T H E

K A M P A L A

P R I N C I P L E S:

Online Toolkit for Development Partners

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# INTRODUCTION

Why a toolkit for Private Sector Engagement?

Development co-operation actors are increasingly working with the private sector in their projects and programmes to address the challenges brought by the pandemic and climate change, and to deliver on the 2030 Agenda at the country level. This trend has created a demand by these actors for more practical guidance on how to design, implement or review a private sector engagement (PSE**[[1]](#footnote-2)**) policy, programme or project. These actors are also keen to promote mutual learning, knowledge exchange and innovation in PSE.

This toolkit provides guidance for stakeholders to practically apply the [Kampala Principles for Effective Private Sector Engagement](https://www.effectivecooperation.org/content/kampala-principles-effective-private-sector-engagement-through-development-co-operation) – a set of 5 normative principles and 16 sub-principles – to guide private sector partnerships in development co-operation to deliver better outcomes at country level. The ultimate goal of this toolkit is to inspire stakeholders to invest in new ways of collaborating with the private sector as a genuine partner in development co-operation in the pursuit of the 2030 Agenda and the SDGs. In the spirit of SDG 17, it also aims to foster greater recognition of the partnership angle of development co-operation and of the concerns of different stakeholders active in this endeavour.

While the GPEDC working definition of PSE includes mobilisation of additional private finance, the guidance in this toolkit is mostly focused on the implementation and practical use of international public resources to support policy or projects with the private sector. Nevertheless, the toolkit does provide indicative guidance that could be relevant for mobilisation of additional finance and points to relevant resources for those who are interested in consulting more information.

The toolkit unpacks the Kampala Principles into action-oriented guidance with a strong focus on country and local level perspectives, with a deliberate distinction between policy and project level to cater to different stakeholder’s interests and needs. It is based on inclusive dialogue and consultations with a wide range of development co-operation actors over the last three years.

Who is the toolkit for?

The toolkit comes in five parts. This part is meant to provide guidance to **development partners** that wish to start systematic and meaningful engagement with the private sector in their development co-operation activities or improve their ongoing practices. The other parts support action by partner country governments, the diverse set of private sector actors, civil society organisations and trade unions.

What are the base assumptions of this toolkit?

The toolkit recognises that development partners operate in distinct ways and through different channels with the private sector, with varying perspectives and demands for information. It also acknowledges that the private sector is comprised of a wide variety of actors with substantial differences in terms of interests, motivations and capacities. The toolkit, therefore, should not be perceived as a one-size-fits-all handbook of solutions for all topics, PSE modalities and types of development partners and private actors. Rather, it serves as *meta-guide* pointing to relevant and more detailed information from other sources to provide all actors the possibility to use the provided guidance in line with their own policies and systems.

How does the toolkit work?

This is a draft document intended to facilitate consultations on the toolkit with relevant development actors. A final version will be made available as an interactive online platform in the run up to the Effective Development Co-operation Summit 2022 (12-14 December 2022). The toolkit will be freely accessible to all stakeholders online. It will allow users to follow relevant content and filter specific information of interest. The guidance provided under each of the sub-principles is divided into: a) an explanation on importance; b) priority questions for self-reflection; c) priority actions to consider; d) common pitfalls to avoid; e) examples of good country-level practices; and f) resources for further reading.

How to navigate through this document?

To ease the review process, the content is displayed in a format resembling the functionality of an online toolkit. Hyperlinks and bookmarks are incorporated to enhance interactivity and to easily navigate within the document. The [**table of contents**](#_Table_of_Contents) provides a broad overview and allows for jumping to specific sections of interest using the command **‘ctrl+click’**. At the end of each Kampala Sub-Principle and in the bottom right corner of each page you will find the **button** ‘[Back to Overview Ý](#_Table_of_Contents)’, and the **button** [Ý](#_Table_of_Contents), respectively. Both lead back to the table of contents in the beginning of this document. Should readers be interested in certain sub-topics, i.e. self-assessment questions, actions to consider, pitfalls to avoid, country examples or resources only, the **bookmarks overview** enables to click and choose among the different options under each Kampala Principle (see below). Clicking on the **button** [[**Ü**](#Self_Assess_KP1B)](#Self_Assess_KP1A)located next to each sub-heading using ‘**ctrl+click**’ will redirect the reader to the same topic under the subsequent Kampala Sub-Principle (e.g., from the country example under KP 1B to the country example under KP 1C).

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| **2) Results & Targeted Impact** | [A) Sustainable dev. results](#_2.A_Focus_on)  [B) Align business & dev. interests](#_2.B_Ensure_sustainable)  [C) International standards](#_2.C_Engage_in) | [Reflect\_KP2A](#Self_Assess_KP2A)  [Reflect\_KP2B](#Self_Assess_KP2B)  [Reflect\_KP2C](#Self_Assess_KP2C) | [Actions\_KP2A](#Actions_KP2A)  [Actions\_KP2B](#Actions_KP2B)  [Actions\_KP2C](#Actions_KP2C) | [Pitfalls\_KP2A](#Pitfalls_KP2A)  [Pitfalls\_KP2B](#Pitfalls_KP2B)  [Pitfalls\_KP2C](#Pitfalls_KP2C) | [Example\_KP2A](#Country_Example_KP2A)  [Example\_KP2B](#Country_Example_KP2B)  [Example\_KP2C](#Country_Example_KP2C) | [Resources\_KP2A](#Resources_KP2A)  [Resources\_KP2B](#Resources_KP2B)  [Resources\_KP2C](#Resources_KP2C) |
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| **3) Inclusive partnerships** | [A) Inclusive dialogue](#_3.A_Support_and)  [B) Bottom-up partnerships](#_3.B_Promote_inclusive,)  [C) Accessibility of partnerships](#_3.C_Make_partnerships) | [Reflect\_KP3A](#Self_Assess_KP3A)  [Reflect\_KP3B](#Self_Assess_KP3B)  [Reflect\_KP3C](#Self_Assess_KP3C) | [Actions\_KP3A](#Actions_KP3A)  [Actions\_KP3B](#Actions_KP3B)  [Actions\_KP3C](#Actions_KP3C) | [Pitfalls\_KP3A](#Pitfalls_KP3A)  [Pitfalls\_KP3B](#Pitfalls_KP3B)  [Pitfalls\_KP3C](#Pitfalls_KP3C) | [Example\_KP3A](#Country_Example_KP3A)  [Example\_KP3B](#Country_Example_KP3B)  [Example\_KP3C](#Country_Example_KP3C) | [Resources\_KP3A](#Resources_KP3A)  [Resources\_KP3B](#Resources_KP3B)  [Resources\_KP3C](#Resources_KP3C) |
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| **5) Leave no one behind** | [A) Assess private sector solution](#_5.A_Ensure_that)  [B) Targeting for greatest impact](#_5.B_Target_specific)  [C) Risk sharing](#_5.C_Share_risks)  [D) Risk mitigation](#_5.D_Establish_provisions) | [Reflect\_KP5A](#Self_Assess_KP5A)  [Reflect\_KP5B](#Self_Assess_KP5B)  [Reflect\_KP5C](#Self_Assess_KP5C)  [Reflect\_KP5D](#Self_Assess_KP5D) | [Actions\_KP5A](#Actions_KP5A)  [Actions\_KP5B](#Actions_KP5B)  [Actions\_KP5C](#Actions_KP5C)  [Actions\_KP5D](#Actions_KP5D) | [Pitfalls\_KP5A](#Pitfalls_KP5A)  [Pitfalls\_KP5B](#Pitfalls_KP5B)  [Pitfalls\_KP5C](#Pitfalls_KP5C)  [Pitfalls\_KP5D](#Pitfalls_KP5D) | [Example\_KP5A](#Country_Example_KP5A)  [Example\_KP5B](#Country_Example_KP5B)  [Example\_KP5C](#Country_Example_KP5C)  [Example\_KP5D](#Country_Example_KP5D) | [Resources\_KP5A](#Resources_KP5A)  [Resources\_KP5B](#Resources_KP5B)  [Resources\_KP5C](#Resources_KP5C)  [Resources\_KP5D](#Resources_KP5D) |
| *Note*: The hyperlinks lead to specific sub-sections under each Kampala Principle using the command ‘**ctrl+click**’. | | | | | | |

# **KAMPALA PRINCIPLE 1: INCLUSIVE COUNTRY OWNERSHIP.**

# **Strengthening coordination, alignment and capacity building at the country level**

Government leadership, inclusive and co-ordinated processes, and capacity at national and local levels impact the long-term sustainability and effectiveness of private sector engagement (PSE) through development co-operation. Development co-operation can support the creation and implementation of policies for PSE through development at country level, facilitate PSE through development co-operation in ways that maximise participation by local businesses and build the capacity of all stakeholders to contribute.

## **Sub-Principle 1.A: Define National PSE Goals Through an Inclusive Process**

Articulate a policy framework that is explicit about the role expected of the private sector in delivering national and sectoral development priorities in line with the 2030 Agenda and the contributions of PSE through development co-operation, including how success will be measured. Such frameworks should set clear expectations regarding priorities and objectives for PSE through development co-operation at national level, including in key sectors and markets. They should be developed through an inclusive and equitable process that allows for dialogue (including social dialogue) up front with all relevant stakeholders, including those with more limited capacities such as micro, small and medium-sized enterprises (MSMEs).

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**Why is it important?**

A well-designed and thoroughly consulted PSE policy in a partner country is key to clarify the priority sectors where development partners can focus their efforts. The design process of such a policy would usually come with an effort to identify focal points within the lead Ministry or entity and among all key stakeholders. This can be an important hook for a development partner to help build capacity and skills in-country (including among government, civil society, business partners and its own Embassy staff). Ultimately, inclusively defined national PSE goals can also help mitigate risks, such as disorganised interventions, ineffective strategies, and project failure, and foster systematic learning from such experiences. For a development partner to support this, it would require clear strategic direction from its own PSE policy, which is why some of the questions below also refer specifically to the development partners’ policy environment for PSE.

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| ***Policy level*** | ***Project level*** |
| **Self-Reflection Questions** [**Ü**](#Self_Assess_KP1B) | |
| * If your government or organisation **does not have a PSE policy**, what other strategic approaches do you use to design and manage your relationship with private sector organisations domestically and in your partner countries? * If your government or organisation **has a PSE policy**, does it propose how to support partner country governments in designing their national PSE goals through an inclusive process? Does it specifically refer to how diverse government entities, sub-national governments, local and international private sector, civil society, foundations and other development actors active in the country can contribute? * Does your PSE policy identify **potential associated risks and opportunities** for providing such support to national actors? | * Do PSE projects your government or organisation supports require **consultations and dialogue** with partner country governments and other partners at different stages of the projects’ life cycle? If yes, how much **emphasis is placed on local actors,** including sub-national governments, civil society, and the local private sector? * Do your projects **strengthen local ownership** **and capacity** by ensuring the regular and sustained participation of local public, private and civil society actors and set up processes and systems that help **enable the creation of inclusive outcomes**? |
| **Actions to consider** [[**Ü**](#Self_Assess_KP1B)](#Actions_KP1B) | |
| * **Ensure that your PSE policy is coherent with your government or organisation’s commitments to national country ownership and Development Effectiveness principles**. This includes having a solid results framework, a clear approach on how to consult stakeholders in the design of the policy in country, clarity on the accountability relationships, and how and where to provide information on the implementation of the policy at regular intervals etc. * **Support the participation of national stakeholders in the design of partner countries’ national PSE policies**, notably those with limited capacities (i.e. MSMEs and CSOs). This support may be particularly necessary in fragile and conflict-affected contexts. * **Examine your own consultation processes for developing your government or organisation’s PSE policy**: if a partner country government approaches you for guidance, consider how and which of your own best practices can support partner countries’ efforts to consult other stakeholders. * **Support the development of inclusive long-term strategies for private finance mobilization** as part of partner countries’ national PSE or development policies – including Integrated National Financing Frameworks (INFFs) when appropriate. * **Maintain or develop a set of knowledge materials on your own PSE policy** priorities and mechanisms that you can share with partner countries’ governments and other national actors upon demand to inform the design of their PSE policy. | * **Consult partner country governments and other relevant stakeholders** during planning and implementation of new PSE projects in ways that are light, but rigorous, and enable inclusive outcomes. * **Regularly offer advice to partner country governments on national PSE goals** in view of experiences during project implementation, especially in fragile and conflict-affected contexts. |
| **Pitfalls to avoid** [[**Ü**](#Self_Assess_KP1B)](#Pitfalls_KP1B) | |
| * **Unilaterally prioritise your own commercial interests** over the development priorities stipulated in the partner country’s development plan and/or PSE goals and policy. * **Base you contribution on short-term priorities**. This is a long term action plan, look how you can support the partner country’s design and delivery on national PSE goals over a longer period. * **Assume that consultation with, and agreement by, stakeholders on national PSE goals will automatically translate into their active engagement**, buy-in, or ability to influence the goals and their achievement. * **Assume that the partner country government will facilitate inclusive dialogue with other actors.** * **Take charge of dialogues without transferring responsibility to partner country’s government for leading the process**: without early ownership of the partner country government in the policy design and consultation process, strong commitment to the agreed PSE goals and processes can hardly be achieved. | * **Assume that PSE projects are aligned to national PSE goals.** * **Solely support a partner country government** without including local civil society and private sector actors in consultations and implementation processes. |
| **Country example** [[**Ü**](#Self_Assess_KP1B)](#Country_Example_KP1B) | |
| The US Agency for International Development (USAID) provided financial support and assistance to Ghana’s Environmental Protection Agency (EPA) to develop Ghana’s [Private Sector Engagement Strategy for the National Adaptation](https://napglobalnetwork.org/wp-content/uploads/2020/05/napgn-en-2020-ghana-private-sector-engagement-strategy-for-nap.pdf) plan. This strategy was developed through an inclusive and country-owned process of research, bilateral meetings, and multi-stakeholder validation of key priorities and objectives. | |
| **Resources** [[**Ü**](#Self_Assess_KP1B)](#Resources_KP1B) | |
| * [DCED Towards strategic private sector engagement: A summary of innovations and institutional change in donor agencies](https://www.enterprise-development.org/wp-content/uploads/Strategic-private-sector-engagement-summary-of-DCED-briefing-note.pdf) * [The Netherland’s private sector engagement policy: A World to Gain: A New Agenda on Aid, Trade and Investment](http://www.government.nl/files/documents-and-publications/reports/2013/04/30/a-world-to-gain/a-world-to-gain-en-1.pdf) * [OECD DAC Blended Finance Principle 3: Tailor Blended Finance to Local Context](https://www.oecd.org/dac/financing-sustainable-development/blended-finance-principles/documents/P3_Guidance_Note.pdf) | |
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## **Sub-Principle 1.B: Align and co-ordinate PSE through development co-operation with national priorities and strategies**

Individual projects should be based on agreed objectives that are linked to national development priorities and the 2030 Agenda. Partners should align their efforts with the priorities identified in the plans and policies of national and sub-national governments, as well as through inclusive consultation. Co-ordination within and across stakeholder groups is equally important to ensure synergies among the work of different actors and alignment with national PSE priorities and the Sustainable Development Goals (SDGs).

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**Why is it important?**

Aligning projects and programmes with national priorities and strategies can foster development outcomes that are in line with the needs of partner countries, as well as supporting progress towards Agenda 2030 and related global goals. At a general level, projects and programmes that are aligned with national strategies and local needs are more likely to be effective, thus ensuring greater value for money. Beyond alignment, coordination among partner countries increases the effectiveness of interventions. Such efforts avoid duplication, fragmentation and competition for resources. Coordination also helps identify challenges to be addressed and opportunities to be tapped into.

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| ***Policy level*** | ***Project level*** |
| **Self-Reflection Questions** [[**Ü**](#Self_Assess_KP1B)](#Self_Assess_KP1C) | |
| * Does the PSE policy and specific country and/or regional PSE strategies of your government or organisation **recognise the need to align with partner countries**’ national and sub-national development and PSE priorities? * Do you **regularly assess the degree of alignment** of your PSE programmes and projects to partner countries’ national and sub-national development and PSE priorities? * Do you **coordinate, at the country level, with other development partners** to align in a harmonised way and to avoid duplication and fragmentation of efforts and market distortions? * Does you **regularly exchange with partner countries’ governments** to inform your priority sectors and target regions for PSE projects and jointly identify interventions to support their development priorities? * What **other tools to address discrepancies between your own priorities and that of partner countries** does your government or organisation use? What learning and feedback loops exist and are they structured and systematic? | * Are your **PSE projects explicitly contributing to the partner country’s national and sub-national development priorities**? * Do your projects **align to nationally defined development and PSE goals**? * Do your projects use and support **related and country-led results frameworks**, if in place? * Do you **communicate your projects’ intermediary and final results to the partner country’s government?** * Do you **share relevant information** **to support national and sub-national administrations**’ efforts to coordinate PSE interventions? * Do you **share relevant information with other stakeholders at country level**, including business associations, trade unions and civil society? |
| **Actions to consider** [[**Ü**](#Self_Assess_KP1B)](#Actions_KP1C) | |
| * **Establish structured and regular channels of communication** within your administrations and with partner countries’ national and sub-national governments as well as with other development partners to foster agreement on priorities, ensure coordination, facilitate alignment and avoid duplication. * **Establish or participate in existing coordination groups** dedicated to PSE with other development partners and/or with government and other stakeholders at the country level. * **Support or lead political dialogue** on dilemmas and challenges related to alignment to PSE priorities at country level that cannot be addressed at the technical level. | * **Make use of the SDGs and national development plans** as common frameworks to clarify priorities among all partners and define how your PSE projects contribute to specific related goals and indicators. * **Foster alignment between your internal reporting systems and those of the partner countries’ governments on PSE projects**, including results frameworks and indicators. * **Encourage and engage in regular and joint assessments of progress** with project partners and partner countries’ governments. |
| **Pitfalls to avoid** [[**Ü**](#Self_Assess_KP1B)](#Pitfalls_KP1C) | |
| * **Establish country-specific PSE goals without consulting partner countries**’ national governments and other local stakeholders. * **Assume your government or organisation’s own PSE priorities align** with partner countries’ national goals. * **Develop one-size-fits-all policies and programmes** that do not recognise the needs and constraints of local actors. * **Act alone** without previous coordination with other development partners at the country level. | * **Sporadic or *ad hoc* attempts at alignment**. Alignment is a process that needs to be attended to throughout all stages of a project’s lifecycle – from project design to its implementation, conclusion and evaluation – with processes, dialogue and information-sharing efforts in place at each of these stages. |
| **Country example** [[**Ü**](#Self_Assess_KP1B)](#Country_Example_KP1C) | |
| Crown Agents’ [Health Pooled Fund (HPF3)](https://www.crownagents.com/blog-post/opinion-3-drivers-to-accelerate-private-sector-engagement-in-health-service-delivery/) in South Sudan is an initiative supported by the UK’s FCDO, EU, USAID, Canada, GAVI and SIDA. The Fund works with the South Sudanese government to provide basic health services, including prevention and treatment, essential drugs, and medical equipment. Alignment was crucial to tackle the country’s structural limitations in delivering healthcare services due to a lack of infrastructure and persistent poverty aggravated by years of war. The country’s concurrent emergencies and structural limitations in health procurement infrastructure required strong alignment of all partners’ objectives and processes towards local necessities and realities. The Fund has taken a long-term, incremental approach to ensuring alignment with local needs to support and build a robust end-to-end operational process for basic health service delivery and provision of essential drugs and medical equipment. In doing so, Crown Agents are supporting national development priorities with local systems and capabilities that are built to last. | |
| **Resources** [[**Ü**](#Self_Assess_KP1B)](#Resources_KP1C) | |
| * [DeLoG General Guiding Principles for Enhancing Alignment and Harmonisation on Local Governance and Decentralisation](https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=&ved=2ahUKEwi0ksrcnfnwAhUUPuwKHdehAFkQFnoECAQQAA&url=https%3A%2F%2Feuropa.eu%2Fcapacity4dev%2Ffile%2F11131%2Fdownload%3Ftoken%3DiegU6yfE&usg=AOvVaw3avYcBjvDWhXPnvOzGVhow) * [NSI & CCIC Investing in the Business of Development: Bilateral Donor Approaches to Engaging the Private Sector](http://www.nsi-ins.ca/wp-content/uploads/2013/01/2012-The-Business-of-Development.pdf) * [OECD DAC Blended Finance Principle 3: Tailor Blended Finance to Local Context](https://www.oecd.org/dac/financing-sustainable-development/blended-finance-principles/documents/P3_Guidance_Note.pdf) | |
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### **Sub-Principle 1.C: Invest in capacities for PSE through development cooperation**

There is a need for investment in the development of institutional capacities to effectively partner across different stakeholder groups. The development community should also support the efforts of stakeholder groups to strengthen their capacity to engage effectively in PSE through development co-operation. This includes through national and local-level policy making and resource allocation with a particular focus on commonly excluded or difficult to reach groups.

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**Why is it important?**

Projects and programmes targeting the private sector are less likely to produce desired impacts without adequate and sustained efforts at supporting capacity development both at headquarters and on the ground. Ensuring that individual staff and teams have the necessary training and skills for effectively implementing activities throughout the project-cycle is integral to success. This also means learning how to: identify whether private sector solutions are best suited to achieve development outcomes; communicate and partner with the private sector, and support local stakeholders acquire necessary skills. Sharing best practices and supporting partner country capacity building processes are important means towards these objectives, as these help scale public-private engagement and thus offer vital spill-over effects into other target contexts, populations and sectors. Major emphasis should also be placed on identifying and providing appropriate training to actors with multiplying effects, notably within local and regional governments, among local business associations, and within Micro- and Small- Enterprises, including those in the informal sector.

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| ***Policy level*** | ***Project level*** |
| **Self-Reflection Questions** [[**Ü**](#Self_Assess_KP1B)](#Self_Assess_KP2A) | |
| * Has your government or organisation **identified which skills you are lacking** to lead your PSE? * Do you have a **dedicated budget to offer training** for your staff (at HQ and in field) that covers key skills and helps with cultural change that may be needed? * Do you have a **systematic process in place to recruit PSE experts**, and strengthen such expertise locally, within Embassies, without depending on consultants? * Do you **training to other stakeholders** to facilitate and encourage their active participation in your programmes? * Are there **PSE guidelines in place** for staff and other stakeholders to design, implement and assess partnerships with the private sector including due diligence processes? * Do your **country programmes provide budget or in-kind support for training and capacity building** of local actors including governments (national and sub-nationals), private sector and civil society? Do such offers include formats that are easy-to-access (roundtables, video training etc.) and resources that are easy-to-understand (local language etc.)? | * Do your projects have **dedicated and long-term resources for building the capacity** of your partners? * Do your projects **assess capacity and training needs** in the design phase to identify and proactively address any gaps? * Do your projects **offer training and capacity support beyond the project horizon** for local private sector and civil society organisations? * Do your projects **acknowledge and offer different types of capacity building support** required according to different contexts (e.g., in fragile and conflict affected states? |
| **Actions to consider** [[**Ü**](#Self_Assess_KP1B)](#Actions_KP2A) | |
| * **Develop specialised programmes to provide training and technical support** to staff both at headquarter and country level. In doing so, make sure to provide the right resources and training to the right individuals to minimise unnecessary knowledge transfer. * **Develop or make available tools to support problem solving** that can be used across institutions and are easily available to staff (e.g. dedicated training sessions and workshops, guidance material, case studies, effective knowledge sharing and learning mechanisms, professional exchanges and secondments). * **Ensure that soft skills** – interpersonal skills, effective communication, adaptability and flexibility – **and cultural change** **are also covered** in your training programmes to enable open exchanges on the role of PSE. * **Review existing capacity building programmes** and determine how skills for PSE can be integrated across the full suite of organisational training opportunities. * **Have a dedicated budget** at headquarter and country level to enable relevant capacity building for your own staff and local stakeholders. * **Brief and discuss with partner country counterparts** about innovative approaches and new instruments your government or organization uses, such as blended finance. | * **Identify the set of necessary skills and knowledge** for your projects and assess stakeholders’ most significant gaps and shortcomings. * **Consider how the capacities of local and national private sector actors can be improved** to contribute to development outcomes. * **Provide capacity building activities and trainings for local project partners** to close knowledge gaps and enable more effective partnering and project implementation. * **Consider partnering for more substantive capacity building support with key institutions working in this field**. Many NGOs and organisations are developing guidance for capacity building in partner countries. |
| **Pitfalls to avoid** [[**Ü**](#Self_Assess_KP1B)](#Pitfalls_KP2A) | |
| * **Provide overly standardised training packages** that do not cover specific sectoral or thematic knowledge needed for effective partnering with the private sector. * **Exclusively invest in one-off, single-session trainings**. These are unable to build dedicated capacity to respond to shifts in the policy environment and private sector. * **Offer trainings for which the audiences are too broad**, not recognizing that different levels of staff require different types of training. | * **Unduly focus on short-term results or goals**. Think beyond the project horizon when developing skills and expertise; this is at the heart of development co-operation. * **Offer trainings that are not relevant** to partner country and local stakeholder – particularly private – needs. * **Assume that all partners have the required capacity to implement projects** and/or engage in dialogues and partnerships with the private sector. |
| **Country example** [[**Ü**](#Self_Assess_KP1B)](#Country_Example_KP2A) | |
| The International Fund for Agricultural Development (IFAD) defines in its [Action Plan for the IFAD Private Sector Engagement Strategy 2019-2024 (p.17)](https://webapps.ifad.org/members/eb/127/docs/EB-2019-127-R-3.pdf), a renewed institutional set up, capacity building and training as one of the main set of actions required for successful implementation. This includes the establishment of a private sector, advisory and implementation unit (PAI) as new lead for technical PSE expertise, the recruitment and assignment of new staff with private sector expertise, the nomination of new focal points with private sector expertise across all IFAD departments, and the development of specific training modules to strengthen staff capacity at headquarter and project level. | |
| **Resources** [[**Ü**](#Self_Assess_KP1B)](#Resources_KP2A) | |
| * [OECD DAC Capacity for Private Sector Engagement in Development Co-operation](https://www.oecd.org/dac/peer-reviews/2-Capacity-for-Private-Sector-Engagement-in-Development-Co-operation.pdf) * [DCED How donors can make the transition to strategic private sector engagement: Programming innovations and organisational change](https://www.enterprise-development.org/wp-content/uploads/DCED_Making_the_Transition_to_Strategic_Pivate_Sector_Engagement.pdf) | |
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# **KAMPALA PRINCIPLE 2: RESULTS AND TARGETED IMPACT**

# **Realising sustainable development outcomes through mutual benefits**

Private sector engagement (PSE) through development co-operation aims to realise better outcomes for people and the planet through partnerships that harness the mutual benefit from businesses and development stakeholders. Its effectiveness in achieving significant, sustained and sustainable development impacts depends on maximising clearly identified, well-defined and measurable sustainable development and business outcomes; predicting, avoiding and remedying unintended negative impacts; and ensuring that partnerships recognise and respect the needs and incentives of all partners.

## **Sub-Principle 2.A: Focus on maximising sustainable development results**

At the policy level there is a need to identify key sectors, markets and populations where increased private investment and entrepreneurial activity is needed to support sectoral, national and international sustainable development priorities and efforts to leave no one behind. It is also important to identify situations where PSE through development co-operation can support inclusive dialogue processes and the creation of partnerships involving private sector actors. Partners should identify and prioritise investments and engagement opportunities to maximise results for groups most in need, such as poor rural households, those living in urban poverty, women and young people (see also [KP5B](#_5.B_Target_specific)). Delivering results for these groups will require partnerships with and support for micro, small and medium- sized enterprises (MSMEs), businesses and entrepreneurs in the informal sector, as well as trade unions and other relevant actors.

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**Why is it important?**

The overarching objective of partnerships with the private sector is to support progress towards sustainable development in line with agreed priorities. For development partners, a focus on maximising sustainable development results is motivated by the need to deliver more with the limited resources available. Development partners can play a catalytic role in ensuring that all private sector projects have a clear development rationale next to the business benefits and are focused on attaining social, economic and environmentally sustainable results in particular for groups most in need. Setting up systems and processes to maximise sustainable development results is therefore essential to deliver solutions that directly respond to the needs of these target groups and outlast the horizon of individual programmes and projects.

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| ***Policy level*** | ***Project level*** |
| **Self-Reflection Questions** [[**Ü**](#Self_Assess_KP1B)](#Self_Assess_KP2B) | |
| * To what extent does your government’s or organisation’s **PSE policy and goals** **recognise the need to target groups and sectors** identified within a partner country’s national development plan? * To what extent does your **country programme explicitly target left-behind groups and sectors** as identified within a partner country’s national development plan? * Do you **regularly assess which groups and sectors within your country programmes are most in need** and therefore should be targeted? Do you assess whether partnerships with the private sector are the best solution to support them (as part of political economy analysis etc.)? Does this influence your overall policy orientation? * **Do you consult local stakeholders in partner countries** to make an assessment of who should be targeted with your PSE? * **Do you consult relevant databases** on social, economic, and environmental statistics to assist in developing up-to-date, evidence-based policy guidance targeting those most in need that may also inform your PSE policy and goals? How do you deal with related data gaps? * **Does your policy acknowledge the role of the informal sector in partner countries**’ development and identify mechanisms to support formalisation and/or work with actors in the informal sector? | * **To what extent do your private sector projects explicitly target left-behind groups and sectors** as identified within a partner country’s national development plan? * **Do you and other partners share an agreed theory of change for PSE projects**? If yes, does this show how development outcomes are achieved and how the project will affect those furthest behind? * How do you **assess the impact of projects on the priority target groups**? * Are there **feedback loops or systems in place to correct course or halt project implementation** in case desired development outcomes are compromised? * What measures do you use to **ensure successful projects**, especially those targeting marginalised and hard-to-reach populations, **can be scaled up** in other contexts? * Have you established a **clear exit strategy**? How can you ensure that vulnerable populations, sectors and groups will benefit from a PSE intervention beyond the project horizon? * Have you considered the **potential spill-over effects** of your project for left-behind groups and sectors? How do you mitigate related risks? |
| **Actions to consider** [[**Ü**](#Self_Assess_KP1B)](#Actions_KP2B) | |
| * **Identify priority sectors, regions and populations** in line with your government or organisation’s overall PSE policy to define clear development outcomes in different partner country’s context. * **Encourage partner country governments and other actors to prioritise results on challenges** where PSE is needed on partner countries development agenda such as climate change or inequality. * **Prioritise funding and support** for PSE initiatives that explicitly target left-behind groups and underserved sectors of the economy. * **Identify and tackle bottlenecks and trade-offs to achieving outcomes across sectors**, such as impediments in financing, technology acceleration, implementation. * **Establish and promote clear steps on the use of standardised metrics** (e.g. SDGs) for identifying needs at the policy level and defining and documenting related results. * **Consider partnering with more local private sector and other actors** to achieve better and more long-lasting results. | * Establish, or support efforts by partner country governments in **developing a clear theory of change** for each PSE project that highlights roles for each actor and how development outcomes will be realised, notably for those hard-to-reach target groups. * **Establish a clear exit strategy**: ensure that project planning embeds long-term perspectives and post-project support to maximize results and positive impacts for those furthest behind. * **Use SDG indicators, where appropriate and in line with national results frameworks,** to track progress, drawing on specific indicators. * **Establish safeguards to enable course correction or project termination** if a project has negative impacts upon vulnerable target sectors and groups. * **Develop successful case stories** where PSE has explicitly benefitted those further behind for learning and knowledge sharing, across and beyond government. |
| **Pitfalls to avoid** [[**Ü**](#Self_Assess_KP1B)](#Pitfalls_KP2B) | |
| * **Identify too many target regions, groups, or sectors** of the economy, rather than prioritising those most in need. * **Decide on priority sectors, regions and groups without consulting local stakeholders** or relevant databases. | * **Adopt an overly rigid, short-term perspective on project outcomes and results**. * **Design a project without a theory of change, business case and exit strategy**. * **Define target populations, project objectives, outcomes and results without consulting private and civil society partners**. |
| **Country example** [[**Ü**](#Self_Assess_KP1B)](#Country_Example_KP2B) | |
| Through the Dutch [**Facility for Sustainable Entrepreneurship and Food Security (FDOV)**](https://english.rvo.nl/subsidies-programmes/facility-sustainable-entrepreneurship-and-food-security-fdov) the Netherlands Enterprise Agency encourages public-private partnerships in the fields of food security and private sector development in developing countries. The facility has a clear focus on groups most left behind by focusing on projects that have demonstrable positive effects for low-income groups and women while also making markets more efficient and production chains more sustainable. The FDOV recognises the needs of all partners and maximising development results by fostering the complementarity between ending hunger (SDG 2), promoting economic growth (SDG 8) and business interests. | |
| **Resources** [[**Ü**](#Self_Assess_KP1B)](#Resources_KP2A) | |
| * [OECD DAC Measuring the results of private sector engagement through development co-operation](https://www.oecd.org/dac/results-development/docs/results-pse-results-workshop-apr-18.pdf) * [Endeva Proving and Improving the Impact of Development Partnerships](https://www.endeva.org/wp-content/uploads/2014/11/Endeva_2014_Proving_and_improving_the_impact_of_development_partnerships__1_-2.pdf) * [OECD Delivering Results to Leave No One Behind](https://www.oecd.org/dac/results-development/docs/leave-no-one-behind-results-workshop-oct-2017.pdf) * GPEDC case study - Securing Women’s Access to Healthcare in Rural Colombia. | |
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## **Sub-Principle 2.B: Ensure sustainable development results by aligning core business and development interests**

The sustainability of results relies on a high level of commitment by all partners. When working with the private sector, projects and partnerships should be built on appropriate incentives for private participation, upfront consideration for core business practices/cases and agreed exit strategies that ensure ongoing viability after support schemes end. Ensuring compatibility between core business activities and 2030 Agenda objectives ensures that efforts are mutually beneficial for all parties and can be sustained beyond the end of the partnership.

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**Why is it important?**

Partnerships with the private sector are more likely to succeed and deliver long-term development results for those furthest behind when they are clearly linked to core business operations and [evidence shows](https://www.effectivecooperation.org/system/files/2020-06/PSE-Issue-Areas-Paper-for-Consultation.pdf) that projects succeed when development and core business strategies are well aligned. Corporate Social Responsibility (CSR) initiatives provide important contributions to sustainable development, but they are often short-term in nature, and should be secondary to projects and partnerships that emphasise a congruence between development and core business practices and interests. To bridge this gap, development partners’ role as mediators and bridge builders across the private sector’s and partner countries’ interest is of key relevance.

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| ***Policy level*** | ***Project level*** |
| **Self-Reflection Questions** [[**Ü**](#Self_Assess_KP1B)](#Self_Assess_KP2C) | |
| * Does your government’s or organisation’s PSE policy recognise the importance of **aligning core business and development interests** for interventions to be sustainable through time? * Does your PSE policy strive for **prioritising projects and partnerships that support sustainable core business practices** rather than CSR initiatives? * Does your government or organisation **support companies transforming CSR activities into core business operations** **and offer** **incentives to align their practices** with the SDGs and a partner country’s national development goals? * Does your PSE policy provide clear and robust **safeguards to ensure that the pursuit of commercial interests will not undermine efforts towards development goals**? * Do you provide **practical guidance and examples on how to achieve and communicate this** **focus** to partner country governments? * How can you ensure that a **partner country’s development goals are respected when confronted with** **diverging** **business’ commercial interests**, for example if the business belongs to your domestic industry? | * Have you established a **theory of change or catalogue of factors that describes how business and development interests will be served** by your projects? * Have you **allocated roles to project participants** as to who is responsible for ensuring which aspect of the project? * Are you and project participants **aware that sustainability of interventions with the private sector depends on the commercial viability of projects**? * Have you considered how a project will **continue to provide sustainable development results and outcomes beyond the project horizon**? Will there still be an incentive for the private sector to continue serving the target sector and/or population? * Do you have a clear **sense of how to exit once the project ends** and markets are established? * Does your project include **feedback mechanisms from the local community** on development results? |
| **Actions to consider** [[**Ü**](#Self_Assess_KP1B)](#Actions_KP2C) | |
| * **Support partner country governments in establishing assessments** for examining business partners’ practices and alignment with national development priorities. * **Prioritise sectors where you anticipate the greatest potential for congruence** between business and development interests in line with the overall objective of delivering for those most in need. * **Harmonise performance indicators** to facilitate the private sector participation and reporting procedures. * **Support innovative business models** that focus on delivering both business and development outcomes and create incentives to develop and scale them up. * **Support efforts to align** business, partner country government and other stakeholders’ priorities in sectors and regions you are active in. * **Enable CSO watchdogs to** **inform decisions on results focus at strategic level** to ensure overall development outcomes are prioritised and followed through. | * **Discuss and balance expectations of project partners** regarding development outcomes and the need for financial returns. * **Start small**: pilot to test the market and development returns before upscaling. * For each project, **agree among all partners on how you will jointly define and measure development and business outcomes**. * **Monitor the attainment of business and development outcomes flexibly**, offering lessons learned and opportunities for scaling up successful interventions in priority sectors. * **Use due diligence processes early and smartly**, and examine whether and how a proposed private sector partner’s core business aligns with and contributes to development objectives. * **Encourage projects with small social and environmental entrepreneurs** as they often organically combine development and commercial interests in their business models. |
| **Pitfalls to avoid** [[**Ü**](#Self_Assess_KP1B)](#Pitfalls_KP2C) | |
| * **Prioritise short-term projects with CSR initiatives** over long-term projects based on core operations of partner companies. * **Use inappropriate or excessive incentives** to attract business in detriment of development outcomes. * **Demand alignment from businesses towards development results** without considering your own and partner countries’ necessities for alignment towards businesses’ needs for profitability and commercial viability. | * **Assume that companies involved in development co-operation projects should not profit from projects**. * **Rush into a partnership with a private sector actor** without taking the time to determine the correct fit. * **Neglect the perspective of local actors** such as local CSOs watchdogs in assessing project progress on business and development targets. * **Set up objectives that may negatively affect the commercial viability of the project**. |
| **Country example** [[**Ü**](#Self_Assess_KP1B)](#Country_Example_KP2C) | |
| The [Sustainable Trade Initiative](https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=&cad=rja&uact=8&ved=2ahUKEwiimfDY4IXxAhWNqaQKHUgED6EQFnoECAUQAA&url=https%3A%2F%2Fwww.idhsustainabletrade.com%2F&usg=AOvVaw0rvbnDTNSWTKatV5o7vzMQ) (IDH) – supported by the Dutch, Swiss and Danish governments - brings together a range of impact-oriented state and non-state organisations (companies, CSOs, governments, and multilateral initiatives) to accelerate sustainable production and consumption. IDH works to harness the core business of MSMEs and Transnational Corporations (TNCs) to realise real and sustained development results across value chains, ensuring that companies see a business case for investing in sustainable commodity production. Through this, populations furthest behind can directly benefit from fairer wages, more affordable commodities and healthy food, thereby contributing to poverty and inequality reduction as well as greater food security. | |
| **Resources** [[**Ü**](#Self_Assess_KP1B)](#Resources_KP2C) | |
| * [SDC Forming partnerships with the private sector: A summary of lessons learned by Market Systems Development Practitioner (pp. 11-24: Meeting Potential Partners & Deal making)](https://beamexchange.org/uploads/filer_public/28/45/28452280-e3be-4cf2-81eb-8a3e6ae184b1/forming-partnerships-with-private-sector-hpc_compressed.pdf) * [SDC The Operational Guide for the Making Markets Work for the Poor (M4P) Approach](https://www.enterprise-development.org/wp-content/uploads/m4pguide2015.pdf) * [OXFAM Raising the bar: Rethinking the role of business in the Sustainable Development Goals](https://www-cdn.oxfam.org/s3fs-public/dp-raising-the-bar-business-sdgs-130217-en_0.pdf) | |
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## **Sub-Principle 2.C: Engage in partnerships according to international standards**

Development partners and governments have an obligation to ensure compliance with safeguards and regulations when working with the private sector or when the private sector is implementing a project on their behalf. These include the International Labour Organisation labour standards, the United Nations Principles on Business and Human Rights, and the OECD guidelines for multinational enterprises. Due diligence processes should include the identification of environmental, social and governance (ESG) risks as part of the partnership development process, with appropriate plans and responsibilities put in place to monitor and address risks over the course of the project life cycle. Partnerships should be founded on an understanding that all partners will follow relevant existing national and international voluntary and legal frameworks, in recognition of the fact that a commitment to high standards contributes to sustainable development results.

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**Why is it important?**

Compliance with national legal frameworks and alignment with international standards is necessary for PSE projects to produce sustainable development results. It is the responsibility of the development partner to design and use policies to safeguard international standards, implement due diligence processes for the appraisal of PSE partners and projects, and identify and respond to ESG risks. At the project level, all partners involved are responsible for closely monitoring adherence to national and international standards, and redressing emergent risks over the course of a project’s life cycle together. The role of civil society and trade unions in supporting this is critical.

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| ***Policy level*** | ***Project level*** |
| **Self-Reflection Questions** [[**Ü**](#Self_Assess_KP1B)](#Self_Assess_KP3A) | |
| * **Does your government’s or organisation’s PSE policy refer to the requirements of international standards**? These include, but are not limited to, major overarching development objectives such as the 2030 Agenda and the Paris Agreement, but also those of the International Labour Organisation, UN Principles on Business and Human Rights, and the OECD Guidelines for multinational enterprises. * **Are you aware of international standards relevant to specific sectors** and are these reflected in your PSE and other related policies? * **Do you have the requisite skills and (legal) staff or expertise to ensure broad compliance** with international standards and national legal frameworks of partner countries? * **Do you offer capacity training for strengthening the national regulatory environments of partner countries** as it concerns private sector activity? | * For each potential PSE partner, **is a comprehensive, tailored due diligence process in place** to assess potential reputational and ESG risk? * **Does the process of screening potential partners and projects take heed from the** [**OECD Guidelines for Multinational Enterprises**](http://mneguidelines.oecd.org/2020-Annual-Report-MNE-Guidelines-EN.pdf)? * Have you established a **process to regularly assess adherence** to national legal frameworks and relevant international standards? Have you clearly highlighted **which project partner will be responsible** for tracking such adherence? * For each project, have you established a **whistleblowing or complaint procedure** for stakeholders or observers to safely and transparently highlight transgressions against national and international frameworks? |
| **Actions to consider** [[**Ü**](#Self_Assess_KP1B)](#Actions_KP3A) | |
| * **Develop policies and selection criteria** to only work with PSE partners that align with national ESG standards, your agency’s values, and international principles and guidelines. * Require all partners, as a condition of all partnerships, to **adopt a human rights and labour policy** that is aligned with applicable legal frameworks and standards such as the ILO Core Labour Rights and the UN Guiding Principles on Business and Human Rights. * **Seek input from relevant international CSOs** to ensure that your sectoral and overall PSE policies and strategies adhere to and reflect international standards. | * **Streamline the set-up of comprehensive and tailored due diligence processes** by building on past experience in working with private partners. * **Establish institutionalised review processes** to appraise adherence to international standards on a regular basis. * **Formally work with local CSOs and trade unions** to track the adherence to national frameworks and international standards. * **Sensitise project partners to important and relevant international standards and frameworks**. * **Support capacity of smaller private partners to adhere to international standards** rather than punishing them or using overly rigid processes that exclude them from bidding or engaging. |
| **Pitfalls to avoid** [[**Ü**](#Self_Assess_KP1B)](#Pitfalls_KP3A) | |
| * **Treat adherence to international PSE standards as a ‘tick the box’ exercise** without seeking to align with the spirit, as well as the letter, of relevant global frameworks. * **Only adopt legally binding standards** and not consider other relevant recommendations or voluntary commitments, particularly at the sectoral level, and the “Kampala Principles” | * **Assume private sector familiarity** with international PSE standards and guidelines. * **Fail to track, flag and address risks or violations to standards**. * **Assume a standard due diligence approach must not be tailored** to each project’s context and regulatory environment. |
| **Country example** [[**Ü**](#Self_Assess_KP1B)](#Country_Example_KP3A) | |
| Global Affairs Canada bases its’ [PSE strategy for Sustainable Development](https://www.international.gc.ca/world-monde/assets/pdfs/issues_development-enjeux_developpement/priorities-priorites/PSE-EN-August19.pdf) on key principles for private sector engagement that are framed by a wide range of international standards and initiatives. The principles reconfirm Canada’s commitment to exercising due diligence with its private sector partners and assessing compliance with the highest applicable ESG standards, whether based on legal or voluntary frameworks. Thus, private partners are obliged to do business in compliance with local, national and international norms that ensure operations in a socially and environmentally responsible manner. | |
| **Resources** [[**Ü**](#Self_Assess_KP1B)](#Resources_KP3A) | |
| * [GSDRC Promoting social development and human rights in private sector engagement](http://gsdrc.org/docs/open/hdq972.pdf) * [USAID’s Due diligence template for PSE](https://www.usaid.gov/gda/private-sector-engagement-due-diligence) | |
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# **KAMPALA PRINCIPLE 3: INCLUSIVE PARTNERSHIP**

# **Fostering trust through inclusive dialogue and consultation**

Governments, parliamentarians, the private sector, business associations, civil society and trade unions all play roles and have valuable contributions to make in the development of a domestic private sector that provides markets, decent employment, production inputs, and services and goods which improve the lives and livelihoods of those left behind. PSE through development co-operation can use its convening power to foster trust at country level between different stakeholders by promoting processes for regular and ongoing dialogue, as well as targeted consultation in the development of specific partnerships and programmes. It is important that PSE through development co-operation opportunities are inclusive and accessible to a wide range of partners, including smaller businesses, at the local level.

## **Sub-Principle 3.A: Support and participate in inclusive dialogue and consultation**

Partners should support institutionalised dialogue on PSE through development co-operation, including social dialogue, building on existing mechanisms – where these exist – to reach agreement on priorities, identify solutions to shared challenges, establish relationships and build partnerships. Such efforts contribute to building trust within and across stakeholder groups. Ensuring inclusivity may also mean supporting stakeholders with more limited capacities to engage in dialogue up-front (e.g., local MSMEs, informal sector entrepreneurs and rural producers and traders). Of equal importance is inclusive consultation with local stakeholders to identify needs and respond to concerns at policy and project levels.

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**Why is it important?**

Regular dialogue and targeted consultations are critically important for building trust, leveraging the comparative strengths of all key parties and enhancing the legitimacy and effectiveness of PSE projects and policies. Engaging with relevant public, civil society, and private actors in inclusive dialogue can also contribute to devising socially inclusive and environmentally sustainable business practices. This requires including and enabling actors and beneficiaries who are not regularly engaged in structured dialogue and setting dialogue up in ways that it can enable inclusive outcomes. While it is incumbent on partner countries to organise regular consultative processes at the national level, development partners play an essential role in supporting and participating in such opportunities in order to generate broad buy-in from all relevant stakeholders.

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| ***Policy level*** | ***Project level*** |
| **Self-Reflection Questions** [[**Ü**](#Self_Assess_KP1B)](#Self_Assess_KP3B) | |
| * **Does your government or organisation commit to participate in and support country-led dialogues** in its PSE policy and development co-operation agreements with partner countries? * **Does your PSE policy foresee support to public-private dialogue (PPD) processes at home and in partner countries**? Do you play a strategic role in acting as a broker for PPD? What resources do you mobilise to support capacity development for PPD? * **Do you engage in other dialogue platforms to discuss priorities and challenges encountered in PSE** (e.g., at DAC, UN, DCED, bilaterally)? Are these dialogues and processes open to the participation and inputs of non-State actors? * **Do you provide capacity support to partner country ministries and agencies to engage in dialogue** with donors, private sector and other actors? Is support also offered to local MSMEs and CSOs who may have lacking capacities? | * Prior to initiating a project (particularly in fragile contexts), have you **encouraged and supported inclusive dialogue** to secure space for the expression of diverging interests, build trust, and foster local ownership of the project? * Does such **dialogue provide space for local stakeholders** (e.g., beneficiaries, local CSOs)? * Do you consider **ongoing and regular consultations** throughout project life cycles? * Do existing dialogues and consultations have **visibility of progress and challenges** related to the project implementation, and **space and authority to propose course corrections**, in a frank and open environment? |
| **Actions to consider** [[**Ü**](#Self_Assess_KP1B)](#Actions_KP3B) | |
| * **Develop guidelines as part of a PSE policy to support inclusive dialogue at national level**, e.g. outlining how to include relevant stakeholders, ensure their representation (particularly ‘weaker’ local level actors), and foster availability of project information and transparency of communication. * **Champion inclusiveness** **of dialogues** – national, thematic and project-specific – by highlighting its relevance for acquiring and generating legitimacy and local buy-in. * **Foster horizontal and vertical linkages in your own and partner country-led dialogues**. This helps to surface issues raised at the local or project level at a higher policy level. * **Support governments in devising clear and actionable agendas for dialogue** and ensure a balance in participation among all key actors. * **Involve local business associations, CSOs and trade unions, as well as local governments** to ensure that adequate weight is given to viewpoints of smaller stakeholders. | * **Take time to convey the need to seek local perspectives to project participants**. This enhances the legitimacy and impact of projects, and helps reduce resistance to dialogue between governmental, private and civil society actors. * **Ensure a tailored and needs-based approach for engaging in multi-stakeholder dialogue** with national, regional, local and sub-local governmental, private and civic partners, recognising that each come with different skills, capacities, and motivations. For instance, large infrastructure projects will require extensive consultations, while smaller projects that target MSMEs may require more limited consultations. * **Consider serving as mediator or approaching an impartial third party to mediate** in case of particularly thorny challenges, notably if priorities are fundamentally misaligned. * **Establish an open, independent complaint mechanism to address grievances.** |
| **Pitfalls to avoid** [[**Ü**](#Self_Assess_KP1B)](#Pitfalls_KP3B) | |
| * **Include too many perspectives** with no clear agenda and follow-up process in a dialogue. * **Let consultations turn into ‘talk shops’**, where there is much debate, but little concrete and/or substantive action, which can be particularly off-putting for private sector actors, of whom many demand specificity and relevance in their dialogue engagements. | * **Impose own agendas** in inclusive dialogues and consultations on PSE projects without providing space and opportunity for other stakeholders to co-design the agenda and voice their concerns or interests. * **Apply a one-size-fits-all approach to PPD** over a tailored approach to inclusive dialogues depending on the project that is being pursued. |
| **Country example** [[**Ü**](#Self_Assess_KP1B)](#Country_Example_KP3B) | |
| Multi-stakeholder platforms can serve as important vehicles towards developing guidelines and good practice for Public-Private Dialogue within the context of private sector partnerships for development cooperation. For instance, the World Bank Group, the Confederation of Danish Industry, the Danish Ministry of External Affairs and 200 participants from over 50 countries established the ‘[Charter of Good Practice in Using Public-Private Dialogue For Private Sector Development and Inclusive Growth](http://www.publicprivatedialogue.org/charter/New%202015%20PPD%20Charter%20of%20Good%20Practice.pdf)’. This charter highlights a number of key principles and guidance that can be used to produce legitimate and effective inclusive dialogue processes towards equitable PSE outcomes. | |
| **Resources** [[**Ü**](#Self_Assess_KP1B)](#Resources_KP3B) | |
| * [OECD Constructing inclusive public-private dialogue](https://www.oecd-ilibrary.org/docserver/9789264024786-13-en.pdf?expires=1623244715&id=id&accname=guest&checksum=B6C2E064B4AF3C5D4E826D6C063CC0BE) * [World Bank, DFID & OECD The PPD Handbook: A toolkit for business environment reformers](https://documents1.worldbank.org/curated/en/632151468779696618/pdf/391150PPD0handbook01PUBLIC1.pdf) * [OECD DAC Blended Finance Principle 3: Tailor Blended Finance to Local Context](https://www.oecd.org/dac/financing-sustainable-development/blended-finance-principles/documents/P3_Guidance_Note.pdf) | |
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## **Sub-Principle 3.B: Promote inclusive, bottom-up and innovative partnerships and raise awareness of engagement opportunities**

For specific partnerships, increase the range of partners involved at community level, including micro, small and medium-sized enterprises (MSMEs), making use of innovative engagement modalities to explore partnership opportunities in the spirit of leaving no one behind. Development partners should promote outreach and awareness raising of partnership opportunities by working with government, civil society, trade unions, academia and private sector stakeholders, including business associations, to promote greater participation by local businesses and other actors in PSE through development co-operation.

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**Why is it important?**

Local MSMEs, businesses in the informal sector and rural producers are often the final beneficiaries of PSE projects but they are also the actors with the least capacity to engage and inform about existing PSE programmes and projects. Development partners can play a supportive role in promoting bottom-up and innovative partnerships by offering resources, best practices, and advice on how to partner effectively and inclusively with these stakeholders. Development partners have to go beyond the most visible or largest private sector actors and seek to enrol the participation of these local MSMEs or individuals, which often have the capacity to make the biggest difference for vulnerable or hard-to-reach groups in terms of employment opportunities, services they provide, and gaps in the market that they can address. By fostering bottom-up partnerships, projects attain local buy-in, reduce risk, and benefit from the varied contributions of diverse actors, thereby enhancing prospects for success.

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| ***Policy level*** | ***Project level*** |
| **Self-Reflection Questions** [[[**Ü**](#Self_Assess_KP1B)](#Resources_KP3B)](#Self_Assess_KP3C) | |
| * **Does your government’s or organisation’s PSE policy prioritize partnerships with smaller private partners** (such as MSMEs) alongside larger domestic and transnational firms? * **Does your PSE policy stipulate the need to make PSE opportunities publicly and widely available** and easy to access for local partners, including MSMEs? * **Do you sufficiently communicate PSE opportunities** **in the countries where you operate**? * Have you considered preparing **handbooks, leaflets and specific campaigns or courses** to increase the capacity of local actors to profit from your PSE opportunities? | * **Do your projects include activities to raise awareness of PSE opportunities** among local actors including those frequently overlooked (e.g., MSMEs, informal sector)? * **Have you provided opportunities and incentives for MSMEs to engage in projects** e.g., providing initial funding that would otherwise not be available, build access to networks, harnessing public expertise, and capacity building? |
| **Actions to consider** [[[**Ü**](#Self_Assess_KP1B)](#Resources_KP3B)](#Actions_KP3C) | |
| * **Use vertical linkages to connect local platforms, partnerships and projects to international processes and mechanisms**. This enables the transfer of knowledge and ideas from the global to the grassroots level and vice versa. * **Consider how to broaden the knowledge base among relevant actors of PSE opportunities**, notably those with reach for vulnerable groups and in social sectors. Note that reaching out to them requires tailored messaging that speaks to their needs. * **Consider awarding prizes or accreditations** to actors and projects that exemplify good practice in order to incentivise and publicise good partnering practice. * **Think outside of the box when it comes to how inclusion and bottom-up partnerships can inform national level policy**. Going beyond conventional, yet important approaches to public-private and multi-stakeholder dialogues can help uncover innovative ways of working in concert. | * While recognising the responsibility of partner country governments to establish national and regional-level dialogues, **offer advice and suggestions on how to enlarge the range of partners at community level** in project planning, implementation and review. * **Emphasise the benefits and insights that can be attained through more inclusive and bottom-up partnerships.** Pay particular attention to identifying and addressing where there are gaps in participation or inclusion in PSE projects. * **Where possible, budget appropriately** for the provision of additional resources in support of more inclusive partnership mechanisms and opportunities for engagement. * To reach MSMEs and smaller private sector actors within the informal sector, **use local contacts and networks (such as proxy actors or middlemen)** who sit at the intersection of the formal and informal sectors. * **Collaborate with local financial institutions as intermediaries** to ensure that ‘bankable’ projects can endure and scale up once they are established. |
| **Pitfalls to avoid** [[[**Ü**](#Self_Assess_KP1B)](#Resources_KP3B)](#Pitfalls_KP3C) | |
| * **Rely on standard, one-size-fits-all approaches for partnering** with the private sector without taking into account the nature and size of the organizations involved. * **Assume that enrolling a diverse set of actors will automatically lead to fruitful partnerships and innovative ideas** without providing additional guidance and support. * **Duplicate or fragment existing in-country consultation platforms** (public-private or multi-stakeholder). * **Design PSE policies that mainly help to open new opportunities for your own domestic firms** irrespective of their fit to the intended development impact at the country level. | * **Neglect partner country contexts when designing outreach to the private sector**. Local societies and communities usually consist of a diverse range of stakeholders that engage and vary by project and region. * **Offer only tokenistic or superficial opportunities for smaller actors** like MSMEs and informal businesses. |
| **Country example** [[[**Ü**](#Self_Assess_KP1B)](#Resources_KP3B)](#Country_Example_KP3C) | |
| The UK, Sweden and The Partnering Initiative support The Business in Development Facility in [Colombia](https://www.apccolombia.gov.co/recursos_user/Ficha-ANDI-ok.pdf), [Zambia](http://zbidf.org/) and [Mozambique](https://thepartneringinitiative.org/news-and-views/general-news/mozambique-hub-supports-skills-development-partnership-for-construction-sector/). This multi-stakeholder platform comprises champions from public, private and civil society actors and provides a structured modality to support bottom-up and innovative partnerships towards action on key business and development challenges. | |
| **Resources** [[[**Ü**](#Self_Assess_KP1B)](#Resources_KP3B)](#Resources_KP3C) | |
| * [OECD LEED Successful Partnerships: A Guide](https://www.oecd.org/cfe/leed/36279186.pdf) * [OECD Inclusive partnerships for effective development cooperation](https://www.oecd-ilibrary.org/docserver/dcr-2015-9-en.pdf?expires=1623334702&id=id&accname=guest&checksum=2593EEAD487B4FCFF028D3714566206E) * [CIPE Connecting the dots in Private Sector Engagement](https://www.cipe.org/newsroom/cipe-insights-connecting-the-dots-in-private-sector-engagement/) | |
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## **Sub-Principle 3.C: Make partnerships more accessible**

Partnerships should be facilitated through streamlined procedures that make engagement opportunities accessible to a wide range of stakeholders. Such processes should recognise that needs and capacities vary across and within stakeholder groups and that many of those with limited abilities and opportunities to engage are often also those most important to delivering the 2030 Agenda. Application procedures and monitoring and evaluation provisions should be established in accordance with different needs and capacities, the scale and scope of partnerships, and attention to transparency, accountability and timeliness.

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**Why is it important?**

The meaningful participation of local actors and groupings requires concerted and deliberate efforts by all partners. Different partnership models should be amenable to the capabilities of the diverse actors involved. Entry points for engagement should be kept simple, in particular for actors with limited capacity. This also applies to procedures to bid for resources or report on outcomes and results, even though minimum standards of transparency and accountability must be kept. As a general rule, procedures related to financing, operations, monitoring and evaluation should keep in mind the capacities of different stakeholders.

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| ***Policy level*** | ***Project level*** |
| **Self-Reflection Questions** [[[**Ü**](#Self_Assess_KP1B)](#Resources_KP3B)](#Self_Assess_KP4A) | |
| * **Does your government’s or organisation’s PSE policy and practices recognize the variety in different partners’ capacities**? Have you adapted your processes to different partners – ranging from application procedures and procurement, to reporting and monitoring and evaluation? * **How do you address any overrepresentation of multinationals and large domestic firms** in your group of clients vis-à-vis other actors who work more closely with target groups of your development co-operation? * **Do you offer specific guidance, training or capacity building** to enable local partners to access PSE opportunities that you provide (e.g. calls for tenders and procurement opportunities)? | * **Do you offer capacity support to smaller stakeholders**,including thosewho were disproportionally impacted by the COVID-19 pandemic (such as MSMEs or local CSOs), to ensure that they can meaningfully engage in inclusive dialogue processes on a level playing field? For instance, do you have the means to ensure that local stakeholders can understand and engage with relevant policy documentation/information? |
| **Actions to consider** [[[**Ü**](#Self_Assess_KP1B)](#Resources_KP3B)](#Actions_KP4A) | |
| * **Review relevant procedures and seek to streamline or adjust them so as to attain greater accessibility**. For instance, consider how your procurement practices may prove challenging for an MSME to compete on an equal footing with larger public and private actors. * **Establish clear lines of communication**, whilst limiting bureaucratic burdens for secluded stakeholders like MSMEs and actors in the informal sector. * **Provide resources towards supporting regular engagement of all critical actors**. * **Make payment cycles more flexible and tailored to small actors like MSMEs** who have great needs for liquidity. * **Promote enabling business environment and market creation in partner countries** to attract business participation and investments in PSE programs. | * **Budget appropriately to be able to provide capacity support for smaller stakeholders to participate in (inter)national, regional, and local dialogues/ projects**. For instance, fostering meaningful participation may require additional training or sensitisation sessions in the format of workshops and capacity-building activities. * **Understand the needs and ways of working of key target audiences and streamline application, monitoring, and evaluation processes accordingly**. |
| **Pitfalls to avoid** [[[**Ü**](#Self_Assess_KP1B)](#Resources_KP3B)](#Pitfalls_KP4A) | |
| * **Undermine important safeguards in place** to avoid risky PSE policies and projects when ‘streamlining’ partnering processes. * **Shift to virtual-only forms of participation and dialogue**. As the world comes to terms with consequences of the COVID-19 pandemic, there may be a tendency to shift towards hybrid approaches for partnering purposes (i.e., video calls, online meetings, innovative technology etc.). While these can help ensure greater regularity of engagement, shifts towards virtual participation may undermine accessibility and systematically disenfranchise or hinder the engagement of relevant groups at risk of being left behind. | * **Allow the most influential actors to determine the direction and agenda of a project**. Disparities in power and influence may be harming a project’s accessibility, but can be deliberately offset by providing greater voice and engagement opportunities to disempowered actors. |
| **Country example** [[[**Ü**](#Self_Assess_KP1B)](#Resources_KP3B)](#Country_Example_KP4A) | |
| Sweden’s [Skanska Sustainable Procurement](https://ppp.worldbank.org/public-private-partnership/library/skanska-sustainable-procurement) requires the Swedish construction firm to practice ‘equal and diverse’ procurement that includes suppliers, SMEs and minority ethnic business from under-represented or protected groups. Such practices and stipulations can also be directly applied to the procurement practices of PSE partnering. | |
| **Resources** [[[**Ü**](#Self_Assess_KP1B)](#Resources_KP3B)](#Resources_KP4A) | |
| * [Resonance Scaling Partnerships and Private Sector Engagement at USAID](https://www.resonanceglobal.com/blog/scaling-partnerships-and-private-sector-engagement-at-usaid-recommendations-for-the-biden-administration) * [OECD DAC Public-Private Partnership Framework on Financial Inclusion and Food Security, Rabo Development](https://www.oecd.org/dac/peer-reviews/Public-Private-Partnership-Framework-on-Financial-Inclusion-and-Food-Security.pdf) * [World Bank How to foster a more inclusive environment for SMEs in PPPs?](https://ppp.worldbank.org/public-private-partnership/how-foster-more-inclusive-environment-smes-ppps) | |
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# **KAMPALA PRINCIPLE 4: TRANSPARENCY AND ACCOUNTABILITY**

# **Measuring and disseminating sustainable development results for learning and scaling up of successes**

There is a lack of timely information, evidence and data related to the performance of partnerships with the private sector established to achieve sustainable development, including the 2030 Agenda. Transparency and accountability for PSE through development co-operation needs to be improved through the creation and use of frameworks that identify and measure results in terms of nationally and internationally defined sustainable development targets and business outcomes. Such results frameworks provide a transparent and mutual understanding of what is expected of the partners and what constitutes success for the partnership. They should set out roles and responsibilities for data collection and provisions for information disclosure, the communication of results and independent evaluation. The creation of complaints mechanisms related to the impacts or negative effects of PSE through development co-operation is also important for ensuring accountability.

## **Sub-Principle 4.A: Measure results**

Stakeholders should define and agree on frameworks to measure results for all partners involved. These include sustainable development outcomes and roles and responsibilities for data collection, with due consideration for reporting burdens. This also involves establishing provisions for independent evaluation, as appropriate.

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**Why is it important?**

Jointly defining a results framework that clearly identifies the roles of all partners involved in the project and includes the desired development and business outcomes is an essential step in making partnerships with the private sector more purpose-driven and impactful. It clarifies the expectation of involved stakeholders, provides essential information for the project implementation and thereby builds trust. Measuring results also addresses private sector concerns over risk and demonstrates value and impact to civil society.

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| ***Policy level*** | ***Project level*** |
| **Self-Reflection Questions** [[[**Ü**](#Self_Assess_KP1B)](#Resources_KP3B)](#Self_Assess_KP4B) | |
| * Does your government or organisation **take into account systems and results frameworks of partner countries** before creating or applying your own metrics? Is this reflected as guidance in your own PSE policy? * Do you **use metrics to measure business outcomes** in addition to development results? * Do you **share responsibilities for data collection and evaluation** with partners in line with their capacities and skills? * Do you **make data and information related to your PSE projects easily and readily accessible** as a standard practice? * Do you regularly work with partners and initiatives (such as the OECD Results Community or DCED) to **refine or harmonise PSE results indicators** and results-measurement approaches? * Does your PSE policy **recognise the constraints and provide funding to actors with limited capacities** to strengthen their ability for joint results measurement? * Do you have **policies and procedures in place to conduct independent evaluations** of PSE policies and projects? Have you allocated sufficient resources for these? | * Does your government or organisation **have a results framework that is suited to assess the results of your PSE projects**? If yes, does it: (a) include indicators linked to national priorities and the SDGs; (b) disaggregate indicators at impact, outcome, and output levels; and (c) benefit from inputs from partner countries and project participants? * Do your projects **recognise the capacity constraints of some actors** (e.g. MSMEs) to contribute to the collection and analysis of information and provide funding to support these activities? * Does your projects provide **timely information on project progress and results**? * Does your government or organisation **assess your projects against the Kampala Principles** at different stages? Do you reflect on whether better results could have been achieved through stronger adherence to the Principles? |
| **Actions to consider** [[[**Ü**](#Self_Assess_KP1B)](#Resources_KP3B)](#Actions_KP4B) | |
| * **Draw on established practices and recognised standards** when measuring PSE results. * **Contribute to peer learning** on what works and who benefits from PSE projects. * **Measure economic and social value** and encourage partners to be transparent about both. * **Improve information flow between public and private actors at country level**. * **Document investment opportunities and the risk perception of businesses**. * **Support collection of disaggregated data**, when relevant, notably by gender, disabilities, and vulnerable groups. | * **Acknowledge any diverging interests in the development of results frameworks at the outset of projects** and support efforts to reconcile organisational differences by accepting different goals and rationales. * **Provide capacity support** to ease the reporting burden for actors with weaker capacity. * **Ease the reporting burden for MSMEs**, as onerous procedures may create significant barriers for engagement. * **Support project managers in measuring results**, building on existing capacity where possible, recognising the costs of external monitoring and evaluation consultants. * **Use recognised indicators and language**, and offer tailored capacity support as needed. |
| **Pitfalls to avoid** [[[**Ü**](#Self_Assess_KP1B)](#Resources_KP3B)](#Pitfalls_KP4B) | |
| * **Develop unduly complicated, overarching results frameworks** and introduce cumbersome procedures with high transaction costs. * **Undermine country ownership by relying on centrally managed results frameworks**. * **Be inflexible and closed to other partners’ priorities**. | * **Disregard the tension between the need for streamlining indicators and inclusivity**. Seek an appropriate balance but recognise there are no blueprints. * **Stereotype private sector actors as providers of finance or services alone**, thereby overlooking potential for private sector contributions to results measurement. |
| **Country example** [[[**Ü**](#Self_Assess_KP1B)](#Resources_KP3B)](#Country_Example_KP4B) | |
| [Katalyst](http://katalyst.com.bd/) is a multi-donor programme that seeks to develop agricultural chains in Bangladesh; it works with the private sector to develop vital markets for the poorest. For measurement, Katalyst draws upon the DCED standard and log-frames: by working with a specialised monitoring team from the outset of the project, all interventions have a result chain and monitoring plan that covers all stages of assessment (output, intermediate and ultimate outcomes). Katalyst uses intermediate outcomes to inform private markets, thus benefitting private partners and enhancing the project’s development outcomes. | |
| **Resources** [[[**Ü**](#Self_Assess_KP1B)](#Resources_KP3B)](#Resources_KP4B) | |
| * [OECD DAC Measuring the results of private sector engagement through development co-operation](https://www.oecd.org/dac/results-development/docs/results-pse-results-workshop-apr-18.pdf) * [KFW DEG Measuring the Development Effectiveness of Private Sector Instruments](https://bdi.eu/media/themenfelder/aussenwirtschaftspolitik/downloads/20170711_Praesentation_DEG_DERa_Dangelmaier.pdf) * [FSG Measuring shared value: how to unlock value by linking social and business results](https://www.hbs.edu/ris/Publication%20Files/Measuring_Shared_Value_57032487-9e5c-46a1-9bd8-90bd7f1f9cef.pdf) * [DCED Harmonized Indicators for Private Sector Development](https://www.enterprise-development.org/wp-content/uploads/DCEDIndicatorHarmonizationApr16.pdf) | |
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## **Sub-Principle 4.B: Disseminate results**

Provide information on the outcomes of partnerships, including through inclusive dialogue, in order to learn, improve transparency and remain accountable to the partners involved, beneficiary communities and citizens at large. Sharing outcomes broadly also plays an important role in scaling and replicating successes.

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**Why is it important?**

Disseminating results facilitates the assessment of progress towards strategic and project goals, the generation of data and the refinement of PSE policies. Systematically sharing projects results with all involved across stakeholders and administrations can help save costs in measuring progress and results of individual projects and programmes. It can also inform efforts in scaling up successful PSE projects. Moreover, sharing results systematically supports the overall commitment and culture for transparency and accountability.

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| ***Policy level*** | ***Project level*** |
| **Self-Reflection Questions** [[[**Ü**](#Self_Assess_KP1B)](#Resources_KP3B)](#Self_Assess_KP4C) | |
| * Does your government or organisation **disclose information on your PSE policy and projects** in an accessible format online or in the public domain? * Do you have a process in place to ensure that **PSE results are shared with parliament, citizens, partners and partner country’s government**? * Do you **disseminate PSE project and policy data** to support scaling up successful projects? * Do you **make PSE evaluation reports publicly available** for accountability towards parliaments and taxpayers? * Does your PSE policy recognise the need to **disclose information beyond development outcomes** such as results linked to commercial activities? | * Does your government or organisation agree from the outset of your projects, and with all partners involved, on **which results should be made publicly available**, including those measuring commercial outcomes? * Does your government or organisation **support local project partners with the dissemination of project results** to a wider audience? * Does your government or organisation have **mechanisms to ensure that project-level results feed into decision-making processes** at the strategic or policy level? * Do your **PSE projects have dedicated budgets to support dissemination events**? How do you ensure that these are inclusive and constructive dialogues? |
| **Actions to consider** [[[**Ü**](#Self_Assess_KP1B)](#Resources_KP3B)](#Actions_KP4C) | |
| * **Tailor communication to the various audiences that need to be informed of results** using appropriate channels and results focus. * Use **existing frameworks to share comparable data**, such as the Development Effectiveness Rating ([DER](https://www.deginvest.de/DEG-Documents-in-English/About-us/What-is-our-impact/Policy-brief_EN_final.pdf)). * **Presume public disclosure of contracts unless a private partner makes a viable confidentiality request** that it is necessary to protect business secrets or propriety information. | * **Share project results at intermediary stages** to allow for course corrections or fine tuning. * **Budget appropriately** to ensure results are shared in an attractive and accessible format. * **Minimise reporting burdens** by focusing on the most essential findings and indicators. * **Consolidate key results into lessons learned** for scaling up projects/interventions. * **Disseminate results to private partners**, including those underrepresented or with potential to support scaling, like institutional investors, private equity and venture capital firms. |
| **Pitfalls to avoid** [[[**Ü**](#Self_Assess_KP1B)](#Resources_KP3B)](#Pitfalls_KP4C) | |
| * **Conceal results that would otherwise serve both learning *and* accountability purposes**. Learning from failure is an important step to improve projects and programmes and avoid repeating the same mistakes. | * **Impose undue results sharing burdens** that do not serve a productive purpose for current and future development projects. * **Link PSE project results merely to national priorities** without consideration of the SDGs and other key international or global indicators. * **Fail to disclose commercial information and results**. While recognising that there are legitimate needs to safeguard truly confidential business information, the presumption in PSE projects should be in favour of disclosure, with any exemptions defined narrowly and justified on a case-by-case basis by reference to foreseeable harm to a legitimate, recognised interest. |
| **Country example** [[[**Ü**](#Self_Assess_KP1B)](#Resources_KP3B)](#Country_Example_KP4C) | |
| Norway’s DFI – Norfund – measures and disseminates both its strategic or policy level PSE achievements and project results. Norfund’s strategic achievements refer to its overall portfolio and include, for example, the share of investments disbursed to Least Developed and Fragile and Conflict Affected States. Norfund also established several core indicators that are measured for all projects, including impacts on jobs and local purchases, and these core indicators are complemented by a set of more specific indicators for Norfund’s priority sectors. Norfund then disseminates results its core indicators in its annual reports. | |
| **Resources** [[[**Ü**](#Self_Assess_KP1B)](#Resources_KP3B)](#Resources_KP4C) | |
| * [DCED Attribution in Results Measurement: Rationale and Hurdles for Impact Investors](https://www.enterprise-development.org/wp-content/uploads/DCED-Report-on-Attribution-in-Results-Measurement-for-Impact-Investors.pdf) * [KFW DEG Development Effectiveness Rating](https://www.deginvest.de/DEG-Documents-in-English/About-us/What-is-our-impact/Policy-brief_EN_final.pdf) * [OECD DAC Private Sector Engagement for Sustainable Development: Lessons from the DAC](https://www.oecd.org/dac/peer-reviews/Highlights-from-a-Peer-Learning-Review.pdf) * [OECD DAC Network on Development Evaluation (EvalNET)’s Revised Evaluation Criteria: Definitions and Principles for Use](https://www.oecd.org/dac/evaluation/revised-evaluation-criteria-dec-2019.pdf) * [OECD DAC Blended Finance Principle 5: Monitor blended finance for transparency and results](https://www.oecd.org/dac/financing-sustainable-development/blended-finance-principles/documents/Principle_5_Guidance_Note_and_Background.pdf) | |
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## **Sub-Principle 4.C: Ensure Accountability**

Effective governance mechanisms, good project design and credible commitment are important to sustaining partnerships and ensuring that engaged parties are answerable to the commitments they have made. There is a need to establish and clearly communicate provisions for addressing concerns related to the impacts of partnerships.

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**Why is it important?**

Development partners have the responsibility to maintain high standards of accountability in projects with the private sector that are funded by international public resources. They need to systematically ensure that all project partners deliver on agreed results and address unintended impact. Ensuring accountability is, however, not only a unidirectional exercise but development partners are also being held accountable for their commitments towards partner countries’ governments, private sector partners, as well as citizens and taxpayers at home. Transparency about expectations and information on expenditure and results are key prerequisites for mutual accountability. Private sector partners, used to answer exclusively to their shareholders, often lack the capacity and experience to report to public partners and the general public through appropriate channels. Negotiations on contractual accountability requirements are therefore important to ease any tensions, including those created by discrepancies with private partners’ own corporate confidentiality rules. Complementary to this, mechanisms to ensure that project partners and third party contractors report on agreed actions, results as well as unintended, negative impact of their operations should be included in PSE programmes and projects with adequate instruments to enforce such requirements and correct course when needed. At the same time, compliance rules by development partners should be flexible enough to ensure smaller private partners with limited bandwidth can fulfil conditions and procedures.

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| ***Policy level*** | ***Project level*** |
| **Self-Reflection Questions** [[[**Ü**](#Self_Assess_KP1B)](#Resources_KP3B)](#Self_Assess_KP5A) | |
| * Does your government’s or organisation’s PSE policy **require systematic accountability for PSE projects and programmes?** (including among all project partners, upward (towards headquarters) and downward (down to local beneficiaries) * Do you have a set of **rules establishing minimum requirements** around accountability for engagement with private sector actors? * Do you **support and participate in partner government-driven mutual assessment reviews** that involve PSE activities? * Do you **make PSE information, including evaluation reports, publicly available** for accountability towards parliaments and taxpayers? (see 4.B) * Does your government or organisation have an ***Ombudsman*** **office** which partners and taxpayers can contact to expose infractions? | * Is your PSE project **subject to public oversight, consultation and independent evaluation**? * Have you established an **independent complaint mechanism** for your PSE project? * Are there **internal whistleblowing procedures** in place to expose infringements? * Have you ensured that **staff engaged in PSE projects have sufficient capacity** to support accountability and learning processes? * In the event of a **project causing considerable harm** (environmental, social or governance), how can it be halted or at least adjusted? |
| **Actions to consider** [[[**Ü**](#Self_Assess_KP1B)](#Resources_KP3B)](#Actions_KP5A) | |
| * **Have a clear code of conduct and guidance in place** to communicate the ground rules and minimum requirements for partnering with your government or organisation to private sector partners. * **Establish independent complaint or grievance mechanisms** that are easy to use and freely accessible to all project partners (including marginalised communities and women). * Work with **relevant alternative dispute resolution mechanisms** to better respond to specific conflicts, including community-level mechanisms and those provided by non-state actors such as NGOs. * **Streamline and systematise accountability reviews** and processes as much as possible. | * **Use project-level accountability exercises** to inform learning and decision-making at policy-level ([see 4.B](#Actions_KP4B)). * Ensure that CSOs and trade unions and other stakeholders on the ground play a role in **evaluating and holding PSE projects and partners accountable**. * At the project start, ensure that **information on complaint mechanisms is in local languages, provide clear guidance how to use them** and how claims will be assessed (e.g., information on the *Ombudsman* office and policy frameworks). * **Map out the internal accountability mechanisms** of implementing partners to ensure for a coherent view of reporting requirements. * **Encourage the practice of internal auditing and evaluation procedures.** |
| **Pitfalls to avoid** [[[**Ü**](#Self_Assess_KP1B)](#Resources_KP3B)](#Pitfalls_KP5A) | |
| * **Keep accountability and transparency standards at minimal levels** to avoid off-putting corporate actors. * **Put in place cumbersome or overly complex accountability procedures** for national governments and local stakeholders, even though they may often not be directly involved in PSE projects. | * **Treat learning and accountability among diverse actors in projects homogenously**. * Assume partner country governments have **adequate capacity to manage and navigate accountability requirements**. * **Neglect CSOs and trade unions** when ensuring the accountability of corporate actors, or not enrolling them sufficiently in design and evaluation. |
| **Country example** [[[**Ü**](#Self_Assess_KP1B)](#Resources_KP3B)](#Country_Example_KP5A) | |
| The Dutch and German Development Finance Institutions – FMO and DEG – have established [Independent Complaints Mechanisms](https://www.banktrack.org/download/developing_effective_grievance_mechanisms_in_the_banking_sector/2018_pa_002_bank_report_faweb2_3.pdf) for their PSE activities. These are comprised of staff from complaints offices of both institutions, and an independent panel of three members. These mechanisms provide accountability through investigating complaints and determining whether partners have adhered with their policies and standards. By soliciting the engagement of independent experts, these complaints are handled impartially and transparently, and dispute resolution is offered.  See also the IFC’s Compliance Advisor/Ombudsman. This is an independent accountability mechanism where individuals and communities who have been negatively impacted by IFC PSE to file complaints and seek resolution. | |
| **Resources** [[[**Ü**](#Self_Assess_KP1B)](#Resources_KP3B)](#Resources_KP5A) | |
| * [DIE Accountability for Development Cooperation under the 2030 Agenda](https://www.die-gdi.de/uploads/media/DP_10.2017.pdf) * [Informa “Flash blending” development finance: how to make aid donor-private sector partnerships help meet the SDGs](https://www.tandfonline.com/doi/full/10.1080/09614524.2021.1911948?src=) * [OXFAM Faith is not enough: Ensuring that aid donor-private sector partnerships contribute to sustainable development](https://oxfamilibrary.openrepository.com/bitstream/handle/10546/620839/bp-faith-not-enough-ensuring-aid-donor-private-sector-partnerships-sustainable-development-080719-en.pdf;jsessionid=F33CB6937531DF32F4B867754726A49D?sequence=3) | |
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# **KAMPALA PRINCIPLE 5: LEAVE NO ONE BEHIND**

# **Recognising, sharing and mitigating risks for all partners**

Targeting the furthest behind through private sector engagement (PSE) requires greater risk-taking on the part of all partners involved. It is essential to recognise, share and mitigate such increased risk. This is necessary as diverse actors engage in partnerships, make investments to deliver development results and incentivise greater private sector contributions to sustainable development. This enables PSE through development cooperation to realise its full potential and help achieve progress where it is most urgently needed. This endeavour requires comprehensive and inclusive approaches that involve private investors, governments, civil society and, in particular, the vulnerable citizens and communities concerned that are excluded from competitive markets, employment opportunities and key economic and social services – or actors operating in areas and economic sectors where market failures, poor infrastructure, difficult access and weak governance make both private and public investment costly, difficult and risky. Private investment in these contexts is essential to address income poverty, food security, decent employment, inequality and economic inclusion. To ensure investments in these areas maintain a focus on leaving no one behind, all PSE efforts – from creating new markets and decent employment to providing specific goods and services – require such targeted approaches. As such, PSE through development co-operation must visibly contribute to leveraging additional investments, rather than simply increasing profitability.

## **Sub-Principle 5.A: Ensure that a private sector solution is the most appropriate way to reach those furthest behind**

The use of PSE through development co-operation to reach those furthest behind should be based on an assessment of whether a private sector solution is the most appropriate and sustainable way to realise the desired sustainable development results. Important factors in determining whether PSE through development co-operation is the right approach include the interests and motivations of potential private and public sector partners, the additional value a partnership with the private sector can bring over alternative solutions and the likelihood of realising long-term sustainable development results. In situations where PSE through development co-operation is the best approach, a set of realistic sustainable development objectives that target specific populations or sectors should be established, alongside an associated results framework.

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**Why is it important?**

Partnerships with the private sector bring about additional finance and expertise to solve development challenges. When well planned, with strong local ownership, agreed exit strategies and sound business cases, they can also ensure the sustainability of the intervention long after a project is finalised. Nevertheless, not all development objectives require a partnership with the private sector. Prior analysis, based on a clear problem definition, a simple theory of change and consultations with local actors and governmental partners, are critically important to identify where a private sector solution is more appropriate than a partnership with other actors or direct investment by the development partner to achieve the desired development outcomes. Clearly communicating the added value of business or private sector solutions is also vital to build trust and ensure transparency and accountability.

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| ***Policy level*** | ***Project level*** |
| **Self-Reflection Questions** [[[**Ü**](#Self_Assess_KP1B)](#Resources_KP3B)](#Self_Assess_KP5B) | |
| * Does your government’s or organisation’s PSE policy and/or country programmes **identify sectors and areas of intervention where a private sector solution can be expected to bring long-term development outcomes** that benefit those furthest behind? Are they aligned with country-specific priority-sectors? * Does your **PSE policy indicate the need for an ex-ante development additionality assessment** to identify whether such private sector solutions are more appropriate than other interventions to bring benefits to those furthest behind? * Does your PSE policy and/or country programmes propose to have a **theory of change for additionality assessments** that is aligned with the partner countries’ national priorities? | * Is your **project based on a (simple) theory of change** that explicitly states the development challenge you are trying to address and how the involvement of the private sector will benefit those furthest behind? * In the design phase, does your project **examine alternative solutions** to the challenge from actors other than the private sector? * Does your project include an **ex-ante additionality assessment** that highlights how the project will meet the needs of those furthest behind? * Are there **mechanisms to ensure course correction during the implementation phase** in place in your project in case the benefits to those furthest behind are not clear? * Do **independent project evaluations** explicitly focus on the impact for those furthest behind to inform PSE policy and future projects? |
| **Actions to consider** [[[**Ü**](#Self_Assess_KP1B)](#Resources_KP3B)](#Actions_KP5B) | |
| * Use development objectives (SDGs and national priorities), dialogue with other partners and analysis (political economy, overview of potential partners if available) as **starting point for identifying potential partners,** shared agendas and appropriate interventions. * Consider **producing guidance on development additionality** for your government/organisation to assess, ex-ante and ex-post, how private solutions benefit those furthest behind. * **Identify sectors and contexts** where private sector solutions are most likely to meet the needs of those furthest behind **while keeping national priorities front and centre**. * **Communicate your rationale** for collaborating with the private sector in specific contexts and projects to all partners and external actors. | * **Conduct an ex-ante additionality assessment** on what a private sector solution offers those furthest behind and review progress towards these ends on a regular basis. * **Carefully assess whether potential private sector partners would engage and aim to attain the same development outcomes if you were not to partner with them**. If so, reconsider investing your resources in this partnership. |
| **Pitfalls to avoid** [[[**Ü**](#Self_Assess_KP1B)](#Resources_KP3B)](#Pitfalls_KP5B) | |
| * **Engage private sector companies and associations without a clear rationale** and assessment on whether this is the best solution to achieve desired development goals that benefit those furthest behind. * **Neglect clear communication towards external stakeholders** on the selection and added value of partnering with the private sector in your policies and programmes. * **Omit adapting your PSE policy** in case of new insights from programmes and projects on their outcomes for those furthest behind. | * **Produce vague additionality assessments for large projects** which require a robust justification and rationale for working with the private sector **or overly detailed assessments for smaller projects**. * **Create PSE projects without opportunities for course correction**. |
| **Country example** [[[**Ü**](#Self_Assess_KP1B)](#Resources_KP3B)](#Country_Example_KP5B) | |
| The [PSE approach](https://sidase-wp-files-prod.s3.eu-north-1.amazonaws.com/app/uploads/2020/12/01161630/sidas-private-sector-collaboration-1.pdf) of Sweden’s International Development Agency (SIDA) is to identify development objectives first and to then find the best possible partners to realise these results. One approach to systematically assess different partners is the [cascading approach](https://www.cgdev.org/blog/world-bank%E2%80%99s-preference-private-finance-explained) suggested by the World Bank Group in the context of finance mobilisation. In the case of SIDA, private partners are only chosen when doing so would clearly be preferable to all other alternatives, and where a private sector solution is most likely to produce intended development results ([see page 58](https://sidase-wp-files-prod.s3.eu-north-1.amazonaws.com/app/uploads/2020/12/01161630/sidas-private-sector-collaboration-1.pdf)). SIDA does not consider partnerships with the private sector to be an objective unto itself, but rather a means to an important end in meeting developmental objectives. | |
| **Resources** [[[**Ü**](#Self_Assess_KP1B)](#Resources_KP3B)](#Resources_KP5B) | |
| * [DCED Demonstrating Additionality in Private Sector Development Initiatives](https://www.enterprise-development.org/wp-content/uploads/DCED_Demonstrating-Additionality_final.pdf) * [OECD DAC Blended Finance Principle 2: Design blended finance to increase the mobilisation of commercial finance](https://www.oecd.org/dac/financing-sustainable-development/blended-finance-principles/documents/Principle_2_Guidance_Note_and_Background.pdf) * [OECD Evaluating financial and development additionality in blended finance operations](https://www.oecd-ilibrary.org/development/evaluating-financial-and-development-additionality-in-blended-finance-operations_a13bf17d-en;jsessionid=Pn_4ReRIbZnbwGPKIfHRCvwN.ip-10-240-5-152) | |
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## **Sub-Principle 5.B: Target specific locations, markets, value chains and investor types that are most likely to have a positive impact on those furthest behind**

When undertaking PSE, development co-operation should target contexts where investments in profitable entrepreneurial activity will provide markets, employment, production inputs, services and goods that improve the lives and livelihoods of those furthest behind. Partners should target support accordingly to promote efforts that leave no one behind by reducing risk, incentivising investment, and ensuring sustainability.

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**Why is it important?**

Development Partners have committed to putting the furthest behind first. However, evidence shows that most blended finance and PSE projects do not specifically target marginalised and vulnerable groups and sectors. It is thus important to re-focus PSE projects to target and expand markets, goods, and services that improve the well-being and livelihood of those furthest behind. There are various ways to achieve this such as through using concessional finance strategically to maximise its impact in areas that are most meaningful for the poorest and most hard-to-reach populations, including by crowding in additional private finance for this purpose. Another is to deliberately create markets for such underserved groups and sectors (though there is a tension with the push towards privatising them). More generally, development partners can support private investment that adhere to international standards and national rules in least developed countries, leading to scaling up of solutions and long-term viability and impact of programmes and projects.

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| ***Policy level*** | ***Project level*** |
| **Self-Reflection Questions** [[[**Ü**](#Self_Assess_KP1B)](#Resources_KP3B)](#Self_Assess_KP5C) | |
| * Does your government’s or organisation’s **PSE policy explicitly target** **countries, regions, sectors, and contexts** that are being considered as being left behind? * Does your PSE policy **prioritise activities and modalities that are likely to have the greatest impact** on the livelihoods of those who are, or are at risk of being, left behind? * Does your **PSE policy identify provisions to avoid market distortions** as a result of your interventions? * Do you untie your aid and **procure your services in ways that help build local supply chains** and incentivise local companies to act responsibly? * Does your PSE policy commit to **mobilizing private sector investments in areas with greatest needs** for development finance? | * Is your project based on a **theory of change that clearly identifies LNOB goals**, i.e. how it can improve access to markets, ensure employment, services, and goods for those left behind? Specifically, does the project create new outcomes for women, youth, indigenous peoples, and other vulnerable population groups? * Does your project **overcome - rather than accentuating - existing disparities and inequalities** for your project’s beneficiaries? * **How has the target group of the project been identified and selected**? Are the beneficiary groups most in need of the development solution the project is promoting? |
| **Actions to consider** [[[**Ü**](#Self_Assess_KP1B)](#Resources_KP3B)](#Actions_KP5C) | |
| * **Warrant coherence between your government’s or organisation’s overall and PSE policies to ensure investments are prioritised in underserved markets and sectors** and incentivize other actors to align and raise financing for programs targeting left-behind groups. * **Use instruments like blended finance in line with existing related guidance** to direct private investments to areas furthest behind. * **Dedicate enough resources to measure the impact of investments on development outcomes for left-behind groups and sectors**, as this data is much needed for attracting additional private investments. * **Provide support to partner countries in establishing sustainable exit strategies** for all PSE projects once markets are functioning for left-behind and vulnerable populations. | * **Ensure regular feedback mechanisms from affected communities and relevant stakeholders** at local level to ensure that the project continues to target intended sectors/groups. * If your intervention is the first provider-led PSE project in its target context or sector, **invest up front in additional analysis** (political economy and other), **consultation and care** so as to test the ground and prevent causing harm, sharing its outcome also with others. * **Ensure that all PSE projects seek to work with and complement local markets** – rather than against them – by cooperating with local sector actors where possible. |
| **Pitfalls to avoid** [[[**Ü**](#Self_Assess_KP1B)](#Resources_KP3B)](#Pitfalls_KP5C) | |
| * **Fail to coordinate with other providers operating in similar contexts** ([see 1.B](#_1.B_Align_and_1)) which contributes to provider fragmentation, the duplication of efforts and market distortions. * **Target countries/sectors where already established markets can provide the necessary funding** for development investments. * **Not taking due care of additional preliminary consultations**, especially within fragile and conflict-affected contexts. | * **Employ a short-term approach to project planning that may cause long-term unintended harm to left-behind groups**. * **Produce market distorting effects**. For instance, through over-subsidising private sector actors. * **Avoid conducting or seeking relevant background analysis and consultation.** |
| **Country example** [[[**Ü**](#Self_Assess_KP1B)](#Resources_KP3B)](#Country_Example_KP5C) | |
| The German Agency for International Cooperation (GIZ) specifically assists companies with business models that target underserved sectors, locations and communities in the pursuit of leaving no one behind. In [the case of LifeBank](https://www.giz.de/en/workingwithgiz/99947.html) in Nigeria and Kenya, the GIZ is supporting the company’s business model focusing on the rapid delivery of life-saving medical supplies to poor, rural and underserved regions. For promoting inclusive businesses like LifeBank, the GIZ developed in cooperation with the European Union the [Inclusive Business Action Network (iBAN)](https://www.inclusivebusiness.net/about/iban). This global initiative offers a space for businesses to network, engage in peer-learning, and access expertise, case studies and training programs. | |
| **Resources** [[[**Ü**](#Self_Assess_KP1B)](#Resources_KP3B)](#Resources_KP5C) | |
| * [OECD The private sector and the catalytic role of micro, small and medium-sized enterprises](https://www.oecd-ilibrary.org/sites/dcr-2018-12-en/index.html?itemId=/content/component/dcr-2018-12-en) * [OECD DAC Delivering results to leave no-one behind](https://www.oecd.org/dac/results-development/docs/leave-no-one-behind-results-workshop-oct-2017.pdf) * FMO [Dutch Entrepreneurial Development Bank - Micro and Small Enterprise Fund (MASSIF)](https://www.fmo.nl/partner-with-us/massif) | |
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## **Sub-Principle 5.C: Share risks proportionately to incentivise private sector contributions to leave no-one behind**

Reaching those left behind can mean promoting partnerships in markets that have higher risks. These perceived risks need to be assessed jointly. Development co-operation can be used strategically to offset risks for the private sector when targeting populations underserved by the market. Considerations about sharing risks should be made in accordance with the scale and scope of the desired sustainable development results and due attention to the proportionality of risk being taken by public and private actors vis-à-vis benefits to partners. There should be transparency from the outset regarding the risks undertaken by each partner.

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**Why is it important?**

Scaling up and leveraging additional private sector engagement and investment involves sharing risks proportionately among all project and programme partners. This requires open dialogue and continuous engagement among project and implementation partners. In order to benefit those furthest behind, development partners and partner country governments should extend suitable incentives to the private sector who may have concerns over engaging within high-risk contexts. At the same time, they need to put in place adequate safeguards to ensure unintended negative impact is addressed. All investments in partnerships with the private sector should yield benefits for those furthest behind that would not have been achieved without the intervention. Sharing risks enables both private and public partners to embark upon a project that they would otherwise not be able nor willing to support entirely on their own. Development partners can also meet the needs of both the private sector and beneficiary communities by identifying suitable financial and non-financial instruments to offset risk and by sharing risk in an open, up-front and transparent matter.

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| ***Policy level*** | ***Project level*** |
| **Self-Reflection Questions** [[[**Ü**](#Self_Assess_KP1B)](#Resources_KP3B)](#Self_Assess_KP5D) | |
| * Does your government’s or organisation’s **PSE policy provide guidance on managing and sharing risk for PSE projects**? If no such guidance exists, how might existing guidance on sharing risk in PPPs, blended finance or private sector development programmes be adapted or serve as inspiration? * Does your **PSE policy** **recognise the primary and secondary risks** from PSE interventions for beneficiary communities? * How do you **ensure that local communities – particularly vulnerable groups – are protected** from taking on undue risks? * Does your policy provide **risk frameworks for different country contexts** (e.g., Fragile and Conflict Affected, Small Island Developing States, Low- and Middle-Income)? * Have you considered **how specific financial mechanisms require different approaches to risk-sharing and allocation**? | * For each project, have you – along with all project partners – **assessed potential risks for each stakeholder and given due consideration to the proportionality of risks** being taken on by public and private actors vis-à-vis the benefits to local communities? * Does your project **consider renegotiation of PSE contracts if project stakeholders express legitimate concern over the balance and sharing of risks and returns**? * Does your **project foresee dialogue to exchange and agree on risk-sharing** among stakeholders with diverse risk-taking appetites, return expectations, and operational/conceptual ways of working? What challenges do you foresee in **developing shared understanding** of risks and realistic ways to address them? * Does your project **recognise the different incentives and risks for actors involved**, including affected communities? Are those incentives and risks represented in your overall results framework? |
| **Actions to consider** [[[**Ü**](#Self_Assess_KP1B)](#Resources_KP3B)](#Actions_KP5D) | |
| * **Establish contracting periods that are long enough**; private sector actors need longer periods to spread their risk and investments over time. Shorter term contracts – as are common in public development policies and projects - are not long enough to warrant up-front expenditure of projects. * **Consider more direct financial mechanisms for offsetting risk for the private sector**, such as guarantees, subsidies or conditional grants, **but be wary of distorting the market when using these**. * **Inform private investors on the discrepancy between perceived and actual risk of investments** and provide tools and data to make risks assessments more reliable and accurate. | * **Take time to understand how different actors understand and perceive risk**, particularly given diversity in capacity, philosophies, and access to information. It is usually critical to have formalised stakeholder meetings towards developing shared terminology on risk and return sharing. * **Prioritise shielding vulnerable populations and sectors from risk**. * **Seek mutually beneficial, ‘win-win’ solutions to risk sharing**: when considering incentives and alleviating risks – particularly between public and private counterparts – regard this as a two-way or multi-directional ‘win-win’ exchange of comparative strengths. |
| **Pitfalls to avoid** [[[**Ü**](#Self_Assess_KP1B)](#Resources_KP3B)](#Pitfalls_KP5D) | |
| * **Assume risks are only linked to financial considerations** whilst overlooking social and environmental impacts that cannot always be monetised or easily predicted. * **Follow one-size-fits-all approaches** for generating incentives and balancing risk-sharing irrespective of the nature of a proposed intervention. * **Offer incentives to businesses that encourage a ‘race to the bottom’ in standards**. | * **Impose undue risk burdens on stakeholders with weaker capacity** * **Overlook hidden risks that may emerge** for vulnerable populations or sectors over the course of implementation. |
| **Country example** [[[**Ü**](#Self_Assess_KP1B)](#Resources_KP3B)](#Country_Example_KP5D) | |
| [Agrifi](https://www.agrifi.eu/) is an initiative that increases investment in smallholder agricultural MSMEs in rural areas in Asia, Latin America and Sub-Saharan Africa with the greatest needs for inclusive and sustainable growth. Agrifi seeks to address the lack of financing mechanisms adapted to farmers and agri-entrepreneurs, both of whom are regarded as high-risk. With major European Development Banks and Financing Institutions as the lead public financier, Agrifi uses risk-sharing and incentive mechanisms (risk capital, interest subsidies and guarantees) as means to encourage private investments that would not have happened otherwise. Thereby, they deliver on their mandate to reduce poverty and hunger, while promoting inclusive growth for the most vulnerable populations. | |
| **Resources** [[[**Ü**](#Self_Assess_KP1B)](#Resources_KP3B)](#Resources_KP5D) | |
| * [CGDEV Guarantees, Subsidies, or Paying for Success? Choosing the Right Instrument to Catalyse Private Investment in Developing Countries](https://www.cgdev.org/sites/default/files/CGD-Working-Paper-402-Barder-Talbot-Supporting-Private-Sector-0.pdf) * [OECD Public-Private Partnerships: In Pursuit of Risk Sharing and Value for Money](https://www.oecd.org/gov/budgeting/public-privatepartnershipsinpursuitofrisksharingandvalueformoney.htm) * [OECD DAC Blended Finance Sub-Principle 4 (b) Guidance (p. 19)](https://www.oecd.org/dac/financing-sustainable-development/blended-finance-principles/documents/Principle_4_Guidance_Note_and_Background.pdf) | |
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## **Sub-Principle 5.D: Establish provisions to mitigate and manage risks**

Carry out a joint assessment of the potential risks for the beneficiaries of the partnership as part of due diligence. Develop systems to monitor these risks, bringing in appropriate civil society partners as needed and undertaking course correction where necessary.

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**Why is it important?**

It is important to effectively identify, manage, and mitigate potential risks on a systematic level. Regular risk assessments with all programme partners can provide an effective means towards ensuring that PSE projects produce both development outcomes and shared benefits for businesses. By conducting risk assessments, instances of harm or risks to business operations or vulnerable groups and sectors can be discovered, thereby enabling project partners to correct the course and pursue a more appropriate project trajectory.

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| ***Policy level*** | ***Project level*** |
| **Self-Reflection Questions** [[[**Ü**](#Self_Assess_KP1B)](#Resources_KP3B)](#Self_Assess_KP1A) | |
| * Does your government’s or organisation’s **PSE policy explicitly acknowledge the potentially risky nature of PSE projects**? Do you therefore offer options for identifying and addressing these risks as well as financial mechanisms that spread risks and facilitate building trust? * Does your PSE policy and/or country programmes propose **dialogue with other stakeholders and potential partners to identify and mitigate risks involved in country contexts**? * Have you considered a **role for national and local CSOs** in ex ante risk assessment and monitoring of risks across all PSE projects and policies? * Does your **PSE policy specify acceptable levels of risk**, and offer strategies for when projects fail? * Does your government or your organisation have **sufficient capacity and expertise in risk mitigation and management** for private sector projects? Or does this capacity need to be developed further or complemented by external support? | * For your PSE project, does your risk management process **acknowledge the specific risks** that emerge from your project’s sector of intervention and those that emerge from the specific country context? * Will you **conduct regular risk assessments along with all project partners** prior to, during, and following the completion of each PSE project? How will you manage and mitigate risks as they emerge and evolve over the project lifecycle? * **Have risks been allocated to those stakeholders that are best suited to managing such risks**? For instance, public sector actors are best placed to address political, macro-economic and regulatory risk, while the private sector is best suited to manage market, commercial and business risks. * Have you **established a clear risk mitigation strategy for your project** in consultation with the government (national or local)? Is this strategy in the public domain and open to continual revision? * **Do all project partners have at least a minimum risk management capacity** – i.e. the ability to reduce, mitigate or adapt to project related risks? |
| **Actions to consider** [[[**Ü**](#Self_Assess_KP1B)](#Resources_KP3B)](#Actions_KP1A) | |
| * **Support partner country governments in developing their national risk assessments**, ensuring that this information is tailored to private sector engagement and investment. * **Support internal efforts to centralise knowledge and international efforts on effective risk mitigation** by building up strong management structures and collating best practices and data on effective private sector investment and engagement. * **Regularly update and monitor your own and partner countries’ risk assessment frameworks**. * **Use project evaluations to consolidate lessons learnt** for policy adjustments and future projects. | * **Start small**: conduct initial pilot studies to scope out potential risks, provide initial adjustments, and offer more confidence to private sector and other partners through the demonstration effect. * Initiate risk identification in the design phase of your project and continue to monitor these during implementation. * **Consider the range of financial** (guarantees, risk capital, insurance products) **and non-financial tools** (consultations, regular assessments) at your disposal **to mitigate** **risk** and use them appropriately depending on the scale and nature of your project intervention. |
| **Pitfalls to avoid** [[[**Ü**](#Self_Assess_KP1B)](#Resources_KP3B)](#Pitfalls_KP1A) | |
| * **Rely entirely on standard due diligence frameworks** developed for public sector projects that do not incorporate the specific nature of, and risks associated with, PSE. * **Withhold CSOs’ contribution and undermine their role in assessing risk** both at the strategic, policy or local level. * **Produce risk mitigation strategies that do not recognise risks for all partners involved**, most notably for those furthest behind. | * **Overlook or not fulfil transparency requirements when managing risk**. * **Employ one-size-fits-all approaches to risk analysis and mitigation** without differentiating between each project’s specificities like the sector, geography, or stage in a project’s life cycle. * **Use too many approaches to risk management and mitigation** by disconnecting from other project partners when developing shared risk assessment, management, and mitigation processes. * **Rely on top-down approaches** to risk identification, analysis, and mitigation without leveraging local partners’ better understanding of local and national risks. |
| **Country example** [[[**Ü**](#Self_Assess_KP1B)](#Resources_KP3B)](#Country_Example_KP1A) | |
| The Swiss Agency for Development and Cooperation (SDC) has developed a [PSE Risk Management Process](https://www.eda.admin.ch/dam/deza/en/documents/die-deza/strategie/Handbook_PSE_EN.pdf) that is integrated into their overall risk management framework and set up to systematically prevent and mitigate contextual, programmatic and institutional risks along the entire partnership with a private sector actor. In the four-phase process, an assessment of the PSE prospects comes first and includes the assessment of exclusion criteria, ESG risks and due diligence of the potential partner. Secondly, a joint project risk assessment is conducted before coming to a partnership agreement. The third phase includes regular reviews and monitoring of project risks as well as adaptation in operations, management and governance, if needed, followed by a planned exit as the final stage. By this process, risk can be systematically managed and mitigated, thus contributing to more effective delivery of development solutions for those furthest behind. | |
| **Resources** [[[**Ü**](#Self_Assess_KP1B)](#Resources_KP3B)](#Resources_KP1A) | |
| * [PwC Stimulating private sector engagement in building disaster resilience and climate change adaptation](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/305412/stimulating-private-sector-engagement-climate-disaster-resilience.pdf) * [OECD DAC Blended Finance Principle 4(b) Guidance](https://www.oecd.org/dac/financing-sustainable-development/blended-finance-principles/documents/Principle_4_Guidance_Note_and_Background.pdf) | |

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# **Glossary with Key Terms and Definitions**

**CIVIL SOCIETY ORGANISATIONS:** The multitude of associations around which society voluntarily organizes itself and which represent a wide range of interests and ties. These can include community-based organisations, indigenous peoples’ organisations and non-government organisations.

**DEVELOPMENT CO-OPERATION:** Development co-operation is an activity that “aims explicitly to support national or international development priorities, is not driven by profit, discriminates in favour of developing countries and is based on co-operative relationships that seek to enhance developing country ownership”. Official Development Assistance is one form of financing within a much broader palette of development co-operation approaches and instruments. These include non-concessional finance, South-South and triangular co-operation, climate finance, co-operation among governments on non-aid policies, and co-operation with and among non-governmental actors, such as businesses and civil society.

**DEVELOPMENT PARTNERS:** This refers to the range of national and international organisations that partner with countries receiving development co-operation to realise national sustainable development priorities and achieve the SDGs. They include governments that provide different types of development co-operation, multilateral organisations such as United Nations agencies and programmes, international financial institutions such as the World Bank, bilateral development finance institutions and philanthropic organisations. They may also include civil society organisations, trade unions and parliamentary organisations in their capacity as implementing partners.

**PARTNER COUNTRIES:** These are countries that go into partnerships with development partners in the pursuit of advancing on their national development priorities and achieving development outcomes. They mostly consist of low- and middle-income countries who face disproportionately higher development challenges. It is these contexts, where local policy processes an implementation of development co-operation programmes and projects take place.

**PRIVATE SECTOR:** The organisations that make up the private sector are those that engage in profit-seeking activities and have a majority private ownership (i.e., they are not owned or operated by a government). The term includes financial institutions, multinational companies, micro, small and medium- sized enterprises, co-operatives, individual entrepreneurs, and farmers who operate in the formal and informal sectors. The term excludes actors with a non-profit focus, such as civil society organisations.

**PRIVATE SECTOR ENGAGEMENT:** The aim of private sector engagement (PSE) through development co-operation is to leverage the private sector to achieve development objectives, while at the same time recognising the need for financial return for the private sector. In 2016, the OECD defined PSE in development co-operation as “an activity that aims to engage the private sector for development results, which involves the active participation of the private sector.”1 The definition is broad and includes all modalities - such as finance, policy dialogue, capacity development, technical assistance, knowledge sharing and research. These efforts and actions range from informal collaboration to more formalised arrangements, encompassing many sectors (e.g., health, education, private sector development, etc.).

**TRADE UNIONS:** A trade union is defined as a workers’ organization constituted for the purpose of furthering and defending the interests of workers.

1. The aim of private sector engagement (PSE) through development co-operation is to leverage the private sector to achieve development objectives, while at the same time recognising the need for financial return for the private sector. In 2016, the OECD defined PSE in development co-operation as “an activity that aims to engage the private sector for development results, which involves the active participation of the private sector.” The definition is broad and includes all modalities - such as finance, policy dialogue, capacity development, technical assistance, knowledge sharing and research. These efforts and actions range from informal collaboration to more formalised arrangements, encompassing many sectors (e.g., health, education, private sector development, etc.). See more definitions in the [Glossary](#_Glossary_with_Key) on page 40. [↑](#footnote-ref-2)