Monitoring Private Sector Engagement in Development Cooperation

A Handbook for Civil Society Organizations

CSOPartnership for Development Effectiveness

The Reality of Aid
Southern-led North/South Network on the Reform of Aid Policies and Practices

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Who we are

The CSO Partnership for Development Effectiveness is a platform that unites civil society organizations (CSOs) from around the world on the issue of effective development cooperation. We work in 117 countries, and our members come from seven regions and eight major sectors: faith-based, feminist, indigenous peoples, international CSOs, labor, migrants, rural, and youth. Together, we strive for a more effective development, the kind that truly responds to poverty and inequality.

Towards this end, we promote the human rights-based approach to development, uphold accountability in development cooperation, and build the capacity of CSOs to engage in various advocacy arenas.
In all these endeavors, we are driven by the aspirations and struggles of the impoverished and marginalized, and the vision of a free and equal world for all.

About this handbook

The present material serves to equip CSOs with both the conceptual and basic technical knowhow in monitoring private sector engagements (PSEs) in development cooperation. It is divided into two parts. The first part of this handbook introduces the reader to PSE and the Kampala Principles, which lay down broad strategies for PSE in development cooperation. The second part turns to a more technical discussion on how CSOs can monitor PSE at the country and sub-country level.

With the aid of this handbook, it is hoped that CSOs themselves will be able to produce monitoring reports and integrate them within their respective advocacies and, ultimately, help ensure that private sector actors engaged in development cooperation are accountable to the people.

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PART 1

Private Sector Engagement and the Kampala Principles

What is Private Sector Engagement Through Development Cooperation?

The past few decades have seen the increasing participation of the private sector in defining and pursuing development agenda in various spheres. At the international level, the private sector is held up as a key actor in various missions and agreements, such as the United Nations (UN) Sustainable Development Goals and the UN Paris Climate Agreement. At national and subnational levels, public-private partnerships (PPPs) have been adopted as a strategy for delivering targets in the areas of infrastructure and services.

The resources and influence that the private sector wields have far-reaching impacts, but it cannot be left on its own. Needless to say, the profit-seeking nature of businesses, even those that are said to be part of corporate social responsibility, can present a conflict with development objectives and actors, including the civil society and the communities that are at the receiving end of all development efforts. Hence, it is important that private sector engagements (PSE) are placed within the framework of **development cooperation**, defined as 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.[1] PSE through development cooperation, thus, refers to **"any activity that aims to engage the private sector for development results, which involve the active participation of the private sector."**[2]

PSE through development cooperation aims to "leverage the private sector to achieve development objectives, while at the same time recognizing the need for financial return for the private sector."[3] In this balancing act, so to speak, of pursuing development and profit objectives, regular monitoring by civil society organizations (CSOs) is necessary to keep track of, and keep in check various forces at play in, these engagements and ensure that the welfare of communities and the protection of the environment ultimately are upheld. In the end, emphasis is placed on effective development cooperation, which ensures the delivery of results to people through participatory methods, mutual accountability, and democratic ownership, using development cooperation policies and tools that are consistent with the agreed international commitments on human rights, decent work, gender equality, environmental sustainability and disability.

Who make up the Private Sector?

It is important to recognize that the private sector is not a single homogenous entity. Defining the private sector is an essential process in reaching a clear understanding of the role they play in development and therefore defines how specific private sector actors should be engaged. Alonso & Gabriel's (2016) very broad definition of the private sector for example states that the term private sector refers to "those that engage in profit-seeking activities and have a majority private ownership (i.e. they are not owned or operated by the government). The term includes financial institutions and intermediaries, 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 organizations." While this definition rightly excludes civil society, this kind of broad definition still poses problems of its own by lumping together big businesses with small producers who have no significant access to industry or capital such as small farmers or street vendors for example. While profit-seeking may be their common denominator, it is important to draw distinctions between members of the private sector. Their size, nature, and objectives can inform the strategy and direction of engagement. For the purposes of this handbook, the private sector includes multinational and transnational corporations, micro-small-, and medium-sized enterprises (MSMEs) and social enterprises further defined below:

Multinational and transnational companies (MNCs/TNCs) are businesses that operate in multiple countries. These global companies bring in massive investments and numerous jobs to the host country. But, as has been the experience in the developing world, they can come at the expense of the people and the environment by engaging in unscrupulous practices such as low wages and unsafe working conditions.[4]

Micro-, small-, and medium-sized enterprises (MSMEs) is a term used to designate economic units that fall under a certain threshold in terms of the number of workers and annual turnover or capital invested. Therefore, the definition of MSMEs may vary from country to country. We can however refer to a common definition that categorizes MSMEs as follows:

	Number of employees
Micro	1-9
Small	10-49
Medium	50-250[5]

For the purposes of this handbook, the term MSMEs excludes small-scale food producers, farmer co-operatives, and street vendors which can be delegated as separate sectors in their own right. MSMEs dominate the private sector in terms of employment share and economic contribution. Worldwide, they comprise 90% of all businesses and more than half of global employment.[6] Generally speaking, MSMEs' size and lack of access to finance, market access, protection, and government support hinder their growth and make them prone to exploitation and easily overpowered by big businesses, especially MNCs/TNCs, which command more market power and government influence.

Social enterprises are businesses whose primary goal is to deliver specific social outcomes in their communities.[8] While the profit objective remains at their core, they "find a business case from a sustainability angle."[9]

Forms of Private Sector Engagements

It may be argued that a vibrant private sector in itself contributes to development. Indeed, *private sector development* is a key economic strategy in many countries and is driven by international capital and domestic market forces. But as mentioned, leaving the private sector alone will not necessarily yield the best results, considering their social impacts, environmental sustainability, and market externalities. Certainly, the private sector can be engaged *for development*. Byiers and Rosengren (2012) classified these engagements into two main themes, namely:

Private sector investment for development. Inclusive businesses are engaged around their core operations, and emphasis is placed on creating stakeholder value rather than just shareholder value. These include selling goods and services that have high development impact, e.g. reaching out to low-income consumers rather than just selling to the poor; businesses that have a significant "footprint on poverty" through supply and distribution chains, or research and development; small and medium domestic enterprises that stimulate local economy; and social enterprises that offer products of high social value[10].

Private sector finance for development. The private sector can also be engaged in terms of development financing, which in recent years has taken the form of blended financing. Especially in developing nations, key development projects such as infrastructure require massive funding which only the private sector, primarily financial institutions, can provide. However, accessing this form of financing may be difficult in low-income countries as they may be perceived risky by private investors. Blended financing is supposed to address these risks by combining official development assistance (ODA) with other private or public resources, with the goal of leveraging private sector finance.[11] In this form of financing, ODA serves as a grant or grant-like contribution to remove barriers to public or private investments, which include political and financial uncertainty, weak local financial markets, and knowledge and capacity gaps. ODA can be used for various financial instruments, including investment grants, technical assistance, loan guarantees, structured finance, and equity investment.

Table 1. Forms of Private Sector Engagement

	Private Sector Development	Private Sector for Development	
		Private Sector Investment for Development	Private Sector Finance for Development
Location	Domestic	Domestic/International	International
Role of donors	Supporting the enhancement of the domestic business climate, credit, etc.	Encouraging private sector actors to make investments in developing countries by offsetting certain risks	Leveraging private sector to provide finance to development efforts
Types of instrument	Challenge, equity and credit guarantee funds etc.	Challenge funds for Foreign Direct Investments, development-related grants and subsidies	Public-private partnerships, portfolio investment, private equity, private infrastructure funds, etc.

Source: Byiers, B. & Rosengren, A. (2012). *Common or Conflicting Interests? Reflections on the Private Sector (for) Development Agenda*. European Centre for Development Policy Management Discussion Paper No. 131.

MSMEs Role in Development

The role of MSMEs in achieving Sustainable Development Goals is widely recognized. Because they engage poor and marginalized populations, MSMEs is the single biggest private sector force that has such a profound impact on development, especially in the developing world. However, much has yet to be done to integrate MSMEs in development, including access to infrastructure and finance, protection from discrimination and evictions, and representation in social dialogues and partnerships.

From this angle, any strategy to engage MSMEs becomes profoundly different to how civil society engages big businesses such as TNCs and MNCs for example. While it must be emphasized that the biggest accountability for delivering development results still falls squarely on MNCs and TNCs, MSMEs can be engaged in the context of maximizing their potential contributions to domestic development and local employment, their rightful inclusion and representation in development partnerships as well as advocating for greater government support, protection and access to financing tools that are otherwise beyond the reach of smaller enterprises.

1 NO POVERTY

MSMEs engage the poor and generate four in five new jobs in the formal sector.

2 ZERO HUNGER

Farms under 2 ha. produce close to a third of global agricultural production.

3 GOOD HEALTH AND WELL-BEING

Close to 1 in 10 surveyed MSMEs were involved in the healthcare sector.

4 QUALITY EDUCATION

MSMEs can provide training and apprenticeship opportunities to the youth and improve access to early childhood education.

5 GENDER EQUALITY

Women constitute a fifth of MSME's total workforce, but they are mostly in low-skilled jobs and face poorer conditions.

6 CLEAN WATER AND SANITATION

MSMEs in water and sanitation services fill the gap in developing countries with weak water, sanitation and hygiene (WASH) infrastructure.

7 AFFORDABLE AND CLEAN ENERGY

Use of energy-efficient technologies remains low in the MSME sector, but they can integrate sustainable practices in production.

8 DECENT WORK AND ECONOMIC GROWTH	Including informal businesses, MSMEs contribute to more than half of GDP in most countries.
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	MSME’s contribution to industrial output is low, but they generate employment in the manufacturing sector.
10 REDUCED INEQUALITIES	MSMEs can penetrate geographic areas with low market access and stimulate small local economies.
11 SUSTAINABLE CITIES AND COMMUNITIES	MSMEs provide employment in urban areas and generate considerable economic output for cities.
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	As opposed to big firms, MSMEs can more flexibly adopt sustainable business practices while yielding better returns for them.
13 CLIMATE ACTION	The diversity of MSMEs help households be more resilient to the impacts of the climate crisis, but they are also highly vulnerable to it.
14 LIFE BELOW WATER	Small-scale fishery and marine-based enterprises provide a significant portion of protein intake in many communities.
15 LIFE ON LAND	Nine in 10 farmers worldwide are small-scale producers, and they can adopt methods to improve soil conditions and biodiversity.
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	Livelihood opportunities from MSMEs decrease likelihood of participation in crimes and rebellion.
17 PARTNERSHIPS FOR THE GOALS	MSMEs are underrepresented in trade networks, but they can contribute to solving development problems and achieve the SDGs.

Source: United Nations Department of Economic and Social Affairs. (n.d.). *Micro-, Small, and Medium-sized Enterprises (MSMEs) and their role in achieving the Sustainable Development Goals.*

Why monitor Private Sector Engagements?

Business interests need to be aligned with development objectives. SDGs remain to be mainstreamed in business operations in much of the world. A recent study of 8,550 companies worldwide found that only 0.2% of companies were strongly aligned with the UN Sustainable Development Goals (SDGs). Prominent areas of misalignment are those that concern the environment, including responsible consumption and production, affordable and clean energy, and climate action.[12]

Not all SDGs are given attention. A survey by the Organisation for Economic Cooperation and Development (OECD) found that most of blended finance funds and facilities targeted economic growth and jobs (SDG 8), infrastructure (SDG 6, SDG 7, SDG 9, and SDG 11), and climate action (SDG 13)—sectors in which "the business case is clearer and the potential for commercial gains more apparent." However, least targeted were goals related to biodiversity and natural resources (SDG 14 and SDG 15). Thus, there is a need to ensure that, whereas possible, private sector engagements cover a broad range of issues.[13]

Blended financing is mobilized less in low-income countries. The same survey found that majority of blended finance went to middle-income countries (43% in upper-middle income countries and 34% in lower middle-income countries), leaving out low-income countries (LICs). Another report underlined that much of the expectations that blended finance can address SDG financing in LICs are unrealistic given the market challenges in these countries, and so relying on blended finance "can deflect official development assistance (ODA) from the investment needed to eradicate poverty in LICs."

MSMEs have difficulty accessing resources. Access to finance is a major constraint among many MSMEs. In the least developed countries, 35% of MSMEs reported having difficulty accessing finance, while 24% reported such issue in the rest of the developing world. Barriers to finance include lack of working capital and long-term financing, as well as legal and regulatory frameworks that discriminate against disadvantaged sectors like women and youth.[14]

MNCs/TNCs can easily skirt accountability. A plethora of reports worldwide have documented how corporations can avoid accountability for their activities' negative impacts on communities and the environment, especially in nations with weak regulatory mechanisms. Given the extent of their resources and influence, big businesses not only instrumentalize local laws to their favor, they also actively lobby for legislations to deregulate their activities and protect corporate interests, ultimately undermining democratic processes.[15]

Public-Private Partnerships: Do They Work?

Perhaps no other form of private sector engagement has gained more prominence and attention in recent years than public-private partnership (PPP). This engagement involves a long-term contractual agreement between a government and a private firm for delivering on goods and services that the public sector traditionally provides.

PPP has been aggressively promoted as a means of financing and managing infrastructure projects all over the world. However, a growing body of evidence has begun to see not only the limitations but also the serious flaws of the PPP framework. A recent analysis of 10 PPP projects, for instance, found that:

- The public sector disproportionately shouldered heavy financial risks, especially the costs of failures along the way;
- PPPs lacked transparency and accountability to the public, especially the affected communities;
- PPPs are complex to negotiate and implement and needs the government's strong regulatory capacities to ensure that they uphold public interest.
- PPPs can negatively impact the poor and exacerbate inequality, as well as pose serious social and environmental risks.

In 2017, more than 150 CSOs, trade unions, and people's organizations from 45 countries signed a global campaign manifesto to sound the alarm on the pitfalls of PPP. This adds to the growing global call to revisit PPPs and rein in them as a strategy for achieving development objectives.

Sources:

Romero, María José and Julia Ravenscroft, ed. History RePPPeated: How Public Private Partnerships are failing. Eurodad, 2018.

Public-Private Partnerships: Global Campaign Manifesto. Eurodad, 2017.

The Kampala Principles

The *Kampala Principles for Effective Private Sector Engagement Through Development Cooperation* **provide a normative guidance** for the collective work of enhancing PSE toward achieving **national sustainable development priorities.** Formalized in March 2019 in Kampala, Uganda, it was the product of a series of multisectoral consultations with a range of stakeholders.

Recognizing the diversity of businesses and country experiences, these five interlinked and necessarily broad principles can be used by governments, businesses, business groups, MSMEs, development partners, trade unions, and other development actors and partners for designing and monitoring PSE from the level of policymaking/program planning down to implementation and monitoring.

Principle 1: Inclusive Country Ownership
Strengthening coordination, alignment, and capacity-building at the country level by:

a. defining national PSE goals through an inclusive process;
b. aligning and coordinating PSE through development cooperation with national priorities and strategies; and
c. investing in capacities for PSE through development cooperation.

Principle 2: Results and Targeted Impact
Realizing sustainable development outcomes through mutual benefits by:

a. focusing on maximizing sustainable development results;
b. ensuring sustainable results by aligning core business and development interests; and
c. engaging in partnerships according to agreed international standards.

Principle 3: Inclusive Partnership
Fostering trust through inclusive dialogue and consultation by:

a. supporting and participating in inclusive dialogue and consultation;
b. promoting inclusive, bottom-up and innovative partnerships and raise awareness of engagement opportunities; and
c. making partnerships more accessible.

Principle 4: Transparency and Accountability
Measuring and disseminating sustainable development results for learning and scaling up of successes by:

a. Defining and agreeing on frameworks to measure results
b. Disseminating results; and
c. Ensuring accountability

Principle 5: Leave No One Behind
Recognizing, sharing, and mitigating risks for all partners by:

a. ensuring that a private sector solution is the most appropriate way to reach those furthest behind;
b. targeting specific locations, markets, value chains and investor types that are most likely to have a positive impact on those furthest behind;
c. sharing risks proportionately to incentivize private sector contributions to leaving no one behind; and
d. establishing provisions to mitigate and manage risks.

Appraising the Kampala Principles

The Kampala Principles are not without criticisms. For one, the document mentions that "the private sector contributes to sustainable development in its own right," but this must take into consideration the nature and practices of businesses. On the one hand, facing various issues such as lack of support and marginalization, MSMEs especially in the developing world can benefit from improved cooperation with other development actors. On the other hand, the onus of proving private sector contribution to sustainable development falls heavily on big businesses, such as multinational and transnational corporations and extractive industries whose track-records are fraught with human rights and environmental concerns.[16]

Moreover, the Kampala document's emphasis on "profitable solutions to sustainable development challenges" should not overshadow the most pressing goal of addressing the roots of poverty and inequality. As mentioned, the nexus of development and profit-making treads on a delicate balance. Certainly, however, business growth should not be at the expense of the people and the environment but should instead be geared toward sustainable development, as the Kampala Principles endeavor. In addition, the Kampala Principles like all existing international tools and frameworks for private sector accountability remain voluntary. As a mechanism that rests on the principle of free choice, private sector actors can easily choose not to integrate the Kampala Principles to their core business strategies. While the monitoring and review process within the GPEDC provides some additional leverage for compliance, big business accountability can easily become lip service without robust oversight mechanisms and adequate and actionable remedies especially at the country level.

In any case, the Kampala Principles aim to bridge the gap between the private sector and the public and civic actors in development, which often express mutual concerns over the other's lack of transparency and accountability. For instance, an extensive mapping of more than 800 PSE projects in Bangladesh, Egypt, El Salvador and Uganda found that only 13% of them involved partner countries, only 5% "explicitly target poor or low-income populations, and only 16% "clearly communicated results."

By outlining five practical guideposts for effective PSE, the Kampala Principles can be used to maximize the available resources and draw up or expand possible partnerships toward achieving development goals. Ultimately, it must be stressed that the Kampala Principles are non-binding, which makes them easier to observe and be the basis for agreements within and between countries and companies. However, key to its success is the integration of a monitoring framework to document the compliance and non-compliance of all parties concerned.[17]

The CPDE Approach to PSE

Building on the Kampala Principles, one of objectives of the CSO Partnership for Development Effectiveness (CPDE) is to promote accountability and development effectiveness of PSE in development partnerships, using a three-pronged approach illustrated by the diagram below. This approach centers governments as duty bearers, advancing their role in regulating and monitoring businesses and particularly promoting MSMEs for effective development cooperation.

The success indicators of this objective include the following:

- Accountability mechanisms on business practices' application of effective development cooperation (EDC) principles and human rights-based approach (HRBA), including Kampala Principles, in utilizing public finance;
- Accountability mechanisms on state regulation of private sector and promoting its effectiveness; and
- Participation of local economic actors especially MSMEs and social enterprises in policy dialogue on development cooperation at national, regional, and global levels

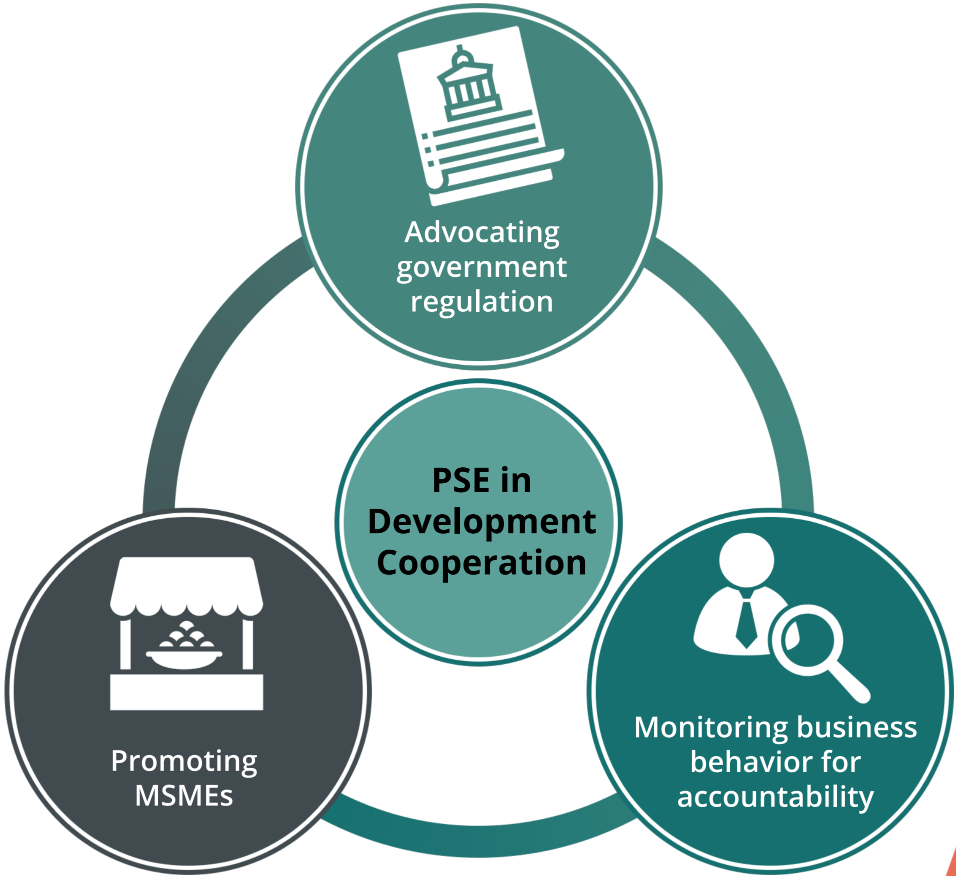


Figure 1. CPDE Approach to PSE

PART 2

Guidance on Monitoring PSEs through Development Cooperation

Mapping PSE in Development Cooperation at the Country Level

The first step to monitoring PSEs at the country level is to identify them: their stakeholders and purpose, the size of engagement, and the communities which will be positively or negatively affected, among others.

The Global Partnership for Effective Development Cooperation provides the following framework for mapping development projects, which also enumerates the primary information to be gathered:

Table 2. Project mapping framework

Category	Definition
About	Overview description of the project and its main objectives. Use direct quote where possible.
Modality	Knowledge and information sharing; policy dialogue; technical assistance; capacity development; finance. List all that apply. The definitions of these modalities are provided in Appendix Table 1.
Instrument	Specific instruments supporting the project. These instruments are associated with formal private sector partnerships and create contractual obligations when used. Options include: grants, debt instruments, mezzanine finance instruments, equity and shares in collective investment vehicles, guarantees and other unfunded liabilities.
Programme type	Specific programme supporting the project. A subset of private sector instruments, refers to the specific mechanisms through which private sector partnerships are pursued. Includes: Blended finance, business support, business-to-business, capacity development, challenge funds, multi-stakeholder partnerships, non-profit private sector partnerships, output-based aid, PPPs, technical assistance, mezzanine finance, asset-backed securities, reimbursable grants, loans, bonds, credit lines, impact investing, equity finance, guarantees. List all that apply.

(Table 2 cont'd.)

Category	Definition
Programme name, project title	Name of the programme that supports the project and project title. Include acronym / abbreviation in brackets where relevant. E.g. Dutch Good Growth Fund (DGGF), Flowers in Ethiopia
Duration	Start and end date. If information missing, say 'no start date' or 'no end date'.
Budget	Total budget for the project. If available, include and indicate the private sector financing contribution.
Sector	Aggregate and specific sector, e.g. Agriculture, cocoa.
Development partner(s)	List development partners providing finance to support the project.
Type of private sector partners engaged	List all that apply. Large domestic, SME domestic, large transnational, SME transnational
Private sector partners	List names of the partners. If more than 5, can provide link to this information.
Other development partners	List development partners that are involved in the project but may not be financing it. Includes international and local partners.
Role of partners	Description of what each partner involved is responsible for. Use direct quote where possible.
Monitoring	Overview of how project is monitored. Link to monitoring framework if available
Results framework	Description of the results that are being monitored. Provide link if a full framework is available (e.g. only gender equality and increases to incomes is listed, that should be included. Only link to comprehensive results frameworks).

(Table 2 cont'd.)

Category	Definition
Results	Headline figures that are available on the project. If a lengthy report is available, provide link.
Evaluation	Top level findings, particularly on development impact if available and link to report.
Additional notes	Any other information that may be relevant but is not captured by the framework.

In addition to the above information, identifying the specific Sustainable Development Goals (SDGs) and SDG outcomes to which the engagement contributes may also prove instructive.

All this set of information can be gathered from an extensive review of literature, including publicly available project documents (absence of which should be noted), previous monitoring and evaluation reports, and news clippings.

For ease of analysis, it is important that, to the extent possible, the data in Table 1 are specific enough to cover a range of possible values and broad enough to be summarized into tables or figures. For example, the researchers may pre-define the list of sectors to which the PSEs belong (e.g. energy, agriculture, etc.); they may also categorize the specified roles of private sector partners (e.g. recipient, funder, etc) and the type of private sectors engaged (e.g. FIs, TNCs/MNCs, MSMEs). Researchers may also transform several information to form a new variable, such as one indicating whether a PSE project has a comprehensive results framework.

Summarizing the data

After collating and validating the set of information identified in Table 1, it is possible to provide both quantitative and qualitative insights into the state of PSEs in development cooperation at the country level. The Kampala Principles may serve as an overall framework for data analysis and report writing. For example, the observance of the principle of inclusive country ownership can be assessed by thematizing the projects according to national development goals. Meanwhile, the principle of inclusive partnership can be evaluated by analyzing the number of projects which involve a broad range of development actors such as partner countries and CSOs.

While it may be not be so obvious from the textual data in Table 2, there is no limit to the kind of quantitative data analysis that can be done, provided that there is a sufficient number of cases. The most basic statistical treatment is a frequency distribution table, which provides how often mutually exclusive categories occurred—either in terms of raw number or percentages, or both. For example, Table 3 shows the number of PSE projects in Bangladesh by private sector partners' roles. Unless there is a desired order, categories must be arranged by frequency (except for categories like "others" and "not applicable" which are usually displayed in the last rows). It is also advised to provide column totals.

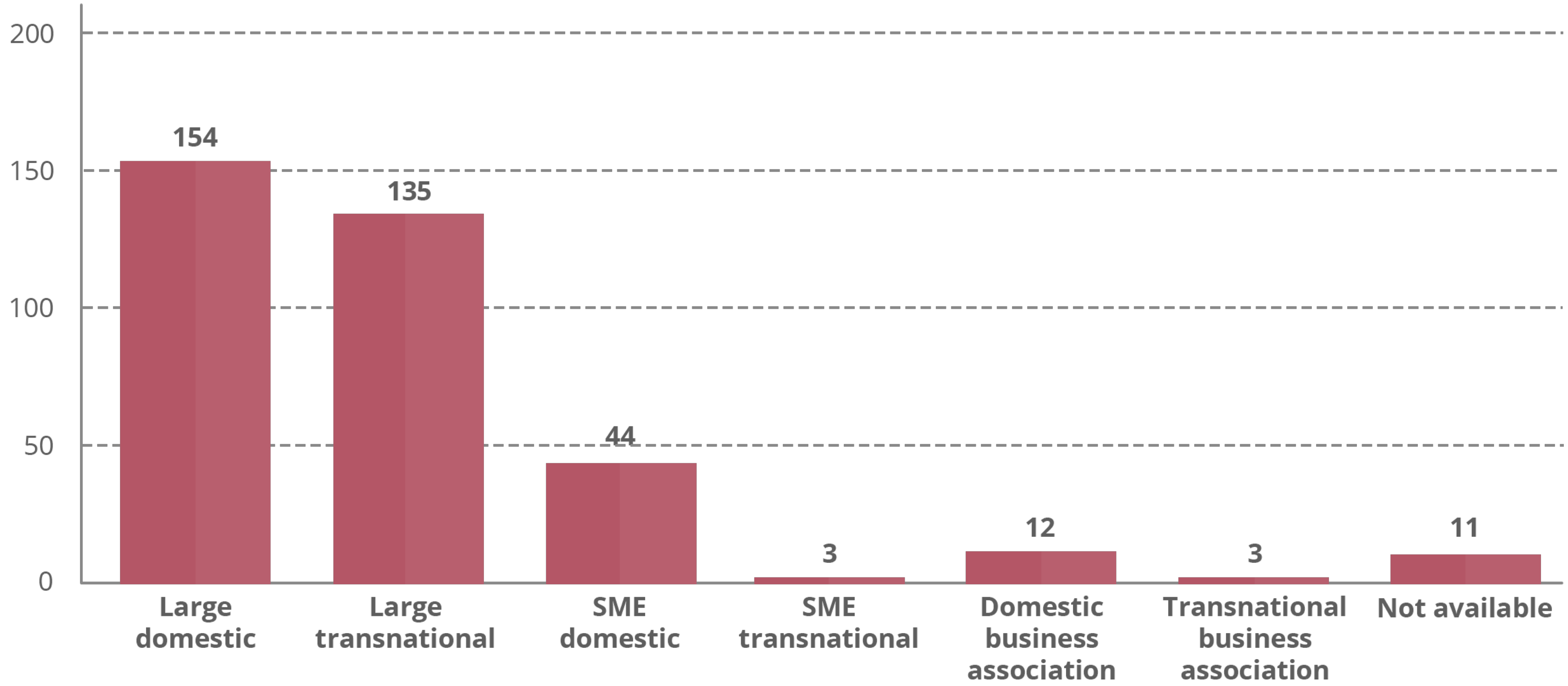
Table 3. Role of private sector partners

Role	Number of Projects	Percentage of overall projects
Recipient	180	51.9
On-lender to SMEs	64	18.4
Implementer	52	15.0
Financier – resource partner	29	8.4
Not available	22	6.3
Total	**347**	**100.0**

Note: Lifted with modifications from the report Private Sector Engagement Through Development Cooperation in Bangladesh *(2018)*[18]

Given a tabulated summary like Table 2, it is also possible to generate graphs, which are easier to interpret. For example, Figure 2 shows the distribution of private sector partners in Uganda. As opposed to a table, it is more evident from this graph that large domestic and large transnational companies dominate private sector partners, while SMEs were involved in only 47 or 13% of the total 362 projects.

Figure 2. Distirbution of Private Sector Partners in PSE Projects in Uganda



Note: Lifted the report *Private Sector Engagement Through Development Cooperation in Uganda (2018)*[19]

For a more granular analysis, cross-tabulation may also be performed. This is handy for analyzing the possible relationship between two variables. For instance, a cross-tabulation between the role and the type of private sector partners in PSE projects can shed light on several things, including whether SMEs tend to be engaged as recipients and whether large businesses tend to be financiers/resource partner. One way to present this is given by hypothetical Table 4.

Table 4. Percent distribution of private sector partners, by roles in PSE projects in country A

Classification	Role (N, column percentages)			
	Recipient	On-lender to SMEs	Implementer	Financier
Large transnational	24 (12%)	30 (25%)	3 (6%)	21 (42%)
Large domestic	30 (15%)	44 (37%)	7 (14%)	10 (20%)
SME transnational	6 (3%)	26 (22%)	15 (30%)	17 (34%)
SME domestic	140 70%	26 (30%)	25 (50%)	2 (4%)
Total	**200 (100%)**	**120 (100%)**	**50 (100%)**	**50 (100%)**

The four country reports by the Global Partnership for Effective Development Cooperation are good references on how to summarize and report quantitative PSE data. See https://www.effectivecooperation.org/landing-page/action-area-21-private-sector-engagement-pse

Integrating the Kampala Principles

As mentioned, the Kampala Principles can serve as a framework for monitoring private sector engagements through development cooperation.

The following provides guidance on how the Kampala Principles can be operationalized in levels of policy and project implementation:

Kampala Principles	Some suggested areas for monitoring
Principle 1: Inclusive Country Ownership	
a. Define national PSE goals through an inclusive process	Is there a national framework for PSE in development cooperation? How does this reflect the priorities, and objectives of development actors and stakeholders, including MSMEs and civil society?
b. Align and coordinate PSE through development cooperation with national priorities and strategies	Is the project aligned with national development priorities and the 2030 Agenda for Sustainable Development? What Sustainable Development Goals do private sector engagements touch on and may be leaving out?
c. Invest in capacities for PSE through development cooperation	Are institutions supportive of and equipped with resources for private sector engagements through development cooperation?

Kampala Principles	Some suggested areas for monitoring
Principle 2: Results and Targeted Impact	
a. Focus on maximizing sustainable development results	Are key sectors, markets, and populations for PSE identified in policy? What are its projected outcomes in terms of poverty eradication? How will it impact disadvantaged sectors like women and young people?
b. Ensure sustainable results by aligning core business and development interests	Are there appropriate incentives for private sector participation? Are there areas in which business activities may conflict with development objectives?
c. Engage in partnerships according to agreed international standards	Does the engagement observe local and international human rights and labor standards?
Principle 3: Inclusive Partnership	
a. Support and participate in inclusive dialogue and consultation	Are all stakeholders consulted and represented in social dialogues? How are local communities involved in the process?
b. Promote inclusive, bottom-up and innovative partnerships and raise awareness of engagement opportunities	Are there areas in which MSMEs could have been involved in the level of policy and project implementation? How are engagement opportunities disseminated to stakeholders?
c. Make partnerships more accessible	What are the barriers to participation in partnerships?

Kampala Principles	Some suggested areas for monitoring
Principle 4: Transparency and Accountability	
a. Measure results	Is there an agreed upon framework for monitoring results? Do the results indicators sufficiently reflect the engagement's objectives without giving undue reporting burdens?
b. Disseminate results	How are the outcomes of partnerships disseminated to all partners involved and the greater public?
c. Ensure accountability	Are internal auditing and evaluation practiced? Is there an existing mechanism for hearing and addressing concerns regarding the project? Are the most vital aspects and details of the engagement, particularly those with far-reaching impact, available to the public?
Principle 5: Recognising, sharing and mitigating risks for all partners	
a. Ensure that a private sector solution is the most appropriate way to reach those furthest behind	What challenges does the public sector face in terms of reaching out to the most disadvantaged sectors? What advantages and risks, especially to beneficiaries, does a private sector solution carry?
b. Target specific locations, markets, value chains and investor types that are most likely to have a positive impact on those furthest behind	How will private investment open or improve access to markets, employment, production inputs, services, and goods for those furthest behind?
c. Share risks proportionately to incentivize private sector contributions to leaving no one behind	Are the potential risks assessed jointly by partners and stakeholders?
d. Establish provisions to mitigate and manage risks	Are these risks monitored throughout the implementation of the project? What systems are in place to minimize these risks?

Sources:
Global Partnership for Effective Development Co-operation. (n.d.). *Kampala Principles on Effective Private Sector Engagement in Development Co-operation.*

Global Partnership for Effective Development Co-operation. (n.d.). *Securing Women's Access to Healthcare in Rural Colombia: A Kampala Principles case study.*

Enriching the Findings

Quantitative data analysis provides important insights into the spread, distribution, and characteristics of PSE projects, but numbers and figures alone cannot sufficiently capture the depth of these engagements, the attitudes of development actors, and the experiences of communities involved in or sidelined from these projects. There are various complementary ways to explore the preliminary findings. These include case studies, key informant interviews (KII), and focus group discussions (FGD).

The selection of case studies depends mostly on the accessibility of information, but their primary issues should at least be as diverse as possible to give substance to the primary points highlighted in the initial findings, if not bring to light other points that merit discussion. A collection of case studies can also reveal patterns in private sector engagements. A 2018 report by Eurodad, for instance, examined 10 public-private partnerships (PPPs), and found that all of them presented asymmetrical risks to the state, half had adverse impacts on communities, while three had deleterious effects on people and the environment.

Case studies should be able to zero in on the gaps like these in a particular PSE. An extensive review of literature, such as secondary monitoring reports and news sources, may prove to be enough in building case studies. Where possible, KIIs and FGDs with a broad range of stakeholders can be done especially for projects that are met with community resistance. KIIs are qualitative interviews with a selected group of individuals who can provide firsthand information on the project, including officials of the key bodies involved, project staff, and community leaders. FGDs, on the other hand, allow a greater number of respondents to freely share and discuss their thoughts, such as on-ground project implementers and family heads within the community.

The Kampala Principles may inform the formulation of questions for KIIs and FGDs. In addition, the guide questions for stakeholder analysis in Table 4 are also a helpful reference:

Table 5. Guide questions for conducting stakeholder analysis

1. Identification of stakeholders (individuals, groups, and institutions)
• Who is likely to gain from the proposed changes? • Who might be adversely affected? • Who has the power to make the changes happen? Who complains about the issue? • Who are the vulnerable groups that may be affected by the project? • Who are primary stakeholders and who are secondary stakeholders with regards to the issue? • Who are the rights holders and who are the duty bearers? • What are the relationships between the individuals, groups and institutions listed in the questions above?
2. Assessment of stakeholders' interests
• What are the stakeholders' expectations of the project? • What benefits are likely to result from the project for the stakeholders? • What resources might the stakeholders be able and willing to mobilize? • What stakeholder interests conflict with project goals?
3. Assessment of stakeholder support or opposition to the issue
• Does the stakeholder—particularly broad sectors in the community like farmers, IPs, or workers—publicly support or oppose the issue? • Is the public support or opposition different from private support or opposition? • Who else is the stakeholder allied to and opposed to? • Does that shed additional light on the stakeholder's support or opposition to the issue? • What has the previous position been on similar issues? • Has the stakeholder's position changed over time? If yes, how?

(Table 5 cont'd.)

4. Assessment of stakeholder influence

- What is the political, social and economic power and status of the stakeholder?
- How well is the stakeholder organized?
- What control does the stakeholder have over strategic resources?
- What level of informal influence does the stakeholder have?

5. Assessment of stakeholder importance

- Does the issue compromise the stakeholder's rights, and does the stakeholder have a right to solutions for the issue? Is the stakeholder a rights holder?
- Will stakeholder engagement help address deeper underlying causes to the problem, so that solutions can be sustainable in the future?

Note: Lifted with modifications from United Nations Children's Fund (2010), Advocacy Toolkit: A guide to influencing decisions that improve children's lives, INEE.

Writing the report

First, the report should be written in an accessible language, with any technical jargon sufficiently explained for an ordinary reader. The report should be able to cover the following:

- **Country Context**

Provide context to the report by reviewing the space within which PSEs are operating. This includes an overview of the country's political stability and policy environment, its development goals and plans/ strategies, the regulatory frameworks for business operations, the interplay between the public and private sectors and other development actors like trade unions and CSOs, the conditions of MSMEs, as well as the flow of ODA.

- **Methodology**

Be transparent about the monitoring framework, the operational definition of PSE used in selecting the projects, how the data sources were gathered and processed, etc. If it appears too technical, the discussion of the methodology may be placed as an appendix.

- **Findings**

Report the numeric findings and substantiate them with case studies and qualitative findings from KIIs and FGDs, from which direct and indirect quotations may be included. To the extent possible, cite specific projects to illustrate a particular point. Throughout the discussion, emphasize the place of MSMEs in the development projects. Additionally, touch on relevant issues such as women empowerment, education, and climate change, and where PSEs stand in terms of achieving the sustainable development goals.

- **Conclusion and Recommendations**

Summarize the findings and discuss what they imply on the level of policymaking or programming and how the PSEs through development cooperation can be strengthened. Be as concrete as possible. Refer to the Kampala Principles and the literature on PSEs to guide and deepen the recommendations.

Disseminating the Report and Strengthening Advocacy

The final step is to disseminate the report. While this may seem like a relatively easy task, it must be situated within a clear advocacy framework. The monitoring report may not only target policymakers and development actors as its audience, but also communities and organizations who have the collective power to shape policy agenda and hold big businesses to account.

From the lens of civil society, advocacy not only concerns lobbying for or against certain policies and actions but, more importantly, strengthening avenues for political participation in order to challenge decision-making processes, consolidating grassroots positions, and creating enabling conditions for the empowerment of marginalized sectors in society. Figure 3 provides a simple approach for doing advocacy work. On the one hand, the findings from the monitoring report can already inform your advocacy points, as well as the policymakers and institutions that can institute changes to PSEs. On the other hand, the findings can also help you build your case and in developing materials for a wider audience.

Figure 3. A simple approach for advocacy work

Appendix

Table 1. Typology of PSE

Modality	Objectives	Mechanism
Research, knowledge, and information sharing	Advance solutions by sharing new methods, tools, and innovative approaches to address development challenges	Multi-stakeholder networks, learning platforms; conferences, seminars, workshops, other events, funding for research
Policy dialogue and support	Develop policy agendas and frameworks; Change behavior through corporate practices, standard setting, guidelines and principles	Multi-stakeholder networks and platforms, cross-sector roundtables, specialized hubs or institutions, institutionalized dialogues
Technical assistance	Enable private sector actors to effectively engage in development co-operation, such as through support for project design	Business advisory services, feasibility studies
Capacity development	Improve capacities of private sector actors to contribute to development results; Change or modify business operations; Improve private sector actors' operational capacities and effectiveness	Training activities and other forms of capacity development programming, professional exchanges, and secondments

(Table 1 cont'd.)

Modality	Objectives	Mechanism
Finance	Leverage or raise private sector finance and investment promotion; Test innovation and scale success; Monetize development results (e.g. output-based mechanisms); Support expansion of more and better business including through the promotion of business-to-business partnerships, inclusive business, responsible business and corporate social responsibility; Harness private sector expertise and market-based solutions to development challenges.	Private sector instruments including grants, debt instruments, mezzanine finance instruments, equity and shares in collective investment vehicles, guarantees and other unfunded liabilities

Source: Private Sector Peer Learning Policy Brief 1. Organization for Economic Cooperation and Development. Retrieved from http://www.oecd.org/dac/peer-reviews/1-Holistic-Toolbox-for-Private-Sector-Engagement-in-Development-Co-operation.pdf

Supplementary Materials

OECD (2011), OECD Guidelines for Multinational Enterprises, OECD Publishing. http://dx.doi.org/10.1787/9789264115415-en

This document outlines guiding recommendations for responsible conduct of multinational enterprises operating in or from OECD member countries and other adhering governments.

OECD, Blinded finance guidance & principles. https://www.oecd.org/dac/financing-sustainable-development/blended-finance-principles/guidance-and-principles/

The Blended Finance Principles and Guidance outline a framework for designing, implementing, and monitoring effective and transparent blended finance programmes. Sharing many similarities with the Kampala Principles, the Blended Finance Principles include: 1) Anchoring blended finance use to a development rationale; 2) Designing blended finance to increase the mobilization of commercial finance; 3) Tailoring blended finance to local context; 4) Focusing on effective partnering for blended finance; and 5) Monitoring blended finance for transparency and results.

Intergovernmental Working Group (2020), Second Revised Draft of Legally Binding Instrument to regulate, in International Human Rights Law, the Activities of Transnational Corporations and Other Business Enterprises. https://www.ohchr.org/en/hrbodies/hrc/wgtranscorp/pages/igwgontnc.aspx

In 2014, the UN Human Rights Council resolved to establish "an open-ended intergovernmental working group on transnational corporations and other business enterprises with respect to human rights," with the end view of coming up with an international legally binding document that will enforce human rights standards in business activities. The drafting of the document is ongoing, but it can provide insights on monitoring PSEs' compliance with human rights standards.

Company Dashboards, Business & Human Rights Resource Centre. https://www.business-humanrights.org/en/companies/

The Business & Human Rights Resource Centre track the human rights impact of over 10,000 companies worldwide based on news sources, civil society reports and company disclosure. Its online Company Dashboards provide information on the human rights compliance of companies in its database, including number of attacks on human rights defenders and number of lawsuit

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