

# Private Sector and Development Policy: Advantages and Problems

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## **Abstract**

In the past years, the private sector has been incorporated into international development policy, a policy field traditionally dominated by the states. Due to shrinking budgets and insufficient results, the objective is to fill the gap with private contributions. However, the private sector is very heterogeneous: incentives, objectives, financial volumes and methods can differ considerably. Therefore, the results and the effectiveness of the private sector's contribution might differ as well. In addition, the incorporation of the private sector is a controversially discussed topic as it is associated with various challenges. On the one hand the private sector can act more flexible and less bureaucratic, also it can better encourage innovation and know-how. On the other hand, problems arise related to an insufficient regulation system, mainly commercial or image interest and democratic control. More research is necessary.

*Keywords:* international development policy, private sector, advantages, problems.

## SECTOR PRIVADO Y POLÍTICA DE DESARROLLO: VENTAJAS Y PROBLEMAS

## **Resumen**

En los últimos años el sector privado se ha incorporado a la política de desarrollo internacional, un campo de políticas tradicionalmente dominado por

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los Estados. Debido a la reducción de los presupuestos y a la insuficiencia de los resultados, el objetivo es llenar el vacío con las contribuciones privadas. Sin embargo, el sector privado es muy heterogéneo: los incentivos, los objetivos, los volúmenes financieros y los métodos pueden diferir considerablemente. Por lo tanto, los resultados y la efectividad de la contribución del sector privado también podrían ser diferentes. Además, la incorporación del sector privado es un tema controvertido, ya que está asociado con varios desafíos. Por un lado, el sector privado puede actuar con más flexibilidad y menos burocracia, y también puede fomentar la innovación y el *know-how*. Por otro lado, se plantean problemas relacionados con un sistema de regulación insuficiente, de interés comercial y control democrático. Es necesario realizar más investigaciones.

*Palabras clave:* política internacional de desarrollo, sector privado, ventajas, problemas.

## Introduction

*Traditional development policy and development finance – both top-down approaches essentially based upon bilateral or multilateral official aid – are in deep crisis. Due to their ineffectiveness in poverty reduction, most donor countries have substantially reduced development aid over the past decade. Globalization, however, has opened up many promising private-sector alternatives to official development assistance.*

Knorr, 2005: 74.

Development financing issues have always played a central role in international development policy. Since the UN Financing for Development (FfD) conference in Monterrey, Mexico, in 2002, the range of issues covered by development finance has been broadened and includes nowadays both public finance flows, such as public grants and loans, as well as private flows such as foreign direct investment, private loans, NGO funds and remittances. The development policy discussion about development financing is both about the quantity and the effectiveness of individual instruments and financial flows, especially against the background of international objectives and scarce public funds. At the third International Conference on Financing for Development in Addis Ababa, Ethiopia, in July 2015, the Addis Ababa Action Agenda (AAAA) was adopted, which is a framework

for financing the Sustainable Development Goals (SDGs) based on the Monterrey consensus.

However, the increasing presence of so-called “new” donors in the framework of development cooperation poses new challenges for traditional development cooperation and its effectiveness efforts. The impression arises that the political and economic significance of the new donors would lead to far-reaching and structural changes in international development policy, which will fundamentally alter the rules of this policy field that have emerged after the end of the Second World War. The increasing resources and the increasing influence of these donors on the international development agenda offers both opportunities and risks for the efforts to achieve sustainable development and poverty reduction.

Advocates see a great opportunity in the private sector in times of tight budgets. The EU is currently failing to meet its self-imposed development goals – if companies fill the gap, that is highly welcome –. Especially environmental and human rights organizations are far more critical. They are concerned about the fact that the participation of the private sector is shifting the focus from poverty control to the achievement of profits.

The essay is structured as follows. Firstly, the shift from traditional financial structure dominated by the states themselves to the incorporation of the private sector will be explained and reasons for this shift will be considered. Secondly, it will be dealt with private foundations and their incentives to engage in international development policy. Thirdly, the advantages of the private sector’s engagement as well as the problems related to it will be investigated.

## **The legal incorporation of the private sector into development policy**

One of the major challenges facing the OECD donors is currently to expand the group of stakeholders who represent the principles of effective development cooperation. The still young global partnership for effective development cooperation is a sign that the global effort to achieve development goals is increasingly about the benefit of diversity, that is, the relative strengths of the OECD donors, of public deve-

lopment cooperation. The OECD and a large number of private actors like civil society organizations, companies or private foundations. In view of the stagnating expenditure of public development cooperation (ODA), private foundations are seen as an important alternative source of development funds and as a category of actors that can contribute to the transformation of the development policy landscape. The contribution of foundations to development financing is minimal compared to the global ODA, but has a considerable growth potential (Lundsgaarde, 2013: 1).

The International Conference on Financing for Development in Monterrey, Mexico, in March 2002 “signalled a turning point” (UN, 2017) in the approach to development cooperation by the international community. It was the first summit of the UN to address key financial issues related to global development. The Conference succeeded in placing financing for development firmly on the global agenda. The Conference also marked the first exchange of views between governments, civil society, the business community, and the institutional stakeholders on global economic issues. In addition to the traditional participation opportunities for NGOs, extensive participation rights were granted to representatives of the economy. For the first time in the history of the United Nations, not only economic associations but also individual companies were given the possibility of accreditation. In addition to civil society organizations such as the Third World Network or *terre des hommes*, corporations such as Cisco Systems and Deutsche Bank were also able to participate in the negotiations. With the decision to treat charitable and profit-oriented actors the same, a precedent was created, the international consequences of which can not yet be foreseen (Hoering, 2004: 42).

The “Monterrey Consensus” adopted by the Conference embodied a holistic and integrated approach to the multidimensional nature of the global development challenge. The first step to embrace the private sector as a partner on equal terms with other development actors was taken. In the Monterrey Consensus, Part B on the “Mobilizing international resources for development: foreign direct investment and other private flows”, in Article 20 it is stated:

Private international capital flows, particularly foreign direct investment, along with international financial stability, are vital complements to national and international development efforts. Foreign direct investment contributes toward

financing sustained economic growth over the long term. It is especially important for its potential to transfer knowledge and technology, create jobs, boost overall productivity, enhance competitiveness and entrepreneurship, and ultimately eradicate poverty through economic growth and development. A central challenge, therefore, is to create the necessary domestic and international conditions to facilitate direct investment flows, conducive to achieving national development priorities, to developing countries, particularly Africa, least developed countries, small island developing States, and landlocked developing countries, and also to countries with economies in transition.

At the UN's third International Conference on Financing for Development in Addis Ababa, Ethiopia; in July 2015, the countries agreed on the "Addis Ababa Action Agenda" (AAAA). The agenda provides a global framework for financing sustainable development and measures to overhaul global finance practices and is based on the outcomes of the two previous Financing for Development conferences, in Monterrey, Mexico, and in Doha, Qatar. It also underscores the importance of aligning private investment with sustainable development, along with public policies and regulatory frameworks to set the right incentives. This time it clearly includes the private sector as a "major driver" of development policy, in Part B on "Domestic and international private business and finance", Article 35 it is stated:

Private business activity, investment and innovation are major drivers of productivity, inclusive economic growth and job creation. We acknowledge the diversity of the private sector, ranging from micro-enterprises to cooperatives to multinationals. We call on all businesses to apply their creativity and innovation to solving sustainable development challenges. We invite them to engage as partners in the development process, to invest in areas critical to sustainable development, and to shift to more sustainable consumption and production patterns. We welcome the significant growth in domestic private activity and international investment since Monterrey. Private international capital flows, particularly foreign direct investment, along with a stable international financial system, are vital complements to national development efforts. Nonetheless, we note that there are investment gaps in key sectors for sustainable development. Foreign direct investment is concentrated in a few sectors in many developing countries and often bypasses countries most in need, and international capital flows are often short-term oriented.

At the center of the strategies for greater effectiveness of development cooperation are the aspects ownership, alignment and harmonization. The implementation of the Paris Declaration (Paris Declaration on Aid

Effectiveness, 2005) is also difficult and slow, also for public development co-operation, at both the political and the practical stage. The “new” private actors in developing countries bring a variety of different motives, strategies and operational models that increase the complexity of development financing in many countries. The integration of the new actors into the effectiveness strategies presents the international donor community with additional challenges that must not be underestimated (Six & Kühnböck, 2009: 6).

### **What were the reasons for the incorporation of the private sector?**

More and more donor organizations are focusing on the involvement of the private sector in their strategies for achieving the Millennium Development Goals (MDGs). Private companies are seeking to transfer missing capital, e. g. for investments in infrastructure, as well as transfer technology and know-how.

The development policy challenges of our time can scarcely be met with public resources alone. For example, experts estimate that several US \$ 100 billion of investment is needed to provide clean water to the people in developing countries. Without the participation of the private sector, these sums are not to be raised. The same applies to issues such as the fight against poverty, vocational training, health or energy supply for all the development policy goals set by the UN with its Millennium Development Goals. Against this background, the cooperation with the economy seems to be not only meaningful but also necessary (Rabe, 2004: 62).

There are very different estimates of how much funding from various sources (developing countries’ own resources, ODA and various private transfers from payments to global funds to charitable donations) to achieve the Millennium Goals would be necessary. While the Zedillo Report (2001) estimated the need for ODA to reach all of the Millennium Development Goals at around US \$ 50 billion annually, the World Bank calculated a US \$ 40 to 70 billion requirement (Nuscheler, 2004: 4).

It would not suffice to focus ODA more on the achievement of the Millennium Development Goals, but would have to mobilize considerable additional resources with a clear purpose – whatever source

they might come from—. The ODA increases promised by the OECD countries at the Monterrey conference on Financing for Development would not be enough to meet the Millennium Development Goals if the commitments were respected. A doubling of the current level of international ODA would achieve the “UN target” of 0.7 per cent of gross national income for official development assistance, and 0.15 to 0.20 per cent for least developed countries, which most OECD countries had committed over three decades ago (Nuscheler, 2004: 4).

The shift to involve the private sector has come in the context of fiscal austerity programs that are decreasing or freezing the resources allocated to aid budgets (Kindornay, 2012: 27). The available funds have declined markedly since the beginning of the nineties, not at least, because with the end of the Cold War for important donor countries like the USA, France and Great Britain, but also the then Soviet Union, there were no longer a political need to use the vehicle development aid for geostrategic and military objectives (Knorr, 2005: 74).

The growing importance that the official discourse is giving to the private sector as “actor and development partner” in a context of global financial crisis and declining budgets for Official Development Assistance in order to improve the “value for money” of available aid resources to generate and catalyse additional development possibilities. With it, donors are emphasizing “cost effectiveness” seeking to leverage shrinking aid budgets through innovative financing mechanisms, private sector inspired solutions and direct partnerships with private sector actors. Increasingly, the focus is being put on innovative mechanisms, using aid resources as “capital base” that will help leverage additional resources from the private sector or to engage them in identifying solutions to development challenges. Thus, donors are looking for new modalities for combining ODA with private funds and they are also looking for new partnerships between the private sector, governments and civil society to deliver goods and services (Tomlinson, 2012: 5; Kindornay, 2012: 27).

The number of private donors in development cooperation as well as the financial volume they have issued have increased considerably. The series of private donors involved in development cooperation is long: from donation-gathering of non-governmental organizations, churches, wealthy individuals, private foundations, private companies are spending money on projects in developing countries. In re-

cent years, the attention has been greatly increased for these activities. This is due to in particular three factors: firstly, the dedication of large amounts by private foundations for development policy objectives. Secondly, the increased impact of private actors on international development policy – through the growth of international public-private partnerships (PPPs) or global initiatives such as the UN Global Compact –. Thirdly, the strategies to improve the effectiveness of development cooperation, which focus on efforts to better coordinate the activities of all donors (Six & Kühlböck, 2009: 20).

### **What are the incentives of the private sector to engage?**

The question of incentives for the private sector and private stakeholders to engage in development processes and in poverty eradication related activities in developing countries is broad and generates different answers depending on types of companies, sectors and even individual commitment of CEOs. The same company may have different reasons for engaging, all directly or indirectly related to the objective of making profit. Incentives can be both internally and externally driven.

The main incentives for the non-domestic private sector to engage in development processes are on the one hand to address risks and on the other hand to explore business opportunities. Addressing risk can for example take place in response to consumer or civil society pressure to protect the brand from bad publicity. However, risk mitigation can also take place in the form of contributions to address social factors that affect the workforce of a company, their families and broader communities and by extension the company's client base. For example, the expectation on businesses to give something back to society or staff satisfaction, so that employees feel that the company they work for contributes to something good, which they can feel proud of can also be an important incentive for engaging in development processes.

Incentives of exploring business opportunities include an increased focus on innovations that respond to new demands and societal needs and which ensure sustainability. To address development challenges is increasingly presented as a business opportunity for companies, coinciding with the incentive of making profit. It is emphasised that addressing the needs of the developing world represents a huge opportunity

for business, given the long-term demand for investment, infrastructure, products and services it will trigger. Moreover, the importance of the profit private sector in particular for the innovation process is stressed and companies are seen as solution providers. It includes tapping into emerging markets where the future growth potential has been identified and understanding what services will be relevant to address societal needs in developing countries. For example, the objective to improve or even save can be an important driver of innovation.

If the incentives of the donors converge with those of the partner countries cooperation is facilitated and can have very positive effects. If the incentives of the donors and partner countries not converge severe challenges for aid and development effectiveness arise.

At times incentives converge with those of donor and partner country strategies. For example, companies have an incentive to engage in health as costs of absenteeism due to HIV/AIDS related diseases are high. Similarly, in education companies have an interest in a skilled work force and in infrastructure they have an interest to engage as lack of transport directly affects a company's ability to operate. Thus, the joint incentives of business, donors and partner countries facilitate the setting up of partnerships enormously.

However, it should be considered that the profit driven incentives of the private sector often do not converge with development objectives which poses challenges for the aid effectiveness agenda. For example, in the provision of services the profit incentive might exclude low income households and in infrastructure a company might focus on measures to facilitate the extraction and export of natural resources, rather than engaging in the type of infrastructure needed to address the needs of farmers to access markets. Ways of accommodating business interests of both donors and partner countries, and international treaties on investment and trade can also be incoherent with development objectives. Large tax breaks for corporations, generating "a race to the bottom", meaning the dismantling of regulatory standards by competition (Davies, 2011: 5-7).

## How the private sector influences international development policy

Private foundations have long been a significant source of funding for US and European non-governmental organizations, both in environmental, human rights and development. Projects in developing countries as well as research projects, education and campaigning in industrialized countries have often been financed through private foundations, especially in the USA and the UK, but also in other countries such as Switzerland, Germany and France. In many Eastern European countries too, private foundations, such as the Open Society Institute of George Soros, are often the main source of financing for the work of non-governmental organizations. These have, by means of targeted funding, substantially advanced the system change. By contributing to the creation or strengthening of pro-Western non-governmental organizations (Six & Kühnböck, 2009: 25).

They have an increased influence on international development policy and cooperation. The philanthropic foundations in recent years by dedicating large sums of money to international activities through large foundations, particularly the Bill and Melinda Gates Foundation, but also the Google Foundation or the Clinton Global Initiative, through the increasing operational activities in developing countries. Especially in the field of health and agriculture, as well as by its increasing role in international politics, including through “partnerships” and “alliances” with multilateral organizations such as the World Health Organization and the Global Fund to Fight AIDS, Tuberculosis and Malaria (Six & Kühnböck, 2009: 26).

The group of foundations engaged in global development is heterogeneous, although the landscape is dominated by a few large foundations with a pronounced global profile. The growing importance of the Bill & Melinda Gates Foundation (BMGF) has attracted much attention in this category of development actors. The BMGF’s grants are unprecedented: in 2010, it provided some USD 2 billion for global health and development programs. This means that just under half of the international foundations for funding from the US alone will be put into their account. The US and the UK are the main sources of documented donations from foundations in the field of development. By way of comparison, OECD donors provided some USD 128 billion of public development cooperation in 2010 (Lundsgaarde, 2013: 2).

Private philanthropy has a long tradition, especially in the USA and the UK. The Carnegie Foundation was founded in 1911 and the Rockefeller Foundation in 1913. The Rockefeller Foundation began its first international activities in the 1920s with the implementation of health programs in developing countries. Over the years, these foundations have had a significant impact on US foreign policy, and have been a driving force behind the “Green Revolution” in developing countries in the 1960s and 1970s. Today, there are more than 100,000 foundations worldwide. When founding foundations, not only philanthropic motives and motives, such as image care, but also fiscal considerations play a not insignificant role. For example, in the US since the reform of the US Tax Code in 1986, wealthy people have been able to circumvent property tax through contributions to improving public welfare. In order to transfer assets to the foundations, these foundations must invest 5% of their assets per year for charitable purposes. In recent years, reforms of the foundation law have also been implemented in several European countries, making the setting up of foundations tax-attractive.

This income and wealth concentration is the downside of the trend towards private philanthropy. The phenomenon of private philanthropy is strongly US dominated. In recent years, the international presence as well as the volumes of the US foundations have greatly increased and they have established themselves as influential actors in the development of the development aid landscape. The number of private foundations also increases in other countries due to the above-mentioned factors.

However, international aid from American foundations is based on criteria unique to the American philanthropic sector and does not appear to be influenced by those factors that determine Official Development Assistance of the OECD. In addition, the foundations, which are themselves operationally active in developing countries, sometimes have little experience in implementing their projects.

The increased international commitment of private foundations offers both opportunities as risks for poverty reduction and more effective development cooperation. During periods of stagnating public funds, new resources are mobilized for foundations for development policy. Their political and economic independence offers the possibility to engage themselves in the long term and independent

of public budget cycles. As a further strength of private foundations, their risk-taking behavior as well as the higher degree of professionalization are constantly emphasized. In addition to the potential of these new actors, there are a number of questions to be sketched out in the context of their increased importance in developing countries and in international development (Six & Kühlböck, 2009: 20-21).

### **The advantages of the incorporation of the private sector**

Obviously, profit-oriented private companies are not charitable organizations, and therefore, they seek their own advantage when investing in development policy. If they can be induced by a government-led risk reduction to invest in risky countries and areas where they would otherwise not be active, this is also more beneficial for the target countries than their absence (Nuscheler, 2004: 9).

Access to basic services is central to poverty reduction. Governments in developing countries are often unable to invest adequately into public infrastructure, especially in capital-intensive sectors. Private companies can improve quality and access by investing in services that benefit particularly poor groups, thereby contributing to poverty reduction. Private companies are also in competition with other applicants, i.e. profit and cost reduction, and therefore have to operate more efficiently. This is also beneficial to consumers, as efficiency is increased (Kühlböck, 2004: 20).

Since foundations can raise and spend funds at their own discretion, they are freer than other actors in their decision, which projects they primarily support. Organizational independence also allows foundations to take risks and promote innovative development practices, for example, by following other donors neglected areas in which they then invest, transferring procedures to new fields or testing new approaches in pilot measures. In contrast to OECD donors, foundations tend to finance narrowly defined topics, which is logical in view of their rather small size. Specialization can be an advantage if measurable results are to be achieved. It can also make it difficult to address system issues. Although foundations are able to effectively support tightly limited initiatives, most are not large enough to expand successful projects on their own. As a result, foundations must merge

with other development stakeholders in order to link successful projects to higher-level development processes and to increase the sustainability of the measures financed by them (Lundsgaarde, 2013: 2).

Common to all new private financing forms is that they are because of their decentralized character not affected by one of the most serious problems of traditional state development aid financing: corruption and abuse by the ruling elites. Thus, it seems that they are much more effective for controlling poverty. At the same time as they are free of charge, they have an important contribution to the savings and capital formation (including human capital formation) and thus ultimately for prosperity. This, however, requires that they are neither consumed unproductively by the recipients, nor, that the transfer does not lead to a dependency mentality (Knorr, 2005: 84).

### **The problems related to private sector incorporation**

This development policy trend fits into a globally implemented economic policy in which the private sector is given a leading role in providing basic services such as energy, water, health and education. There is a controversial debate about the increasing involvement of the private sector in these sectors and their impact on poverty reduction (Küblböck & Zauner, 2004: 2).

Private sector actors can have many legitimate economic motives and incentives to invest. But if they are to be true partners in development, they must be prepared to collaborate in ways that improve the social and economic rights of poor and marginalized populations. Such initiatives would emphasize the deliberate creation of economic opportunities for these excluded populations, focus on the economic empowerment of women, create conditions for decent work, and support measures and funds that promote socio-economic inclusion and social protection. UN Special Human Rights Rapporteurs on extreme poverty and on food security recently proposed a US \$ 20 billion global fund to augment government resources to support a minimum social protection floor in all countries, addressing unemployment, illness, disability or crop failures (Tomlinson, 2012: 11).

In the past states that define themselves as donors have had to comply with the criteria of the OECD. Financial transfers and techni-

cal cooperation to be considered as “Official Development Assistance (ODA)” are subject to clear definition criteria for the Member States of the OECD.

This includes expenses which:

- (A) are financed by the public sector;
- (B) pursue economic development and welfare as the main objective;
- (C) which are granted under favourable financial conditions, i.e. in the case of loans, they should have a grant rate of at least 25%, which does not have to be repaid.

In the current development policy discourse, the term “donor” in the case of states was bound to these criteria. This was an objective concept, in order to draw up comparisons between donors and their services. The discussion about so-called “new donors” and their present and future development policy significance makes this comparability a problem (Six & Kühlböck, 2009: 6-7).

### **Insufficient regulation**

The issue of regulation of private infrastructure providers is central. For example, there is no incentive for private operators to pass on productivity gains to consumers, particularly in the case of restricted conditions of competition. Other criteria, such as the quality of the service, the adequate supply of broad population groups, etc., are also difficult to verify, especially for weak authorities in developing countries. The establishment of effective regulatory authorities requires sufficient resources and know-how, as well as well-established legal practices and traditions, and this is often not the case in many developing countries. Owing to inadequate information, it is often very difficult for regulatory authorities to check the quality of the service or the adequately calculated prices. The withdrawal from a contract is also often de facto impossible. If they wish to withdraw from the contract due to adverse circumstances, they are often faced with lawsuits and high claims for compensation and the termination of the contract (Kühlböck, 2004: 26-27).

## **Commercial interests**

The activities of the private philanthropists suggest that the right use of financial resources can ensure social change, better health care and adequate nutrition. The solutions to most of these problems, however, are not in the technical area or in the provision of financial resources for specific projects, but rather are questions of the political enforceability of certain interests within a society. In this respect, there is a tension between the sources of funds from private foundations and the activities financed from them. Commercial interests are not infrequently affected by social concerns such as privatization in the infrastructure sector in many developing countries or the granting of massive tax relief for foreign investors. The founding of private foundations is mostly due to tax optimization reasons. The rising prices of financial investments have led to a strong increase in the assets of several foundations in recent years. At the same time, developing countries in volatile financial markets and, for example, higher food prices are often negatively affected by the speculative activities of financial market players. In addition, financial assets are often managed in a tax-free manner through offshore centers (Six & Kühlböck: 29).

Another problem, however, is that private investors do not usually go where poverty is greatest, although they can benefit from various government investment incentives. That is why sub-Saharan Africa only gets crumbs of the large capital flows, which are mostly flowing into a dozen emerging markets. The poorest developing countries, in particular, need the ODA to achieve the MDGs. And they need help from private sources “because the ODA cannot stuff all the holes in the social homes of the LDCs” (Nuscheler, 2004: 8).

## **Image improvement**

Often the growing influence of private actors in the development sector by companies like TUI or Ikea is criticized as start their own aid projects for refugees or tsunami victims as part of their “corporate social responsibility” donor activities. This is not so much the need to help as the desire to improve the image of companies. Therefore, public development organizations could hardly plan if every industrial company

does its own thing. The best-known example of personal finance is the activities of the software billionaire Bill Gates. Its foundation supports programs for a “green revolution” in Africa and also cooperates with the seed company Monsanto. Gates finances vaccination programs such as Gavi with the help of large pharmaceutical company like Monsanto and suddenly Monsanto is green (Jakob, 2015).

The profit private sector contributions to the development process are more sustainable if they are embedded in the core business strategy of a company. Changes in core business strategies will have a larger impact, positive or negative. Core business is often contrasted with Corporate Social Responsibility (CSR) with more limited resources to tap into, and with various voluntary initiatives of a philanthropic nature. However, the divide between core business and CSR is not always clear, as stated by a multilateral donor, as CSR principles can also be part of core business practices (Davies, 2011: 6-7).

### **Democratic control**

An essential question that arises in the light of increasing importance of the private sector in developing countries is that of determining the priorities and controlling their implementation. What are the main criteria? Who is the private donor accountability, who checks the activities and, possibly, the underlying motives and their effects? Institutions such as parliaments, accounting offices, trade unions and other civil society organizations are exercising this democratic control function – in an often improved form – for public activities both in donor and recipient countries. With increasing volumes and the increasing influence of private foundations (development policy), these questions must be put more strongly into the public discussion. In this context of the need for a new social contract to ensure that private actors play a socially desirable role. At the multilateral level, too, there is a growing influence of private donors, especially on funds and alliances, involving both public and private institutions. For example, the above-mentioned health and agricultural initiatives have a major influence on the shaping of national and international policies in these areas. Various studies show that central issues, such as the influence of commercial interests on state decision-making processes, are not

adequately addressed either at the political level or at the level of the existing Safeguard mechanisms: It might be a good recommendation for foundations that are closely related to existing companies, such as the Bill and Melinda Gates or the Ted Turner UN Foundation to examine UN closely by UN agencies whether donations from these foundations give unfamiliar advantages to their related companies referring to profits or their reputation. Also, it has to be considered that the new models of the international public private partnerships imply serious risks and side effects. The central question in the analysis should therefore not be how these models can be strengthened, but how global problems can be solved in a democratic, multilateral framework and the role played by cooperative models between public institutions and private sector players (Six & Kühnböck, 2009: 29-30).

## **Conclusion**

The emergence as well as the increasing influence of “new” private actors holds both opportunities and risks for the “traditional” development policy within the framework of the OECD. Due to the increasing activities of the “new” donors, additional funds are being made available, for example, for measures to reduce poverty and the expansion of infrastructure. Poor developing countries are given greater scope by the appearance of new donors and thus potentially reduce their dependency on donor programs with often strict conditionality. The stronger role of “new government donors” with their own motives and interests also represents an opportunity for the traditional donor community to clarify and possibly question their own motives and interests for development cooperation. Transparent access in this regard could also potentially facilitate coordination with those countries which have so far rejected the adoption of OECD standards and concepts.

The increasing influence of private foundations and private sector actors on national as well as international development cooperation entails the risk of the enforcement of particular interests as well as the erosion of legitimate democratic decision-making (often also inadequate). A more thorough examination of the role, the impact and the impact of these actors on poverty reduction, national and international politics as well as democracy, as well as the implementation of

measures to ensure that the activities of these actors serve the socially desirable objectives, is therefore essential.

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