majority of these have produced significant impact on the local population and induced systemic change.

Infobox 2

MMV

MMV



The Medicines for Malaria Venture (MMV) is a Swiss NGO, based in Geneva, and considered as one of the leading organizations in the research and development of antimalarial drugs. MMV was founded in 1999, as a non-profit organization, supported by the SDC, DFID, the Dutch Government, World Bank and the Rockefeller Foundation. It has since raised over \$890m from various public and private organizations. Over \$700m are already spent to reach MMV's overall goal: to reduce the burden of morbidity and mortality of malaria globally, with a focus on the burden to the poor and vulnerable population. With a network of more than 400 partners, MMV finds its purpose in leveraging synergies of public and private facilities and pooling knowledge and expertise from pharmaceutical research. MMV thus succeeds fostering research and development to build the largest virtual pipeline for antimalarials to date.