**T H E K A M P A L A P R I N C I P L E S** **–**

FOR EFFECTIVE PRIVATE SECTOR ENGAGEMENT IN DEVELOPMENT COOPERATION:

Online Toolkit for Partner Country Governments

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# **Glossary**

**Blended finance:** Blended finance is the strategic use of development finance for the mobilisation of additional finance (public and/or private) towards sustainable development in developing countries. The World Economic Forum and OECD note that blended finance has three characteristics: 1) leverage – the use of development or philanthropic funds to attract capital into deals (i.e. concessional finance); 2) impact – investments that drive social, environmental and economic progress; and 3) returns – in line with market expectations based on real and perceived risks.

**Civil society organisations (CSOs):** The multitude of associations around which society voluntarily organises itself and which represent a wide range of interests and ties. These can include community-based organisations, indigenous peoples’ organisations and non-governmental organisations. In line with the United Nations Guiding Principles Reporting Framework, business or other for-profit associations are not considered to be CSOs, but part of the private sector, albeit with a special status (see below).

**Development co-operation:** 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 Sustainable Development Goals. 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 CSOs, trade unions and parliamentary organisations in their capacity as implementing partners.

**Dialogue**: There are many different types of dialogue amongst which *social* and *inclusive* dialogue are of particular relevance in PSE activities. **Social dialogue** refers to all types of negotiation, consultation or exchange of information between, or among, representatives of governments, employers and workers, on issues of common interest relating to economic and social policy. It can be tripartite, with the government or bipartite, between trade unions and employers' organizations. **Inclusive dialogue** is defined as structured and facilitated conversations on an issue of concern by representatives of the various groups and institutions who are affected by or can affect the issue positively or negatively.

**Large domestic companies:** These include all resident corporations and quasi-corporations that are not controlled by government or by non-resident institutional units and which employ 250 or more employees.

**Micro, small and medium-sized enterprises (MSMEs):** MSMEs are non-subsidiary, independent firms that employ fewer than a given number of employees. This number varies across countries. The most frequent upper limit designating an SME is 250 employees, as in the European Union. Small firms are generally those with fewer than 50 employees, while microenterprises have at most 10, or in some cases 5, workers. MSMEs’ turnover should not exceed EUR 2 million, EUR 10 million and EUR 50 million, respectively.

**Multinational corporations:** A multinational corporation, sometimes also called a multinational enterprise, just multinational or international corporation, is an enterprise producing goods or delivering services in more than one country. A multinational corporation has its management headquarters in one (rarely more than one) country, the home country, while also operating in other countries, the host countries.

**Partner countries:** Countries that enter into partnerships with development partners in the pursuit of advancing their national development priorities and achieving development outcomes. They mostly consist of low- and middle-income countries that face disproportionately higher development challenges. It is in these contexts where local policy processes and the 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; MSMEs; 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 CSOs. Chambers of commerce and business associations are important partners for stimulating policy dialogue and laying the groundwork for direct (financial) partnerships with the private sector in developing countries. Given their role in promoting business interests, they are considered under the definition of “private sector”, though with a special status, not as CSOs.

**Private sector development:** Activities carried out by governments and development organisations with the objective of promoting an enabling environment for the private sector in partner countries. Private sector development refers to the substantive nature of particular development activities (i.e. the sector targeted by development interventions). Activities include the creation of an adequate policy environment, addressing market imperfections (e.g. value chain development) and firm-level interventions (e.g. capacity building, access to finance and markets).

**Private sector engagement (PSE):** The aim of PSE through development co‑operation is to leverage the private sector to achieve development objectives while at the same time recognising the private sector’s need for financial return. 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.).

**Trade unions:** A trade union is defined as a workers’ organisation constituted to further and defend workers’ interests.

# **Introduction**

Why a toolkit for Private Sector Engagement?

Development co-operation actors are increasingly working with the private sector to address global challenges and deliver on the 2030 Agenda at the country level. This has created a demand for more practical guidance on how to design, implement or review private sector partnerships in development co‑operation to deliver better outcomes at country level.

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 – have been developed through inclusive dialogue and consultations to fill this gap and inspire stakeholders to collaborate in new ways with the private sector and strengthen their partnerships. The present toolkit builds on exchanges with a wide range of actors over almost three years to help stakeholders to practically do just that: applying the Kampala Principles through action-oriented guidance with a strong focus on the policy and project level of partnerships. It also aims to inspire action by showcasing how to champion the Kampala Principles in practical ways and in different contexts. Kampala Principles ‘champions’ will be important to showcase what good looks like and scale up such practices with the ambition to deliver better to achieve the 2030 Agenda with the help of different private sector actors as genuine partners in development.

A word on the scope: The aim of private sector engagement (PSE) *in development co-operation* is to engage the private sector in achieving development results, while at the same time recognising the private sector’s need for financial return. It must involve the active participation of the private sector (this is different than private sector development, which mainly refers to activities carried out by governments and development partners that benefit the private sector; for instance, by promoting an enabling business or regulatory environment). The working definition of PSE used in this toolkit is deliberately broad to include all related modalities (finance, policy dialogue, capacity development, technical assistance, knowledge sharing and research). PSE also covers the ambition to use development co-operation to *mobilise* additional private finance, but the guidance in this toolkit is focused on the implementation of projects with the private sector and the related policy environment. Nevertheless, the toolkit does provide indicative guidance that could be relevant for the mobilisation of additional finance and points to relevant resources for investors and policy makers interested in more detailed information.

Who is the toolkit for?

The toolkit is made up of five parts. This part is meant to provide guidance to **partner country governments** that wish to start systematic engagement with the private sector in their development co-operation activities or improve their ongoing practices. The other parts of the toolkit support action by development partners, 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 partner country governments operate in distinct ways and through different modalities 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, country contexts, PSE modalities, and types of private sector. Rather, it serves as an *overall guide*, pointing to relevant and more detailed information from other sources to provide all actors the possibility to use the guidance in line with their own policies and systems.

How does the toolkit work?

Following the launch at the 2022 Effective Development Co-operation Forum, the toolkit will be freely accessible on line to all stakeholders. 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 about its 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?

The [**table of contents**](#_Table_of_Contents) provides a broad overview and allows jumping to specific sections of interest using the command “**ctrl+click**”. At the end of each Kampala sub-principle and at the bottom right corner of each page you will find the “[Back to Overview Ý](#_Table_of_Contents)” and the [Ý](#_Table_of_Contents) **buttons**. Both lead back to the table of contents at the beginning of this document. Should readers be interested in certain sub-topics, the **bookmarks overview** enables clicking and choosing 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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| --- | --- | --- | --- | --- | --- | --- |
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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\_KP5B](#Pitfalls_KP5B)  [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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**TEXT STARTING FROM HERE ONWARDS (“WHY IS IT IMPORTANT”) IS OPEN FOR CONSULTATION, COMMENTS, AND SUGGESTED EDITS. THE TEXT ABOVE IS AGREED TEXT OF THE KAMPALA PRINCIPLES ON WHICH THE TOOLKIT BUILDS. THE SAME APPLIES TO EACH SUB-PRINCIPLE**

**Why is it important?**

A national strategy for working with the private sector in development cooperation – as either a stand-alone policy, or as a component of a broader national development strategy – can help countries strengthen planning processes and overcome impediments to financing the Sustainable Development Goals (SDGs). Such a strategy is most effective when it comprises clear guidance on the full range of how to deliver on national and sectoral priorities and identifies roles and responsibilities for different stakeholders. Moreover, a well-designed national strategy for working with the private sector in development co-operation establishes an approach for designing, realising and measuring development results when working with the private sector. Ensuring that such strategies are developed through inclusive processes is critical to translate into broad buy-in from a range of social actors and will result in policies that are more likely to be successful in their implementation.

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| --- | --- |
| ***Policy level*** | ***Project level*** |
| **Self-Reflection Questions** [**Ü**](#Self_Assess_KP1B) | |
| * Does your government have a **national strategy to engage the private sector in development co-operation** or can elements of one be clearly identified within the broader national development co-operation strategy? If so, is such a strategy – or elements thereof - publicly available and open to public contributions and scrutiny? * In case your government does **not have a national PSE strategy**, what are the steps you can take to help develop one and what kind of support would you need from development partners and others for this? * If it exists, does your national strategy identify **national development objectives** that are results-oriented, time-bound and aligned with the SDGs? * If it exists, has your strategy been informed by a **political economy and situational analysis** that identifies gaps, priority sectors and geographical areas for intervention that could be addressed by involving the private sector in development efforts? * If it exists, does your national strategy identify **clear roles and responsibilities** across the central government for **implementing, monitoring and overseeing PSE objectives**? Is the strategy clear about the role expected from other stakeholders in supporting national and sectoral development priorities, including the private sector, civil society and sub-national governments? * What other **strategic opportunities exist for you to design and manage your relationship** with private sector actors through development co-operation? * Which non-governmental stakeholders (from civil society and the private sector itself) has your government involved in the **elaboration and final validation** of your national PSE strategy? | * Do your projects with the private sector build on and refer to a **coherent PSE strategy and identify clear objectives** related to the specificities of the sector and market it operates in? * Are all your **project partners well informed** about national and sectoral development priorities and those enshrined in a PSE strategy? * Do your project interventions and objectives enjoy **political buy-in** from a broad range of stakeholders? * Has the set-up of your projects followed **an inclusive and equitable process** in line with those processes at the national level? * Do your projects establish **specific roles** for different stakeholders? |
| **Actions to consider** [[**Ü**](#Self_Assess_KP1B)](#Actions_KP1B) | |
| * **Undertake systematic consultations with all relevant stakeholders both inside and outside the government** to develop your PSE strategy (e.g. in the form of roundtables or online consultations). Continue to consult those throughout the implementation * **Clarify who is the focal point for a PSE strategy within the government** and ensure coordination between relevant ministries. * **Invest in long-term approaches for mobilising private finance for sustainable development** as part of your national PSE strategy – including Integrated National Financing Frameworks (INFFs) when appropriate. * **Review and update your national PSE strategy regularly** to address emerging needs and realities. * **Make the final version of your national PSE strategy easily accessible** to all stakeholders. * **Incorporate in your national PSE strategy time-bound objectives** with clear results indicators at outcome level (that is, changes in behaviour or clear progress towards your desired goals). | * **Let lessons learnt in your projects inform the development and advancement of your national PSE policy.** * **Use project findings to trigger dialogue** within your government and with other development actors on the implementations of your national PSE strategy. * **Make sure projects' staff and stakeholders are well informed** about national PSE priorities. * **Consult strategies or national guidance from other relevant ministries or departments in your government** in the design phase of your PSE projects. |
| **Pitfalls to avoid** [[**Ü**](#Self_Assess_KP1B)](#Pitfalls_KP1B) | |
| **DON’T…**   * **Define objectives of a national PSE strategy that are not in line with national development priorities**. * **Let a single group of stakeholders dictate your national PSE priorities** according to their preferences. * **Provide an undue emphasis on output results** (that is, the number of events or engagements) when defining targets for a national PSE strategy. * **Outline objectives that are unrealistic, unachievable, and vague.** | **DON’T…**   * **Solely consult with a limited, non-representative pool of stakeholders** that does not involve key representatives from ad stakeholders across public, civil society and private sectors. * **Omit to link projects’ objectives to national priorities and the SDGs.** |
| **Country example** [[**Ü**](#Self_Assess_KP1B)](#Country_Example_KP1B) | |
| Uganda has formulated its Private Sector Engagement strategy in accordance with the country’s overall development plans. The [National Strategy for Private Sector Development](https://www.finance.go.ug/sites/default/files/Publications/NSPSD%20BOOK%20WEB_0.pdf) highlights the crucial role of the private sector in their development efforts, which also includes a sectoral analysis and time-bound macro-, meso-, and micro-objectives. | |
| **Resources** [[**Ü**](#Self_Assess_KP1B)](#Resources_KP1B) | |
| * [Uganda’s National Strategy for Private Sector Development, 2017-2022](https://www.finance.go.ug/sites/default/files/Publications/NSPSD%20BOOK%20WEB_0.pdf) * [Kenya’s Private Sector Engagement and Coordination Framework](https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=&ved=2ahUKEwjBu6721K3xAhUHesAKHfCWCG4QFnoECAUQAA&url=https%3A%2F%2Fwww.ndcs.undp.org%2Fcontent%2Fdam%2FLECB%2Fdocs%2Fpubs-reports%2Fundp-ndcsp-kenya-private-sector-framework-final.pdf%3Fdownload&usg=AOvVaw1k0BlTFPUwKmDbmhh9MG01) | |
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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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**TEXT STARTING FROM HERE ONWARDS (“WHY IS IT IMPORTANT”) IS OPEN FOR CONSULTATION, COMMENTS, AND SUGGESTED EDITS. THE TEXT ABOVE IS AGREED TEXT OF THE KAMPALA PRINCIPLES ON WHICH THE TOOLKIT BUILDS.**

**Why is it important?**

Aligning development co-operation projects and programmes involving the private sector with national priorities and strategies can contribute to better development outcomes in line with the needs of the country and to make progress on the 2030 Agenda and related global goals. PSE programmes and projects that are aligned with national development strategies and taking into account local and stakeholder needs are more likely to be impactful, thus ensuring greater value for money. This effort includes aligning partners’ expectations on desired objectives, processes, and outcomes. Alignment is equally crucial for ensuring national ownership, as an end in itself as well as to produce more effective and sustainable development outcomes.

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| ***Policy level*** | ***Project level*** |
| **Self-Reflection Questions** [[**Ü**](#Self_Assess_KP1B)](#Self_Assess_KP1C) | |
| * Has your government **dedicated national, sub-national and/or sectoral focal points to lead the implementation** of a national PSE strategy within the administration? Do these focal points also serve as co-ordinator of and entry-point for external partners working on PSE policies and projects? * Are there **coordination mechanisms in place to secure whole-of-government alignment** towards PSE priorities in line with the SDGs? * Does your government align with line ministries, sub-national governments and relevant agencies to **coordinate interventions and share information** on development co-operation projects involving the private sector? * Does your government organise **regular meetings with external stakeholders to ensure overall alignment, coherence and coordination**? If so, are these meetings part of a structured process that allows for the participation of all relevant stakeholders? Do discussions in these meetings lead to concrete action? | * Do your PSE projects explicitly indicate how they **align with your national PSE and development goals**? Do your projects use ad support related national results frameworks, if in place? * How often do relevant partners involved in your PSE projects **review progress to ensure continued alignment with national and sub-national objectives**? How inclusive are such reviews? * **Do feasibility studies consider the** **impact of your PSE projects on the environment and socio-economic status,** including in the context of the COVID-19 Pandemic? |
| **Actions to consider** [[**Ü**](#Self_Assess_KP1B)](#Actions_KP1C) | |
| * **Develop an easy-to-access database on development co-operation projects** with the private sector in which government focal points, development partners and private sector can include information from projects and share resources and insights into challenges and outcomes. * **Seek vertical alignment for implementing the PSE strategy from national to sub-national level.** * **Establish structured and regular channels of communication** with government focal points and development stakeholders. * **Tailor or adjust the communication of your national priorities to different stakeholders**. | * **Align your PSE projects with national, sub-national and international development priorities** including the 2030 Agenda (see [Principle 2.C](#_2.C_Engage_in)). * **Assess potential areas for alignment and challenges** in complying with your national PSE strategy in the inception phase of your PSE projects. * **Collaborate with local financial institutions as intermediaries** to ensure that PSE projects are both aligned with national PSE priorities but also ‘bankable’, so they can endure and scale up once they are established. |
| **Pitfalls to avoid** [[**Ü**](#Self_Assess_KP1B)](#Pitfalls_KP1C) | |
| **DON’T…**   * **Overlook potential discrepancies between your PSE priorities and other national, sectoral and sub-national development priorities.** * **Pursue sporadic*, ad hoc* or *ex-post* approaches to alignment and coordination** – particularly with external stakeholders. * **Assume that all branches of the government are aware of their responsibilities** in terms of aligning development and PSE priorities. * **Act alone** without coordination with other branches of the government. | **DON’T…**   * **Overlook sub-national development priorities** when developing PSE projects. * **Force take up of PSE projects** that clearly do not comply with your national development priorities. |
| **Country example** [[**Ü**](#Self_Assess_KP1B)](#Country_Example_KP1C) | |
| Mozambique has created a [‘Friends of Education’](https://www.globalpartnership.org/sites/default/files/document/file/2019-12-GPE-private-sector-engagement-strategy.pdf) project that targets businesses. Here, companies work with the Mozambiquan Ministry of Education to identify how they can support local educational needs and priorities through Corporate Social Responsibility (CSR). For instance, the initiative has supported mining companies align CSR funding with the needs of schools in rural areas where they operate. Through alignment between sub-national priorities and the CSR activities of private sector actors, this project has provided support for classroom construction, training, materials, and the funding of local CSOs. | |
| **Resources** [[**Ü**](#Self_Assess_KP1B)](#Resources_KP1C) | |
| * [OECD Partner country governments can enable more meaningful engagement to maximise a whole-of-society approach](https://www.oecd-ilibrary.org/sites/0160c468-en/index.html?itemId=/content/component/0160c468-en) * [UNFCCC Toolkit for engaging the private sector in National Adaptation Plans (NAPs)](https://unfccc.int/sites/default/files/resource/engaging-private-sector-toolkit-V5.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?**

Partnerships with private sector actors – diverse in nature, size and sector - may challenge traditional ways of working in development co-operation. For them to take off, these partnerships require government officials and all partners engaged to share a common ambition for sustainable development outcomes, and a related shared agenda and language. It is important to establish common and simple procedures for partnering at all institutional levels. Partners should acknowledge and assess how to create shared value in terms of development *and* commercial results. For this, governments should invest in capacity building and training opportunities for government officials. This is particularly important to access and learn from best practices. Such trainings can provide an understanding of the stakes and roles of different types of actors in partnerships. They can enhance coordination and improve effective management and implementation of PSE projects.

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| ***Policy level*** | ***Project level*** |
| **Self-Reflection Questions** [[**Ü**](#Self_Assess_KP1B)](#Self_Assess_KP2A) | |
| * Has your government identified **the most useful skills needed to support and scale up your partnerships with the private sector** in development co-operation? If so, does your government have an **established training** **offer** available for staff and is it covering the most relevant skill sets? * Beyond individual skills, do you provide the **physical infrastructure and tools** for your staff to support PSE? How can development partners support your government address any gaps in this context? * Have you identified processes that allow for whole-of-government inputs and co-operation? Do you offer **inter-departmental/-ministerial training and knowledge transfer**? * Are **guidelines** in place to support staff and partners in formulation, implementation and assessment of partnerships with the private sector, including on due diligence processes? | * Do your projects have **dedicated resources for capacity-building and training activities**? * Do your projects assess **capacity needs in their formulation phase** to identify and address any gaps? * Have you identified how development partners can support you in **capacity building activities and in acquiring necessary tools** for proper coordination and implementation of your projects? * Do you provide **training to other project stakeholders** in view of sharing best practices and government’s priorities? |
| **Actions to consider** [[**Ü**](#Self_Assess_KP1B)](#Actions_KP2A) | |
| * **Engage in a whole-of-government approach** by providing capacity building programmes across the government. * Check whether other branches of the government **offer the training or tools that your staff need.** * **Identify or develop a range of tools in support of institutional capacity building** and make it easily available for staff (e.g. dedicated training sessions, one-page resources, case studies, workshops, knowledge sharing mechanisms, professional exchanges and secondments). * **Seek input from non-state stakeholders** – civil society and businesses – **on training materials** to ensure that they encompass relevant challenges, opportunities and contexts. * **Make use of development partner’s capacity building resources** and best practices**.** * **Consider creating dedicated positions for** **PSE activities** including the recruitment of corresponding staff and the creation of new teams orpart-time allocation of roles to managing relations with private sector actors. * **Tailor capacity building activities to the requirements of different positions.** For instance, senior staff may require more specialised training, whereas general staff may need introductory orientations or sensitising sessions. * **Ensure that soft skills** – interpersonal skills, effective communication, adaptability and flexibility - **are prioritised at all levels** along with technical capacity building. | * **Ensure that training materials provided by your government and development partners are fit-for-purpose** and relevant to the specificities of your particular project or partnership with the private sector. * **Seek input from non-state stakeholders engaged in your project** – civil society and private – on training materials to ensure that they are applicable to your challenges, opportunities and contexts. * **Review the existing capacity and training offers available** for project staff members and identify skills and tools required for effective coordination and project implementation. * **Train staff to identify whether and when a PSE project is having an unintended negative impact** and ensure that all staff are responsible for and committed to leaving no one behind through impact assessments. * **Ensure adequate financial and physical capacities**, as well as **sufficient personnel and time** for your PSE project in order not to overwhelm partners and ensure its long-term sustainability. |
| **Pitfalls to avoid** [[**Ü**](#Self_Assess_KP1B)](#Pitfalls_KP2A) | |
| **DON’T…**   * **Invest only in one-off, single-session trainings** that are unresponsive to changes in the private sector or broader development co-operation trends. * **Offer trainings for which the audiences are too broad** and not recognizing that different levels of staff require different types of training. * **Limit training offers to individual entities or departments within the government.** | **DON’T…**   * **Assume that all partners have the required capacity to implement projects** and/or engage in dialogues and partnerships with the private sector. * **Provide standardised training packages that don’t cover project-specific and sectoral knowledge** needed for effective partnering with the private sector. |
| **Country example** [[**Ü**](#Self_Assess_KP1B)](#Country_Example_KP2A) | |
| While capacity building for partnering with the private sector needs to take place as a matter of course, Development partners often provide resources for capacity building and training in PSE projects to improve partnering practices with the private sector. For instance, the US’ Millennium Challenge Corporation provided public-private partnership funds to [mobilise private investment in El Salvador and Guatemala](https://assets.mcc.gov/content/uploads/evalbrief-20200022408-slv-gtm-ppp.pdf). Here, training and coaching to quickly augment in-house capacity were critical success factors. Beyond training and capacity building that comes with specific projects, there are a host of capacity building organisations that specifically focus on partnering with the private sector. | |
| **Resources** [[**Ü**](#Self_Assess_KP1B)](#Resources_KP2A) | |
| * [The Partnering Initiative Unleashing the Power of Business: A Practical Roadmap to Systematically Engage Business as a Partner in Development](https://www.thepartneringinitiative.org/wp-content/uploads/2015/07/Unleashing-the-Power-of-Business_Roadmap_full_forweb.pdf) * [OECD DAC Perspectives on Capacity Development in Fragile Situations](https://www.oecd.org/dac/conflict-fragility-resilience/governance/docs/48311487.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 and 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 aim of partnerships with the private sector is to support progress towards sustainable development. Deliberately focusing PSE activities on results and maximising impact is an important mechanism to direct project partners’ attention to more careful targeting and tailored interventions. Partner country governments play a crucial role to ensure that groups, markets and sectors that are most in need of private investments and entrepreneurial activity are being reached through PSE programs. Leveraging private sector partnerships and projects to target those who might benefit from them the most – and focusing on areas where there might be positive spill overs - helps maximising sustainable development outcomes including environmental and climate action and progress towards national and international development goals.

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| ***Policy level*** | ***Project level*** |
| **Self-Reflection Questions** [[**Ü**](#Self_Assess_KP1B)](#Self_Assess_KP2B) | |
| * Has your government identified **which groups and sectors of the economy would benefit most from private** **investment** and engagement? That is, which groups and sectors are most in need of employment, private goods, and services? * Have you **consulted with a broad range of national and sub-national non-state actors**, i.e., civil society groups and MSMEs in order to identify which groups and sectors are most in need of private investment? * Have you examined **where there might be the greatest potential for positive (and negative) spill over effects** and prioritised these accordingly? * Does your strategy provide an **overarching theory of change for working with the private sector** in priority sectors and areas? * Have you developed a **broad outcome framework** that is linked to your national priorities and also the SDGs? * Does your outcome framework incorporate **specific indicators at output and outcome levels** related to your target population group or priority sectors? * How will **results data at the project level inform public-private dialogue** at the national level? | * Have you identified which **sectors, groups, contexts or SDG targets should be prioritised in your PSE projects**? * Are there **feedback loops or systems in place to halt or adjust project implementation** in case desired development outcomes are compromised? * Have you established **inclusive, results-based management processes to monitor the implementation** of PSE projects to ensure that each project is on track to reach those furthest behind? * Have you sought to **balance expectations among project partners** about the development outcomes that can be achieved *vis-à-vis* the need for financial or private returns? * Have you and your development partner(s) agreed on a **theory of change for the project**? Does this show how development outcomes can be achieved and how implementation will affect those furthest behind? * Are your defined **output and outcome indicators project- and context-specific**? |
| **Actions to consider** [[**Ü**](#Self_Assess_KP1B)](#Actions_KP2B) | |
| * **Identify priority sectors, regions and populations** where PSE projects can deliver better development outcomes in your country. * **Use the latest development data** when identifying which groups and sectors are most in need. * **Establish clear policies on the use of standardised metrics** (e.g. SDGs) for documenting results and identifying need at the policy level. * **Establish monitoring mechanisms and maintain databases** on what has worked, and what has not, and share these with the development community (see also [KP4B](#_4.B_Disseminate_results)). | * If a proposed project does not include attempts to **explicitly target disadvantaged groups**, seek clarification or propose an adjustment to the project’s parameters for more targeted impact. * **Ensure that your project regularly draws upon an agreed theory of change** that details key responsibilities for each actor and how you will collaboratively attain development results. * **Include results measurement both at the output and also the outcome level.** * **Establish safeguards** to enable course correction or project termination if a project has negative impacts upon vulnerable target sectors and groups. |
| **Pitfalls to avoid** [[**Ü**](#Self_Assess_KP1B)](#Pitfalls_KP2B) | |
| **DON’T…**   * **Identify too many target regions, groups, or sectors** of the economy, rather than prioritising those most in need. * **Decide priority sectors, regions and groups without consulting local stakeholders** or relevant databases. * **Prioritize commercial outcomes** over development results. * **Set goals only at output rather than outcome level.** | **DON’T…**   * **Build results frameworks or evaluation tools for your project that are too complex or incomparable** and not use common indicators such as the SDGs or those in national frameworks and related agendas. * **Disregard qualitative indicators** and the lived experience of disadvantaged groups in projects’ impact measurement. * **Be non-transparent** about the overall development results of your projects. * **Design a project without a theory of change, business case and exit strategy.** * **Define project aims, objectives and outcomes without consulting** private and civic partners. |
| **Country example** [[**Ü**](#Self_Assess_KP1B)](#Country_Example_KP2B) | |
| See the [Kampala Principles case study](https://www.effectivecooperation.org/system/files/2021-04/SAP%20Uganda%20Kampala%20Principles%20Case%20Study.pdf) on how the Ugandan government identified the oil palm sector as a key area for private sector engagement, and enabled the digital inclusion of smallholder farmers as a key sustainable development results across a range of SDG targets tackled in this initiative.  Consider approaching the [Global Partnership for Sustainable Development Data](https://www.data4sdgs.org/) for guidance and advice on creating and accessing the most up-to-date data on groups and sectors most in need. | |
| **Resources** [[**Ü**](#Self_Assess_KP1B)](#Resources_KP2A) | |
| * [GPEDC Leaving no-one behind and private sector engagement](https://www.effectivecooperation.org/content/leaving-no-one-behind-private-sector-engagement) * [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) | |
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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, offer value for money, and have sustainable development results when they are clearly linked to core business operations. Evidence shows that when development and core business strategies are aligned, PSE interventions can create mutual benefits applicable to all partners. Partner country governments can significantly augment their prospects for successfully advancing their national development priorities with the support of the private sector, if partnerships are carefully crafted with a ‘shared value’ proposition and responsible business conduct (congruence between development and core business interests) in mind. Philanthropic initiatives do provide important contributions to such efforts, but may be too short-term in nature.

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| ***Policy level*** | ***Project level*** |
| **Self-Reflection Questions** [[**Ü**](#Self_Assess_KP1B)](#Self_Assess_KP2C) | |
| * Does your PSE strategy recognise the importance of **aligning core business and development interests** and the need for commercial outcomes in addition to development results? * Does your PSE strategy strive for **projects and partnerships that target core business** **practices** rather than philanthropic or pure CSR initiatives? * Have you highlighted **sectors and areas where development and business interests are most (and least) likely to be aligned**, i.e., in certain areas of service provision? * How can you encourage businesses to **better align their core operations with the ambitions of sustainable development**? * Have you developed policies and strategies for **incentivising private sector engagement in different target sectors of the economy**, e.g., through access to networks, opportunities for funding, harnessing public expertise, capacity building? What are the gaps, and where might incentives be improved? | * Have you established a **theory of change or catalogue of factors that describe how both business and development interests will be served** by your PSE projects to deliver on SDGs and other international commitments like the Paris Climate Agreement? * Have you **allocated roles to project partners** to ensure creating shared value for business and development? * Have you clearly **communicated your projects’ development interests, expectations and requirements** for businesses to partner in your project? * Have you considered how a project will continue to **provide sustainable development results beyond the project horizon**? Will there still be an incentive for the private sector to continue serving the target sector and/or population after termination of public support schemes? * Do you have a clear sense of **how to exit once a project ends** and markets are established? What is your contingency plan if markets are insufficiently established? * Does your project include **feedback and grievance mechanisms from the local community** on development results? |
| **Actions to consider** [[**Ü**](#Self_Assess_KP1B)](#Actions_KP2C) | |
| * **Determine and prioritise the areas where you anticipate to be the greatest potential for congruence** between development and business interests within each target sector. * **Define and measure** business and sustainable development outcomes in your national results framework. * **Create incentives and support innovative business models** that focus on delivering business and development outcomes. * **Ensure that incentive structures do not undermine the overarching goal of country ownership.** For example, regulatory changes in corporate taxation can severely undermine efforts towards country ownership. * **Make it more attractive for businesses to align their core operations to your development interest** - i.e. improvements in business enabling environments in key development sectors like renewable energies. | * 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. * Examine whether and **how a proposed private sector partner’s core business aligns with development interests** within your due diligence processes. * **Expand the enrolment of smaller actors in social and environmental entrepreneurship** **in your PSE projects** as theyoften combine development and commercial perspectives in their business models organically. |
| **Pitfalls to avoid** [[**Ü**](#Self_Assess_KP1B)](#Pitfalls_KP2C) | |
| **DON’T…**   * **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. * Undermine the commercial viability and sustainability of interventions by **exclusively focusing on development outcomes**. * **Assume that efforts to align are only businesses’ responsibility.** | **DON’T…**   * **Assume or insist that companies involved in development co-operation projects should not also profit from projects while contributing to development results.** * **Rush into a partnership with a private sector actor** without taking time to determine the correct fit for a project. * **Neglect the perspective of local actors** such as local CSOs watchdogs in assessing project progress on business and development targets. * **Set up objectives that undermine the commercial viability of the project.** * **Neglect post-project impacts and requirements for sustainability** after project termination. |
| **Country example** [[**Ü**](#Self_Assess_KP1B)](#Country_Example_KP2C) | |
| The [African Mining Vision](https://www-cdn.oxfam.org/s3fs-public/bp-africa-mining-vision-090317-en.pdf) by the African Union is a key regional policy framework that seeks to harness the opportunities of the extractive industry for inclusive growth (SDG 7) while also recognising that private policies and objectives need to be aligned with national and local development priorities. | |
| **Resources** [[**Ü**](#Self_Assess_KP1B)](#Resources_KP2C) | |
| * [ILO Policies and regulatory frameworks to better align business and finance with global goals](https://www.un.org/esa/ffd/wp-content/uploads/2016/01/Policies-to-better-align-business-with-global-goals_ILO_IATF-Issue-brief.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) * [MercyCorps Private Sector Engagement Toolkit](https://beamexchange.org/uploads/filer_public/79/b1/79b19629-b4dd-472a-a1e0-a7bad2692307/private_sector_engagement_toolkit__mercycorps.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 set 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. They provide universally defined and agreed upon guidance, and failure to align PSE activities with them can have detrimental effects on the livelihoods of people and the planet. For partner country governments it bears the additional risk of undermining public support for PSE interventions and the risk of degrading co-operation and assistance from partners. Conversely, ensuring that private sector engagement and investment does not harm progress towards environmental, social and governance goals – and instead, produces results that safeguard and complement them – has the potential for triggering positive spill-over effects that go beyond the immediate objectives of specific development interventions. 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 their roles as partners and watchdogs supporting this is critical.

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| ***Policy level*** | ***Project level*** |
| **Self-Reflection Questions** [[**Ü**](#Self_Assess_KP1B)](#Self_Assess_KP3A) | |
| * **Does your national PSE strategy clearly 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. * **Do you have the requisite skills and (legal) staff or expertise to ensure compliance** with international standards and your national legal frameworks? * Does your **strategy envisage consultations with affected populations in the design, implementation, and evaluation** phases of projects to identify risk? | * For each potential PSE partner, **is a comprehensive and 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 **regular** **monitoring process to assess adherence to national legal frameworks and relevant international standards**? * Have you clearly highlighted **which project partner will be responsible for monitoring** adherence to standards? * Has the partnership **conducted a rigorous social and environmental impact assessment** of the proposed programme to identify and mitigate potentially harmful impacts? * For each project, have you established a **whistleblowing or complaint procedur**e for stakeholders or observers to safely and transparently highlight transgressions against national and international frameworks? * Do you have due diligence processes in place **with feedback, grievance, and redress mechanisms**? |
| **Actions to consider** [[**Ü**](#Self_Assess_KP1B)](#Actions_KP3A) | |
| * **Develop policies and selection criteria to only work with those PSE partners that align** with national ESG and international standards. * 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. * **Ensure that your PSE strategy includes reference to both general but also sector-specific international standards.** * **Seek input from relevant international CSOs** to ensure that your PSE strategy and its application across sectors and areas of work adhere to and reflect all relevant international standards. | * **Streamline the set-up of comprehensive and tailored due diligence processes** by building upon past experiences in working with private sector partners and/or advice from development partners. * **Formally engage and adequately brief and provide access to local CSOs and trade unions** to track the adherence to national frameworks and international standards in your PSE projects. * **Establish institutionalised review processes** to appraise adherence on a regular basis. * **Sensitise project partners to important and to international PSE standards and relevant frameworks.** |
| **Pitfalls to avoid** [[**Ü**](#Self_Assess_KP1B)](#Pitfalls_KP3A) | |
| **DON’T…**   * **Treat adherence to international PSE standards as a ‘tick the box’ exercise** without seeking to align with the spirit of relevant global standards. * **Only adopt legally binding standards** and not consider other relevant international recommendations or voluntary commitments and ‘soft law’, including at the sectoral level. | **DON’T…**   * **Assume familiarity of private sector partners** with relevant international standards and guidelines. * **Fail to track, flag and address risks or violations to standards.** * **Neglect local CSOs and other actors in monitoring negative impact.** * **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) | |
| The Kampala Principle case studies on ‘[Digital Triage and Testing Booth in Bangladesh for Pandemic Response’](https://www.effectivecooperation.org/system/files/2021-04/Bangladesh%20Kampala%20Principles%20Case%20Study.pdf): project partners ensured that they followed World Health Organization advice on COVID testing in line with relevant agreed global procedures and standards. | |
| **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) * [OECD Due Diligence Policy Hub](https://mneguidelines.oecd.org/due-diligence-policy-hub.htm) * [OECD Due Diligence Guidance for Responsible Business Conduct](https://www.oecd.org/investment/due-diligence-guidance-for-responsible-business-conduct.htm) * [OECD Promoting Responsible Business Conduct as a Strategic Choice](https://www.oecd-ilibrary.org/docserver/7e510b79-en.pdf?expires=1662994067&id=id&accname=ocid84004878&checksum=1E33DA00973DF5791090F514621443BC)   The following are some pertinent examples of international standards:   * [UN Guiding Principles on Business and Human Rights](https://www.ohchr.org/documents/publications/guidingprinciplesbusinesshr_en.pdf) * [UN Global Compact 10 Principles](https://www.unglobalcompact.org/what-is-gc/mission/principles) * [UN Rio Declaration on Environment and Development](https://sustainabledevelopment.un.org/rio20/futurewewant) | |
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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, Trade Unions, 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?**

Engaging with a broad range of public, civic, and private actors in inclusive dialogue and consultation provides important opportunities for all relevant stakeholders to meaningfully engage. This is key to build trust among partners and enhance the legitimacy of PSE interventions; a vital ingredient for making PSE projects and policies effective. For partner country governments, as drivers of PSE (see Kampala Principle 1), it is particularly important to organise regular consultative processes with all relevant stakeholders at the national level to incentivize socially inclusive and environmentally sustainable business practices.

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| ***Policy level*** | ***Project level*** |
| **Self-Reflection Questions** [[**Ü**](#Self_Assess_KP1B)](#Self_Assess_KP3B) | |
| * Do you commit to **in-depth, inclusive, and systematic consultations and dialogues** in your PSE strategy as well as in your co-operation agreements with development partners? * Are you able to convey the **benefits of inclusive dialogue and consultations across different government departments** (both horizontally across departments and vertically down to local levels) that are involved in private sector partnerships and projects? * For public-private dialogue platforms that exist at the country or sectoral level, are there **code of conducts, action plans, agreement on type and frequency of communication between partners or conflict resolution mechanisms** in place to support trust-building? * How can you **involve development partners in mediating or brokering PPD processes** when controversial issues are being discussed? * How **inclusive is the participation in national or sector public-private dialogues**? How might dialogue formats need to adjust to become more inclusive towards (sub)-national non-state stakeholders? * **Are there** **mechanisms to support follow up and uptake of recommendations from dialogues in your PSE strategy**? | * Prior to initiating a PSE project (particularly in fragile contexts), have you **undertaken an inclusive dialogue** to secure space for the expression of diverging interests, build trust, and foster local ownership of the project? * Do your PSE projects promote **cross sectoral and national dialogue in a representative and inclusive way**? * Do you facilitate **regular inclusive consultations throughout the project life cycle** of projects that involve the private sector i.e., not just one-off sessions? * Is the stakeholder consultation process suited to providing **regular communication and solid oversight of the project** on the ground? |
| **Actions to consider** [[**Ü**](#Self_Assess_KP1B)](#Actions_KP3B) | |
| * Where possible, **build on existing public-private processes and structures** that have been deliberately set up to promote citizen and stakeholder participation in policy formulation. * **Develop specific guidelines as part of your PSE strategy to support inclusive and effective 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 legitimacy and local buy-in. * **Foster horizontal and vertical linkages in your dialogue processes.** This helps to surface issues raised at the local or project level at a higher policy level. * **Devise clear and actionable agendas for inclusive dialogues** and ensure an adequate 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. * **Maintain regular conversations** to ensure that different stakeholder’s concerns can be heard to allow for course correction as needed. * **Make use of existing local networks of representation when reaching out to sections of the broader community.** But ensure that these networks are themselves representative of vulnerable groups and those left behind. * **Consider approaching an impartial third party that can provide a neutral space for dialogue and building trust** among stakeholders in case of particularly thorny challenges encountered, notably if priorities are fundamentally misaligned. * **Establish an open, independent complaint mechanism** for all relevant stakeholders to address grievances. |
| **Pitfalls to avoid** [[**Ü**](#Self_Assess_KP1B)](#Pitfalls_KP3B) | |
| **DON’T…**   * **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. | **DON’T…**   * **Impose your government’s own agenda** in inclusive dialogues and consultations on PSE projects without providing space and opportunity to other stakeholders to co-design the agenda or voice their concerns and 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) | |
| [Kenya’s Public-Private Dialogue Platforms](https://kepsa.or.ke/public-private-dialogue/) are an exemplary set of processes that facilitates inclusive dialogue between public, private and civic actors. This process has accompanied Kenya’s ascent of nearly 70 ranks in the World Bank’s Ease of Doing Business report since 2014. | |
| **Resources** [[**Ü**](#Self_Assess_KP1B)](#Resources_KP3B) | |
| * [GPEDC The Quality of Public-Private Dialogue and Private Sector Engagement in a COVID-19 World](https://www.effectivecooperation.org/system/files/2020-10/Indicator3_Self-Reflection%20Guide.pdf) * [OECD Constructing inclusive public-private dialogue](https://www.oecd-ilibrary.org/docserver/9789264024786-13-en.pdf?expires=1623244715&id=id&accname=guest&checksum=B6C2E064B4AF3C5D4E826D6C063CC0BE) * [OECD Public-private dialogue in developing countries](http://www.publicprivatedialogue.org/papers/PPD%20in%20developing%20countries.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?**

Policies and projects that include the private sector can hardly produce development outcomes that leave no-one behind without being bottom-up in nature and/or are able to identify and offer grass-root engagement opportunities. Including a wider gamut of diverse and local actors ensures that projects and priorities are rooted in the needs and priorities of local contexts and communities. Moreover, these actors are best placed to highlight when projects are producing positive or negative outcomes, or if they are producing unintended consequences in non-target sectors. Inclusive and bottom-up partnerships and opportunities for engagement can, therefore, support efforts towards more effective and equitable implementation. To bring these actors into PSE partnerships, a dedicated effort by partner country governments is needed to raise awareness of engagement opportunities through diverse and wide-reaching channels.

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| ***Policy level*** | ***Project level*** |
| **Self-Reflection Questions** [[[**Ü**](#Self_Assess_KP1B)](#Resources_KP3B)](#Self_Assess_KP3C) | |
| * **Does your PSE strategy prioritize partnerships with smaller private partners** (such as MSMEs) alongside larger domestic and transnational firms? * **Does your strategy stipulate the need to make PSE opportunities publicly available** and of easy access to local partners, including MSMEs? * **Do you sufficiently communicate PSE opportunities** **in local contexts**? * Have you **mapped key demographic, sectoral, and local groups to identify relevant partners for PSE projects** at national, regional, community and local levels? | * Have you ensured that all partners and relevant stakeholders have had the opportunity to be involved in **developing the theory of change, and have collaboratively identified key project milestones and hypotheses**? * **Do your projects include activities to raise awareness of PSE opportunities** among local actors including those frequently overlooked (e.g., MSMEs, informal sector) but impactful for vulnerable populations? * **Have you provided opportunities and incentives for MSMEs to engage in projects** e.g., providing initial funding that would otherwise not be available, access to networks, harnessing public expertise, and capacity building? * Do you have **focal points in your staff that can serve as liaisons with local stakeholder groups** in particular? |
| **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. * **Augment existing platforms** to make them more inclusive in the number and diversity of actors, before considering establishing new in-country platforms. | * **Establish national and regional-level dialogues to enlarge the range of partners at community level** in project planning, implementation and review. * In project planning, **map the ways that local sectors, MSMEs and civic actors might be able to contribute to the achievement of project goals**. Enrol these actors in implementation early and often so as to establish buy-in and ensure prospects for action. * **Offer clear and tailored incentives for long-term and sustained participation**, e.g., for MSMEs offer initial funding, capacity building, access to networks, and the potential for scaling up projects. * In project discussions with development partners, **emphasise the need for outreach and awareness raising of partnership opportunities at local level** that goes beyond the most influential private sector actors (e.g., offering opportunities for engagement for MSMEs and actors within the informal sector). * **Collaborate with local financial institutions as intermediaries** to ensure that ‘bankable’ projects can endure and scale up once they are established. * **Follow good practice guidelines or use professional brokering support** to ensure partnerships are set up and run as effectively as possible. * **Work together to develop common language/ typology in PSE projects that is easy to understand** for all actors. |
| **Pitfalls to avoid** [[[**Ü**](#Self_Assess_KP1B)](#Resources_KP3B)](#Pitfalls_KP3C) | |
| **DON’T…**   * **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. * **Duplicate or fragment existing in-country consultation platforms** (public-private or multi-stakeholder). | **DON’T…**   * **Focus on the largest and most visible private sector entities only.** * **Offer only tokenistic or superficial opportunities for smaller actors** like MSMEs and informal businesses. * **Engage in private sector investments and project implementation without undertaking pre-project and programme consultations** (especially in fragile context and LDCs) |
| **Country example** [[[**Ü**](#Self_Assess_KP1B)](#Resources_KP3B)](#Country_Example_KP3C) | |
| The Colombian Presidential Agency of International Cooperation in cooperation with the national association of Colombian enterprises Andi developed a [guide for private sector actors to raise awareness about private sector engagement in international cooperation](https://www.apccolombia.gov.co/sites/default/files/archivos_usuario/publicaciones/guia-cooperacion-20sep-flipboard.pdf). The guide raises different cooperation modalities, the main principles for businesses to follow, the key structures of development projects and different opportunities for engagement. Through this, private sector engagement partnership become much more accessible to bottom-up initiatives and smaller actors which the Colombian government wishes to mobilize to leverage the potential of their innovative potential to contribute to the socioeconomic development of the country. | |
| **Resources** [[[**Ü**](#Self_Assess_KP1B)](#Resources_KP3B)](#Resources_KP3C) | |
| * [Horan A approach to partnerships for SDG transformations](https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=&cad=rja&uact=8&ved=2ahUKEwie2Oqo9IzxAhUzoFwKHaf3DSgQFnoECB0QAA&url=https%3A%2F%2Fwww.mdpi.com%2F2071-1050%2F11%2F18%2F4947%2Fpdf&usg=AOvVaw0R7QDMmjIYIr0flkl9ZdLk) * [ODI Private Sector and NGO Engagement](https://assets.publishing.service.gov.uk/media/57a089eee5274a27b2000325/Private_Sector_and_NGO_Engagement.pdf) * [OECD The private sector and the catalytic role of micro, small and medium-sized enterprises](https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=&cad=rja&uact=8&ved=2ahUKEwjyysLD07DxAhUIT8AKHXEPBZYQFnoECAIQAA&url=https%3A%2F%2Fwww.oecd-ilibrary.org%2Fdevelopment%2Fdevelopment-co-operation-report-2018_dcr-2018-en&usg=AOvVaw3vfNi2HK6pQuyqayTmI4YL) | |
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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?**

As stipulated by the 2030 Agenda, partner country governments have committed to ensuring that no-one is left behind. This requires that those who are furthest behind are included within key partnerships for sustainable development. Opening up partnerships to a broader range of disempowered actors requires specific actions adapted to the capacities of different actors to make this possible. But accessibility is not only a concern to left-behind groups, it is also of key importance for engaging any business in development co-operation. Simple application procedures, streamlined and timely processes, flexibility in working arrangements and payment cycles are some ways to incentivize businesses to invest time and resources into partnerships with the public sector. Placing an emphasis on this is essential to attract and retain the actors best suited to deliver transformative development results.

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| ***Policy level*** | ***Project level*** |
| **Self-Reflection Questions** [[[**Ü**](#Self_Assess_KP1B)](#Resources_KP3B)](#Self_Assess_KP4A) | |
| * Does your PSE strategy recognize the need to **overcome barriers to participate in partnerships** for local stakeholders such as MSMEs, rural producers, trade unions or local CSO groups? * Which **regulatory and legal barriers at the national level inhibit** more inclusive, multi-actor and broad-based partnerships? How might these be overcome to enable more bottom-up and inclusive partnering? | * How will you, together with your development partners, **ensure the participation of small yet vital stakeholders** such as MSMEs, rural producers, trade unions or local CSO groups? * Do you have **access to a sufficiently broad local network of key interlocutors across the public, civil society, and private sectors** so that you can approach the right stakeholders for your PSE project and partnership? |
| **Actions to consider** [[[**Ü**](#Self_Assess_KP1B)](#Resources_KP3B)](#Actions_KP4A) | |
| * **Recognise the various shapes that partnering can take** and its different levels (global, national and local). * **Review relevant procedures and seek to streamline or adjust them to attain greater accessibility**. For instance, consider how national-level dialogues may prove challenging for an MSME to participate on an equal footing with larger public and private actors. Here, approaching a business association that represents MSMEs might be an appropriate means to ensure greater accessibility. * **Provide greater voice and engagement opportunities to disempowered actors** to deliberately offset power imbalances. * **Take a broader perspective on what stakeholders can offer to PSE projects**, including financial resources, local knowledge, human capital, access to local networks etc. * **Develop government-wide learning by sharing partnering advice**. Dedicated platforms such as [Promoting Effective Partnering](http://www.effectivepartnering.org/) can be particularly helpful in providing guidance for agency staff and public officials. * **Make payment cycles more flexible and tailored to small actors like MSMEs** who have great needs for liquidity. | * **Ensure that each stakeholder is able to understand the project material, offer their own insights on an equal playing field**, and that their contribution is formally recognised and acted upon. * **Simplify and streamline, where possible, internal rules and sign-off procedures** to ensure quicker and more nimble partnering. * **Communicate and keep diverse stakeholders informed of project progress by providing accessible information**. This does not just mean access to information on the project, but also accessible material that stakeholders can easily digest and understand. * **Put people and transparency first**. Even if you cannot realistically involve all relevant stakeholders, ensure transparent and straight-forward communication on what your project is all about, its risks, and how it is intended to benefit the local community. * **Consider how different partners require different engagement mechanisms.** Think of engagement opportunities in projects as a series of concentric circles: at the centre are the core implementing partners; followed by the local community; relevant regional organisations and global/multilateral partners. |
| **Pitfalls to avoid** [[[**Ü**](#Self_Assess_KP1B)](#Resources_KP3B)](#Pitfalls_KP4A) | |
| **DON’T…**   * **Assume that ‘streamlining’ partnering processes means undermining important safeguards** in place to avoid risky PSE policies and projects**.** * **Don’t shift to virtual-only forms of participation and dialogue as a default**. There may be a tendency to shift towards hybrid approaches for partnering purposes (i.e., video calls, online meetings, innovative technology etc.). While this helps ensure greater regularity of engagement, it may undermine accessibility and systematically disenfranchise the engagement of relevant groups at risk of being left behind. | **DON’T…**   * **Allow the most influential actors to determine the direction and agenda of PSE projects.** * **Assume that simple inclusion (by giving actors a seat at the table) equates to meaningful participation**. * **Leave your assumptions on stakeholder contributions to PSE projects unchecked** (e.g. assuming that private sector actors can only contribute financial resources to a project). |
| **Country example** [[[**Ü**](#Self_Assess_KP1B)](#Resources_KP3B)](#Country_Example_KP4A) | |
| Ensuring that even non-participants have access to a partnership’s aims, learnings and outcomes is essential to scaling up the impact of PSE projects. A key instance is the Spicing up the Deal (CaGi) program in Nepal – wherein non-participating ginger farmers were, through engagement opportunities, able to learn and take on advanced agricultural methods from their neighbours who were participants in the program. In doing so, non-participants were able to gain more income through improving their crops. | |
| **Resources** [[[**Ü**](#Self_Assess_KP1B)](#Resources_KP3B)](#Resources_KP4A) | |
| * [UN TPI The SDG Partnership Guidebook](https://sustainabledevelopment.un.org/content/documents/26627SDG_Partnership_Guidebook_0.95_web.pdf) * [UNECE Guidebook on Promoting Good Governance in Public-Private Partnerships](https://unece.org/DAM/ceci/publications/ppp.pdf) | |
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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 private sector engagement (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 identifies roles for all partners and captures desired development and business results is an essential step to make partnerships with the private sector effective. Such frameworks clarify the expectation of stakeholders involved in projects, contribute to greater trust among partners and provides essential information for addressing any challenges during the project implementation. Measuring results serves several other functions, it addresses private sector concerns over risk, demonstrates value and impact to taxpayers, and ultimately, enables more effective and higher quality projects for sustainable development.

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| ***Policy level*** | ***Project level*** |
| **Self-Reflection Questions** [[[**Ü**](#Self_Assess_KP1B)](#Resources_KP3B)](#Self_Assess_KP4B) | |
| * Does your national PSE strategy include a **results framework** that can be used at the project level? * If yes, is the framework in line with international sustainable priorities? * Does it recognise **incentives of stakeholders to engage in PSE projects** (e.g., the need for business outcomes) and, thus, the different needs for measurement? * Does your government have **policies and procedures in place to conduct independent evaluations of PSE policies and projects**? * Does your government **disclose evaluations’ results to ensure transparency and accountability**? | * Do your PSE projects have frameworks with **indicators that are project-specific, measurable, attainable, action-oriented and time-bound**? Does your results framework disaggregate indicators at **impact, outcome, and output levels**? * Have you **committed to using harmonised indicators that will enable all stakeholders** (public, private and civic) to measuring and report on the same things? * Do your projects establish from the outset who will be responsible for measuring and reporting specific indicators? * Do your projects have **mechanisms to ensure that project-level results feed into decision-making processes at the strategic or policy level**? * 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 government **assess your projects against** whether better results could have been achieved through stronger adherence to the Kampala Principles? |
| **Actions to consider** [[[**Ü**](#Self_Assess_KP1B)](#Resources_KP3B)](#Actions_KP4B) | |
| * **Work closely alongside development partners to minimise the reporting burden for all actors involved**, in particular those with weaker capacity, like MSMEs. This may include seeking the most relevant information in your overarching measurement frameworks only and using harmonised and well-recognised indicators for measuring progress. * **Engage local CSOs and MSMEs as well as measurement experts in the development of your overarching results framework** and in monitoring progress. * **Ensure that all measurement processes for PSE facilitate opportunities for structured and inclusive dialogue**, and that they are geared towards identifying and addressing risks and contentions. * **Collect disaggregated data**, when relevant, notably by gender, disabilities, and vulnerable groups. | * **Ensure that your project’s results measurement frameworks are flexible and adaptable**. * **Use SDG indicators to measure impact of your projects** to make data comparable. * **Ensure that all results frameworks have an embedded theory of change** as to how the project will result in improving progress towards both the SDGs and business outcomes. * **Minimise reporting burdens** by focusing on the most essential findings and indicators. * **Enrol non-state actors such as MSMEs and civil society representatives in monitoring** a project’s impact upon development outcomes. * If needed, **seek capacity support to develop results measurement skills of relevant staff.** * **Provide streamlined and light-touch post-project monitoring procedures** to assess development outcomes for some key projects. |
| **Pitfalls to avoid** [[[**Ü**](#Self_Assess_KP1B)](#Resources_KP3B)](#Pitfalls_KP4B) | |
| **DON’T…**   * **Develop unduly complicated, overarching results frameworks** and introduce cumbersome procedures with high transaction costs; * **Develop a framework that is not aligned with your own PSE strategy** and other national and sectoral policies. * **Fail to consult civil society and private sector entities** when developing your overarching framework. | **DON’T…**   * **Disregard the tension between the need for streamlining indicators and the need for inclusivity** of diverse stakeholder goals and logics. * **Duplicate and fragment indicators instead of using existing metrics** such as SDG targets and those of your national overarching framework. * **Only measure one side of the ‘shared value’ equation**; that is, only measuring either the development or business side of things. * **Settle for the lowest common denominator** in the development of project measurement frameworks. * **Overlook the potential for private sector contributions to results measurement.** |
| **Country example** [[[**Ü**](#Self_Assess_KP1B)](#Resources_KP3B)](#Country_Example_KP4B) | |
| As part of the revised GPEDC Monitoring Exercise the GPEDC developed the [Kampala Principles Assessment](https://www.effectivecooperation.org/group/leveraging-monitoring-action/content/draft-kampala-principles-assessment-track-effective), a framework to measure how effectively the private sector is engaged through development co-operation at country-level. Undertaking the Kampala Principles Assessment helps stakeholders track progress made in PSE and identify the gaps and challenges that require improvement. It functions complementarily to the Kampala Principles Toolkit as partner country governments and stakeholders who report on the Assessment can consult the practical guidance in the Toolkit to contextualise their monitoring results and take action to improve the effectiveness of PSE. Please contact the GPEDC Monitoring Team for more information via [monitoring@effectivecooperation.org](mailto:monitoring@effectivecooperation.org) | |
| **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) * [Endeva Proving and improving: the Impact of Development Partnerships – 12 Good Practices for Results Measurement](https://endeva.org/wp-content/uploads/2014/11/Endeva_2014_Proving_and_improving_the_impact_of_development_partnerships__1_-2-1.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 enables the assessment of progress towards strategic and project goals, the creation of actionable data and the refinement of PSE strategies and policies. Sharing results across projects can help save costs in measurement and implementation and offer more opportunities to support and invest in national priorities, while it can also inform efforts in scaling up successful PSE projects and interventions. Moreover, sharing results transparently supports partners’ commitments to transparency and accountability as per the requirements of Development Effectiveness principles.

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| ***Policy level*** | ***Project level*** |
| **Self-Reflection Questions** [[[**Ü**](#Self_Assess_KP1B)](#Resources_KP3B)](#Self_Assess_KP4C) | |
| * Does your government **disclose information on your policies and projects** in an accessible format online or in the public domain? * Does your government have a process in place to ensure **PSE results are shared with parliament, citizens and other development stakeholders**? * Do you **disseminate PSE project and policy data** to support efforts in scaling up successful projects and interventions? * Does your government’s PSE strategy recognise the **need to disclose information beyond development outcomes** such as results linked to commercial activities? | * Does your government 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 **support local project partners with the dissemination of project results** to a wider audience? * Do you **communicate your projects’ intermediary and final results to partners,** relevant stakeholders including business associations, trade unions and civil society? * 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) | |
| * **Consider how aggregated data on PSE projects can be used to report on progress on key sustainable development goals** and processes. * **Tailor communication to the various audiences** that need to be informed of results using appropriate channels and results focus. * Consider using **existing frameworks to share comparable data**. * **Maintain a focus on how PSE projects could be scaled up** in the articulation of results and evaluations. * **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 correction and fine tuning. * **Set up clear expectations as to what international, regional, national and sub-national platforms can assist in bringing your results to a broader audience**. Establish contacts with key platform interlocutors and inform them of your project’s progress. * **Showcase your results in an attractive and easily digestible format.** * **Consolidate key results into lessons learned** for scaling up projects/interventions. |
| **Pitfalls to avoid** [[[**Ü**](#Self_Assess_KP1B)](#Resources_KP3B)](#Pitfalls_KP4C) | |
| **DON’T…**   * **Assume that ‘what works’ in one context can be applied to another** without due consideration of the transferability of certain practices and results. * **Conceal unfavourable 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. * **Link PSE project results merely to national priorities** without consideration of the SDGs and other key international or global indicators. | **DON’T…**   * **Impose undue results sharing burdens** that do not serve a productive purpose for current and future development projects. * **Conceal 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. * **Emphasise too many aspects of a project’s success or failures** instead of maintaining a focus on the most important results. |
| **Country example** [[[**Ü**](#Self_Assess_KP1B)](#Resources_KP3B)](#Country_Example_KP4C) | |
| For the GPEDC Kampala Principles Case Study on [‘Securing Women’s Access to Healthcare in Rural Colombia’](https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=&cad=rja&uact=8&ved=2ahUKEwim6P3W25nxAhVPsaQKHfaLAH0QFnoECAYQAA&url=https%3A%2F%2Fwww.effectivecooperation.org%2Fsystem%2Ffiles%2F2021-04%2FBIVE%2520Colombia%2520Kampala%2520Principles%2520Case%2520Study.pdf&usg=AOvVaw1c5mfAj1u21Irj_-U0TlhH), the private implementing agency - Bive - used the Business Call to Action’s ‘Impact Champions Program’ as a platform to report their results and to support learning, as well as using social media for broader social engagement and outreach.  Germany’s Investment Cooperation’s (DEG) [Development Effectiveness Rating (DERa)](https://www.deginvest.de/DEG-Documents-in-English/About-us/What-is-our-impact/Policy-brief_EN_final.pdf) is a multi-dimensional assessment tool for measuring the impact and development quality of DEG’s investments in businesses’ activities. It measure five key outcome categories which include creating decent jobs, increasing local income, enhancing market and sector development, environmental stewardship and community benefits. Using different indicators, the DERa produces a cumultative score between 0 and 150. The analysis is repeated throughout the project cycle to analyse changes in contributions to development | |
| **Resources** [[[**Ü**](#Self_Assess_KP1B)](#Resources_KP3B)](#Resources_KP4C) | |
| * [UNHCR Evaluation of UNHCR’s Engagement with the Private Sector](https://reliefweb.int/sites/reliefweb.int/files/resources/5dfa230f4.pdf) * [OECD DAC Ensuring Results when Engaging the Private Sector in Development Cooperation](https://www.oecd.org/dac/peer-reviews/Policy-Brief-3-Ensuring-Results-when-Engaging-the-Private-Sector-in-Development-Co-operation.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?**

Accountability is a core development effectiveness principle that applies to PSE as it does to other approaches in development co-operation given the use of international public resources. Shared accountability mechanisms exist in many partner countries and enable governments to engage their partners to discuss progress and hold each other answerable for jointly agreed development results. Accountability mechanisms are instrumental to create a sense of ownership also at the project level, and help to ensure that funding decisions are built on evidence and shared agendas. Such mechanisms should include regular consultations, discussion on the type of contractual requirements for reporting to be included in collaboration agreements or memoranda of understanding, clear lines of accountability, clear internal and external communication and relationship-building between partners, among others. By identifying where there may be negative results from PSE projects, mutual accountability mechanisms provide means for redress, learning, and course correction. This, in turn, is key to demonstrate to all stakeholders that PSE goals are credible, achievable, and realistic. Effective accountability mechanisms in PSE projects can thus produce PSE that has the broad support of local beneficiary communities and taxpayers.

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| ***Policy level*** | ***Project level*** |
| **Self-Reflection Questions** [[[**Ü**](#Self_Assess_KP1B)](#Resources_KP3B)](#Self_Assess_KP5A) | |
| * Does your government’s PSE strategy **stipulate systematic accountability for PSE**, including among all partners and upward (towards headquarters) and downward (down to local beneficiaries)? * Is your government committed to **inclusive monitoring and evaluation processes** through enrolling a broad range of relevant and local actors to ensure accountability? * **Have you established mutual assessment reviews on your PSE strategies and PSE projects**? Do these derive from your national strategy and offer targets and joint assessment for yourself, your development partners, and other stakeholders? | * Is your PSE project **subject to public oversight, consultation, and independent evaluation?** * Have you established an **independent complaints 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) | |
| * **Maintain high standards on accountability and transparency requirements** given that PSE projects often use scarce concessional ODA or related resources which are sometimes managed by private actors. * Commit to **participating in monitoring processes conducted at global level and other relevant sustainable development fora** that touch upon the effectiveness of private sector engagement in development co-operation. * **Promote “performance assessment frameworks”** to assess individual donor performance on commitments your country, which can be a powerful tool to incentivise good behaviour. * **Afford CSOs, parliament, trade unions and other non-state actors’ key roles in appraising business conduct** and holding these partners to account in upholding ESG standards and producing development impacts. * **Streamline and systematise accountability reviews** and processes as much as possible. * **Establish independent complaint or grievance mechanisms** that are easy to use and freely accessible to all project partners (including marginalised communities and women). | * **Use project-level accountability exercises** to inform learning and decision-making at policy level ([[see 4.B](#_Sub-Principle_4.B:_Disseminate)](#Actions_KP4B)). * **Establish independent complaint mechanisms** specific to your projects. * At the project start, ensure that **information on complaint mechanisms is in local language and provide clear guidance on how to use them** and how claims will be assessed (e.g., information on the Ombudsman office and policy frameworks). * **Establish internal auditing and evaluation procedures in PSE projects** and ensure that these are streamlined and available to the public. * **Consider accountability to be a principle that is met throughout project implementation** and not just as an ex-post consideration. |
| **Pitfalls to avoid** [[[**Ü**](#Self_Assess_KP1B)](#Resources_KP3B)](#Pitfalls_KP5A) | |
| **DON’T…**   * **Keep accountability and transparency standards at minimal levels** to avoid off-putting corporate actors. * **Put in place cumbersome or overly complex accountability procedures** upon businesses and local stakeholders. | **DON’T…**   * **Overlook the additional burdens upon local stakeholders** that come with cumbersome or overly complex accountability procedures. * **Fail to seek additional assistance for accountability processes from the development partner** or funding agency when needed. * **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) | |
| [A study](https://www.ituc-csi.org/IMG/pdf/private_sector_study_-_zambia.pdf) by the CSO Partnership examined the development impact of a USD3.5 million loan from Norfund to BancABC in Zambia for a project that sought to scale up lending to SMEs and private individuals. However, no information was available on the indicators used to monitor and track the impact of the project. Consequently, the Zambian government was unable to hold project partners or intermediaries to account at the local level. Establishing indicators at the outset of the project and ensuring data availability and transparency is thus essential to determining development impact. | |
| **Resources** [[[**Ü**](#Self_Assess_KP1B)](#Resources_KP3B)](#Resources_KP5A) | |
| * GPEDC The Kampala Principles Assessment to track effective private sector engagement in development cooperation * [BFI Institute The Tri Hita Karana Roadmap for Blended Finance: A Checklist for Assessing the Impact of Blended Finance on the Poor](https://assets.ctfassets.net/4cgqlwde6qy0/4Eh0FtdoP9LZrFYS64fLy4/a5800547e09627fad24c%203971b08aa7ea/THK_Impact_checklist.pdf) * [GGGI Rules on private sector engagement: Green Growth Institute](http://gggi.org/site/assets/uploads/2017/11/GGGI-Private-Sector-Engagement-Rules-_-approved-_-31-May-2017.pdf) | |
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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?**

Realising development results - particularly for those furthest behind - is the starting point for any development intervention. Partner country governments have a crucial role in identifying and prioritising the needs of those marginalised sectors and geographic locations that are - or are at risk of being – left behind. In the pursuit of serving those needs, assessing the additionality of private sector solutions has important perks in terms of the efficiency and effectiveness of development interventions. It helps identify whether a private sector solution is effective in a given project, and where such a solution is most appropriate to achieve the desired development outcomes. Thus, it is a worthy practice for Partner country governments to ensure that the limited resources available are spent in a way that maximizes development outcomes for left-behind groups and sectors.

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| ***Policy level*** | ***Project level*** |
| **Self-Reflection Questions** [[[**Ü**](#Self_Assess_KP1B)](#Resources_KP3B)](#Self_Assess_KP5B) | |
| * Does your PSE strategy **identify priority sectors and areas of intervention where private sector solutions are most likely to benefit groups that are furthest behind**? * Does your **PSE strategy include an ex-ante development additionality assessment** to identify whether private sector solutions are more appropriate than other interventions to bring benefits to those furthest behind? * Does your PSE strategy include an **overall assessment of what types of mechanisms (financial and non-financial) would be the most appropriate to engage the private sector** in reaching those sectors and groups furthest behind? Does it recognise the role of sub-national governments and affected populations in identifying such mechanisms? * Do you have an **overview about all the possibilities and actors** that come into question to deliver sustainable development outcomes for those furthest behind? | * Is your **project based on a (simple) theory of change** that explicitly states the development challenge you are trying to address and how involving the private sector will benefit those furthest behind? * In the design phase, does your project **examine alternative solutions** to your development challenge from actors other than the private sector? * If you have identified a private sector solution to be most appropriate, have you agreed with stakeholders involved in the project (including private sector and affected communities) on **realistic objectives and established a joint results framework**? * Have you **communicated with intended beneficiaries how your project will produce benefits and why the involvement of the private sector** will provide long-term benefits? |
| **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. * **Begin with local perspectives and priorities** in all ex-ante evaluations of the potential benefits of PSE projects for intended beneficiaries. * **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**. | * **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. * Ensure that each PSE project has a set of realistic sustainable development objectives that **target specific populations or sectors that are at risk, or are already, being left behind**. * Communicate with stakeholders and development partners your **rationale for working with the private sector** in each specific project. * **Carefully assess whether potential private sector partners would 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) | |
| **DON’T…**   * **Engage private sector companies and organisations without a clear rationale** and assessment on whether this is the best solution to achieve the desired development goals. * **Omit adapting your PSE strategy** in case of new insights from programmes and projects on their outcomes for those furthest behind. | **DON’T…**   * **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.** * **Initiate a project without a careful assessment on the private sector additionality and role.** |
| **Country example** [[[**Ü**](#Self_Assess_KP1B)](#Resources_KP3B)](#Country_Example_KP5B) | |
| In the case of the Kampala Principles case study – [‘Digital Triage and Testing Booth in Bangladesh for Pandemic response’](https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=&cad=rja&uact=8&ved=2ahUKEwjc_Yv41J7xAhVFuKQKHes2DEMQFnoECAIQAA&url=https%3A%2F%2Fwww.effectivecooperation.org%2Fsystem%2Ffiles%2F2021-04%2FBangladesh%2520Kampala%2520Principles%2520Case%2520Study.pdf&usg=AOvVaw2O6XzudFFNHETipp2_oUft) – it was determined that public testing capacity was inadequate to meet demand in the early phase of the Covid-19 pandemic. Hence, a private sector solution was put forward to reach those furthest behind in terms of testing and health access. | |
| **Resources** [[[**Ü**](#Self_Assess_KP1B)](#Resources_KP3B)](#Resources_KP5B) | |
| * [OECD What does it mean to leave no-one behind?](https://www.oecd-ilibrary.org/docserver/dcr-2018-8-en.pdf?expires=1623934008&id=id&accname=guest&checksum=9DAD8CFDC9C6A1406A4867806FBC3E9A) * [SPEED Leaving no-one behind: Rethinking private sector engagement for Universal Health Coverage in Uganda](http://speed.musph.ac.ug/leaving-no-one-behind-rethinking-private-sector-engagement-for-universal-health-coverage-in-uganda/) | |
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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?**

Evidence shows that partnerships with the private sector (including blended finance projects) often do not directly target those who are furthest behind. As a consequence, Partner country governments’ development challenges are more likely to persist and trigger negative spill-over effects to other areas. When appropriately targeted to markets where commercial finance is not a viable alternative and marginalised communities can benefit the most, PSE projects can provide a meaningful contribution to national development efforts. They can provide much needed funding to stakeholders with limited access, help create markets in areas considered too risky for commercial lending, support infrastructure investments and empower local communities.

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| ***Policy level*** | ***Project level*** |
| **Self-Reflection Questions** [[[**Ü**](#Self_Assess_KP1B)](#Resources_KP3B)](#Self_Assess_KP5C) | |
| * Does your government’s national development strategy explicitly **identify and target sectors and groups where PSE projects could benefit marginalised groups and contexts that are being left behind**? * Does your PSE strategy **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 strategy commit to **mobilizing private sector investments in areas with greatest needs** for private finance? * Does your PSE strategy **provide guidance on how to address indirect effects of interventions** not directly linked to left-behind groups (climate change or global public goods)? | * 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? * Do you make explicit reference to the achievement of **specific SDGs, national development strategies and agendas**, or regional level ambitions such as the Agenda 2063? * Does your project **overcome - rather than accentuating - existing disparities and inequalities** for your project’s beneficiaries? * Do you and all downstream project partners (local CSOs, MSMEs or Trade Unions) clearly understand **how your PSE project will target vulnerable sectors or populations and what are their roles in it**? |
| **Actions to consider** [[[**Ü**](#Self_Assess_KP1B)](#Resources_KP3B)](#Actions_KP5C) | |
| * **Ensure your government’s overall national development strategy and PSE policy align 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. * **Make the necessary information available to private actors at policy leve**l on where to invest, using which mechanisms, and what outcomes can be expected. * **Establish sustainable exit strategies** for all PSE projects once markets are functioning for left-behind and vulnerable populations. * Support additional efforts by development partners and other stakeholders in **identifying PSE mechanisms and sectors where investment in entrepreneurial activity would produce innovative results** for left behind markets, goods, services and populations. | * **Enrol local MSMEs and other local stakeholders in order to identify those furthest behind** and include those insights in project design and implementation. * **Factor in** **long-term perspectives** on how vulnerable and left behind sectors or populations will be supported beyond the PSE project horizon. * **Put provisions in place beyond project horizons** for attracting additional investment, entrepreneurial activity, or building linkages with existing markets, actors and programmes. * If you are **within a fragile or conflict affected context, undertake extensive and additional initial consultations** to ensure that any external PSE interventions in left behind and targeted contexts do not have unwanted spill-over effects that aggravate existing tensions and disparities. |
| **Pitfalls to avoid** [[[**Ü**](#Self_Assess_KP1B)](#Resources_KP3B)](#Pitfalls_KP5C) | |
| **DON’T…**   * **Target countries and regions where already established markets can provide the necessary funding** for development investments. * **Fail to take due care and additional preliminary consultations** within fragile contexts. | **DON’T…**   * **Create or foster dependence on concessional finance** and support due to the lack of viable exit strategy. * **Produce market distorting effects**. For instance, through over-subsidising private sector actors. |
| **Country example** [[[**Ü**](#Self_Assess_KP1B)](#Resources_KP3B)](#Country_Example_KP5C) | |
| PSE Partnerships that support local cooperatives and social enterprises are a sure-fire way of empowering local communities through providing services such as education, sanitation and healthcare while employing local people who are at the edges of the mainstream labour market. In doing so, cooperatives and similar social initiatives offer a crucial vehicle for empowering those who are – or are in danger of being – left behind. Across Tanzania, India, Mali and Sri Lanka – for instance – women have formed their own cooperatives and social enterprise ventures, and these contribute directly to social inclusion and women’s empowerment. | |
| **Resources** [[[**Ü**](#Self_Assess_KP1B)](#Resources_KP3B)](#Resources_KP5C) | |
| * [‘Spatial targeting of poverty hotspots’ in Leave No One Behind: Time for Specifics on the Sustainable Development Goals](https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=&cad=rja&uact=8&ved=2ahUKEwiJ7-ygyaHxAhVLiFwKHWgyBekQFnoECAIQAA&url=https%3A%2F%2Fwww.jstor.org%2Fstable%2F10.7864%2Fj.ctvkjb38h&usg=AOvVaw0Mab_5HozJY0XlOfQpjpgr) * [ILO Cooperatives and the Sustainable Development Goals, A contribution to the post-2015 development debate](http://www.ilo.org/wcmsp5/groups/public/---ed_emp/documents/publication/wcms_240640.pdf) | |
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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 requires sharing risks proportionately among all project and programme partners. But to serve those furthest behind, a balance needs to be attained between extending suitable incentives to the private sector who may have concerns over engaging within high-risk contexts, while at the same time ensuring adequate safeguards for the most vulnerable. Sharing risks, while understanding that risk is not felt equally, 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. To build trust, partners need to be transparent over what these risks are, for whom, and by whom they will be borne at the outset of PSE programmes and projects. Partner country governments can identify and target the needs and risks of those furthest behind and include risk sharing mechanisms in their PSE startegy.

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| ***Policy level*** | ***Project level*** |
| **Self-Reflection Questions** [[[**Ü**](#Self_Assess_KP1B)](#Resources_KP3B)](#Self_Assess_KP5D) | |
| * Does your government have an **overarching framework for assessing the risk of PSE projects, vis-à-vis the risks undertaken by key stakeholders**? Does this framework provide guidelines on the optimal division of risk between public and private sector stakeholders? * Does your **PSE strategy 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? * Are current **national incentive structures and arrangements for risk-sharing** – such as those developed for Public-Private Partnerships – **adequate** for PSE projects or do they need to be scaled up or adjusted? * Have you examined **your own structures and ways of working and the associated risks** or disincentives for engaging the private sector that may result from them? | * 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 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? * Do you and your staff have **sufficient capacity to shoulder additional risk**? * 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. * **Consult different private sector actors in the development of your overarching risk framework or models**; ensure alignment with national circumstances, common language, and trans-sectoral understanding. * **Seek to align risk sharing or co-financing structures with local financial institutions** to augment local and country ownership. * **Regard risk-sharing as a two-way or multi-directional relationship** between different actors with comparative advantages and diverse capacities. Seek win-win solutions where possible; that is, complement each other’s strengths and weaknesses. * **Inform private investors on the discrepancy between perceived and actual risk of investments** and provide access to 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. * **Call upon local stakeholders (CSOs, trade unions and MSMEs) to help and identify and assess risks** on the ground during implementation. * Reduce risks of public opposition by **enrolling local stakeholders in project implementation and consultation processes** from the outset of PSE projects. * **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. * **Tailor risk-sharing mechanisms** to the type of project, sector of engagement, and private partner. * **‘Pay for success’**: consider offering incremental and modest incentives to private partners that raise returns based on mutually agreed project outcomes. |
| **Pitfalls to avoid** [[[**Ü**](#Self_Assess_KP1B)](#Resources_KP3B)](#Pitfalls_KP5D) | |
| **DON’T…**   * **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. * **Retain slow delivery mechanisms, overly bureaucratic procedures**, and untimely payment structures in your risk sharing processes. | **DON’T…**   * **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 or beyond the project horizon. * **Allocate risks that you are not comfortable with** nor capable of taking on. * **Forget to consider and communicate risks to private sector partners**. |
| **Country example** [[[**Ü**](#Self_Assess_KP1B)](#Resources_KP3B)](#Country_Example_KP5D) | |
| Risks can be shared across countries and regions. In Sub-Saharan Africa, many countries have difficulties in forecasting demand for HIV test kits and ensuring adequate in-country storage space to meet demand. The Supply Chain Management System (SCMS) helped address this problem by working with Imperial Health Sciences – a South African warehousing and distribution company – to set up three regional distribution centres in SSA. In doing so, these centres can quickly distribute kits to appropriate countries based on evolving demand. This approach reduced risk for Development Partners and Partner country governments – who would otherwise need to maintain large stocks and risk expiration or damages. These centres instead pool resources, thus sharing risk, while at the same time providing better value for money and the more efficient allocation of resources. | |
| **Resources** [[[**Ü**](#Self_Assess_KP1B)](#Resources_KP3B)](#Resources_KP5D) | |
| * [ECDPM Risk management reconsidered: How to get the incentives right for private sector engagement in developing countries?](https://ecdpm.org/events/risk-management-reconsidered/) * [IISS The Wall Street Consensus](https://onlinelibrary.wiley.com/doi/epdf/10.1111/dech.12645?saml_referrer) | |
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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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**TEXT STARTING FROM HERE ONWARDS (“WHY IS IT IMPORTANT”) IS OPEN FOR CONSULTATION, COMMENTS, AND SUGGESTED EDITS. THE TEXT ABOVE IS AGREED TEXT OF THE KAMPALA PRINCIPLES ON WHICH THE TOOLKIT BUILDS.**

**Why is it important?**

It is important to effectively identify, manage, and mitigate potential risks. 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. Partner country governments are most suited to ensure the well-being of their citizens by mitigating and managing potential risks that may result from PSE projects and policies.

|  |  |
| --- | --- |
| ***Policy level*** | ***Project level*** |
| **Self-Reflection Questions** [[[**Ü**](#Self_Assess_KP1B)](#Resources_KP3B)](#Self_Assess_KP1A) | |
| * **Does your PSE strategy 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 **strategy** propose **dialogue with other stakeholders and potential partners to identify and mitigate risks involved in country contexts**? * **Does your PSE strategy specify acceptable levels of risk**, and offer strategies for when projects fail? * Does your PSE **strategy** 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 monitoring risk across all PSE projects and policies**? | * **Have you established a clear risk mitigation strategy for your project** in consultation with development partners? Is this strategy in the public domain and open to regular revision? * **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. * 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? * **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 including gender impact, environmental impact and human rights? * In the event that a **PSE project is causing environmental, social or governance harm, how will you seek course correction** (such as renegotiation of a contract to rebalance and manage risk; readjustment of a project’s aims, partners or activities)? * Anticipating that some projects may cause significant harm in extreme cases, **will you request that all PSE contracts include a termination clause**? |
| **Actions to consider** [[[**Ü**](#Self_Assess_KP1B)](#Resources_KP3B)](#Actions_KP1A) | |
| * **Develop and regularly update your own national risk assessment framework** in consultation with representatives from key public, civic and private groups in developing these guidelines. * **Determine and assess what level of risk you are comfortable with** and establish guidelines on acceptable levels of risk. * **Establish strong knowledge management structures to share good practice**. Support international efforts to collate best practices and data on effective private sector investment and engagement. | * **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. * Keep **regular contact with MSMEs and local CSO representatives** to monitor and mitigate emerging risks during project implementation. |
| **Pitfalls to avoid** [[[**Ü**](#Self_Assess_KP1B)](#Resources_KP3B)](#Pitfalls_KP1A) | |
| **DON’T…**   * **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. * **Fail to establish guidelines on acceptable levels of risk.** * **Irregularly monitor or update risk assessment frameworks.** | **DON’T…**   * **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. * **Fail to take extra care within fragile sectors** such as education and health which have previously been prone to surges in risks. |
| **Country example** [[[**Ü**](#Self_Assess_KP1B)](#Resources_KP3B)](#Country_Example_KP1A) | |
| In the case of the Kampala case study on ‘Enabling Inclusion of Smallholder Farmers in Uganda’, a tripartite agreement between private and public sector actors was established to share risks and guarantee a market to farmers, while the Development Partner – the IFAD – monitored and managed risks and responded to any stakeholder concerns. | |
| **Resources** [[[**Ü**](#Self_Assess_KP1B)](#Resources_KP3B)](#Resources_KP1A) | |
| * [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) * [OXFAM False promises: How delivering education through public-private partnerships risks fuelling inequality instead of achieving quality education for all](https://oxfamilibrary.openrepository.com/bitstream/handle/10546/620720/bp-world-bank-education-ppps-090419-en.pdf) | |

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