

# Private Sector Engagement for Sustainable Development: *Lessons from the DAC*

## HIGHLIGHTS





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# Private Sector Engagement for Sustainable Development: Lessons from the DAC

## INTRODUCTION

**M**ember countries of the Organisation for Economic Co-operation and Development's (OECD) Development Assistance Committee (DAC) are increasingly developing partnerships with the private sector to leverage private capital, expertise, innovation and core business to benefit sustainable development. To learn from this experience and complement DAC peer reviews, the DAC introduced an in-depth, thematic peer learning review on working with and through the private sector. The review aims to identify good practice and lessons in private sector engagement.

The review was launched in April 2015 and included:

- A survey of all 29 DAC members and selected non-members to take stock of and better understand current priorities and practices
- Four DAC member country reviews, and
- A series of events such as workshops on innovative mechanisms for private sector engagement and additionality.

The full peer learning report offers a wide range of lessons. It looks at politics, policies and institutions, the focus and delivery of private sector engagements, private sector engagement portfolios, effective partnerships, and thematic issues including risk, leverage and ensuring results. This synthesis report highlights 15 elements of good practice emerging from the review. Examples have been drawn from DAC members to illustrate good practice in action.

## 1. Use development objectives and results as the starting point to select partners.

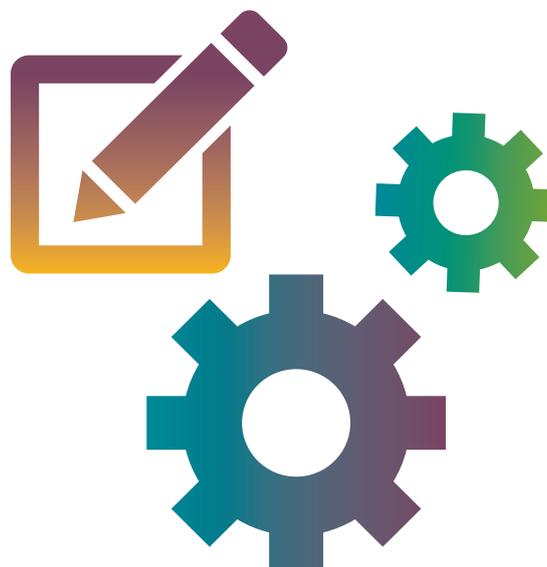
The choice of partner depends on each party's overall objectives and the alignment between them. The overarching objective of official development assistance is realising development results. The recent adoption of the United Nations Sustainable Development Goals provides a shared framework for results that governments, civil society and the private sector broadly support.

Development objectives and desired results should determine the selection of partners. In some instances, the private sector is best placed to contribute to results, while in others it is partner governments, non-governmental organisations, knowledge institutions, international organisations or a combination of partners that are best placed. The decision to partner with the private sector should be rooted in a theory of change that establishes whether and how the private sector is best placed to help realise specific development results.



### PUTTING DEVELOPMENT OBJECTIVES FIRST: SWEDEN'S EXPERIENCE

Sweden's approach emphasises the importance of setting objectives first and then identifying the best partners to realise desired results. By using development objectives as the starting point, staff at the Swedish International Development Agency (Sida) have the flexibility to identify and explore potential partnerships with a wide range of stakeholders and ultimately select partners according to their ability to help realise development results. In this respect, Sweden only works with the private sector when it is best placed to realise development results – partnering with the private sector is not an objective unto itself.



## 2. Engage the private sector according to aid effectiveness principles.

In addition to integrating aid effectiveness principles into policy frameworks for private sector engagement, the establishment of private sector engagement mechanisms that are open to a range of private sector partners and can be adapted to country context was identified as an element of good practice. This approach helps to ensure value for money through greater competition among potential private sector partners. Adapting engagement mechanisms at the country level helps to ensure that partnerships align with country priorities and promotes opportunities for greater co-ordination and harmonisation among DAC members.

### INTEGRATING AID EFFECTIVENESS PRINCIPLES INTO PRIVATE SECTOR ENGAGEMENTS: FINLAND'S APPROACH

Finland's Aid for Trade action plan for 2012-15, which includes provisions for private sector engagement, outlines how aid effectiveness principles inform aid for trade programming:

“Aid for Trade adheres to the same principles for impact and effectiveness as all other development cooperation. Finland will strengthen the impact and effectiveness of Aid for Trade:

- by taking a needs-based approach to all Aid for Trade planning. The beneficiaries of projects will always be poor people in developing countries;
- by introducing goal-oriented monitoring indicators at all levels of the Action Plan. Impact indicators in individual projects and programmes should be based on country-level poverty reduction strategies, strategies of partner organisations or the like;
- by reducing fragmentation in Aid for Trade. The Ministry for Foreign Affairs of Finland will reduce the number of projects and programmes and aims to focus its support to larger interventions.

*[...] Aid for Trade has to respond to the needs of the partner country. The developing country identifies its own development needs and incorporates them in the poverty reduction strategy paper or development strategy. The implementation of Aid for Trade finds a natural basis in many developing countries due to the utilisation of natural resources and the significantly growing role of the private sector and trade. [...] Finland increasingly allocates multilateral [Aid for Trade] funding to established organisations, reduces the number of partner organisations and encourages the organisations to cooperate more closely with each other in order to improve aid effectiveness.”*

Finland's Aid for Trade was evaluated in 2016.

Source: Ministry of Foreign Affairs of Finland (2012: 12, 16, 19).

### 3. Align private sector engagement mechanisms with overall development co-operation priorities.

Some DAC members have developed engagement mechanisms that are open to any country or sector with the aim of ensuring that opportunities are wide-ranging for potential private sector partners. Nevertheless, given that private sector engagement is a means to realise development objectives, rather than a goal in itself, engagement mechanisms should support overall development

#### PRIVATE SECTOR ENGAGEMENT MECHANISMS AND OVERALL DEVELOPMENT CO-OPERATION PRIORITIES: THE UNITED KINGDOM'S EXPERIENCE

The United Kingdom focuses its private sector engagement mechanisms on its 28 priority countries. As a result, the UK Department for International Development has established a range of mechanisms that are only open for activities in priority countries. To continue to support countries with which the United Kingdom does not have bilateral programmes, the department provides support through centrally managed programmes and contributions to multilateral organisations. CDC Group plc, the United Kingdom's development finance institution, invests only in Africa and South Asia through a strategy set in conjunction with the Department for International Development.

Source: DFID (2014).

co-operation objectives. DAC members typically work in a wide enough range of countries and sectors to offer many opportunities for private sector partners to engage. Open private sector engagement mechanisms make it more difficult to harness country and thematic expertise, align with partner country objectives and establish synergies across programmes and initiatives. The geographic and thematic focus of private sector engagements should align with overall strategies for development co-operation. In this regard, DAC members are working in a wide range of priority country types. Private sector engagement is possible in fragile and conflict-affected countries, least developed countries, other low-income countries and middle-income countries.

### 4. Invest in staff capacity to engage the private sector in development co-operation.

Private sector engagement requires lead time, capacity and incentives for the effective adoption and evolution of strategies and tools. A number of strategies exist to ensure that DAC members are appropriately equipped to engage the private sector. DAC members can recruit directly from the private sector and make use of secondments. Other strategies include the establishment of systems for continued training and skills development and the use of dedicated focal points or units and resources that provide support and training to other units to ensure that all staff have the ability to identify opportunities, understand when interests with the private sector are aligned, and know what tools are available for partnership.



#### EQUIPPING STAFF TO EFFECTIVELY ENGAGE THE PRIVATE SECTOR: THE UNITED STATES' APPROACH

The United States focuses on institutionalising and mainstreaming private sector engagement across institutions responsible for development co-operation through policy and leadership support as well as training and human capacity building. The US Agency for International Development (USAID) has adopted a number of strategies to ensure that staff are appropriately equipped. One strategy is to recruit directly from the private sector. Another is to develop systems for training and skills development to build internal capacity. USAID has a dedicated focal point and resources that provide support and training to other units. In this regard, the US country review emphasised the importance of continued capacity development over time, particularly in light of staff rotation and turnover. In addition, USAID has worked to build a community of practice on private sector engagement. The agency has a biennial private sector engagement forum that brings together people from this community and links staff working in the field with those at headquarters.

## 5. Avoid proliferation of private sector engagement mechanisms and duplication of efforts.

There has been a proliferation of mechanisms to engage the private sector. Many DAC members have established private sector engagement mechanisms that offer similar opportunities to potential partners. These mechanisms are matched by those at the global level – many of which are funded by a number of DAC members and others. There is a need for careful consideration when establishing new mechanisms and for consolidation of existing mechanisms. The proliferation of private sector engagement mechanisms has made it difficult to harmonise efforts, share risk among development partners and leverage existing initiatives that are working. This does not mean that DAC members should avoid creating their own mechanisms for private sector engagement altogether. Rather, new instruments should complement what already exists and efforts should be made to join successful initiatives supported by other DAC members, particularly when DAC members aim to scale approaches that demonstrate results.



### COMBINING EFFORTS TO IMPROVE ACCESS TO FINANCE FOR SMALL- AND MEDIUM-SIZED ENTERPRISES (SMES)

The African Guarantee Fund is an example of a multilateral private sector engagement mechanism that tries to solve the problems of fragmentation, duplication and inefficiencies of development assistance for SMEs in Africa, where several donors and development finance institutions implement SME programmes in uncoordinated ways, by pooling resources and offering support at the regional level.

The African Guarantee Fund is owned by the African Development Bank, Danish International Development Agency and Spanish Agency for International Development Cooperation. Plans are underway to expand the shareholding base by bringing on board other bilateral donors, development finance institutions and private investors. Other development partners include Sida, the African Trade Insurance Agency, USAID's Development Credit Authority and the Nordic Development Fund.

## 6. Use a mix of financial and non-financial forms of private sector engagement that work together in strategic and flexible ways.

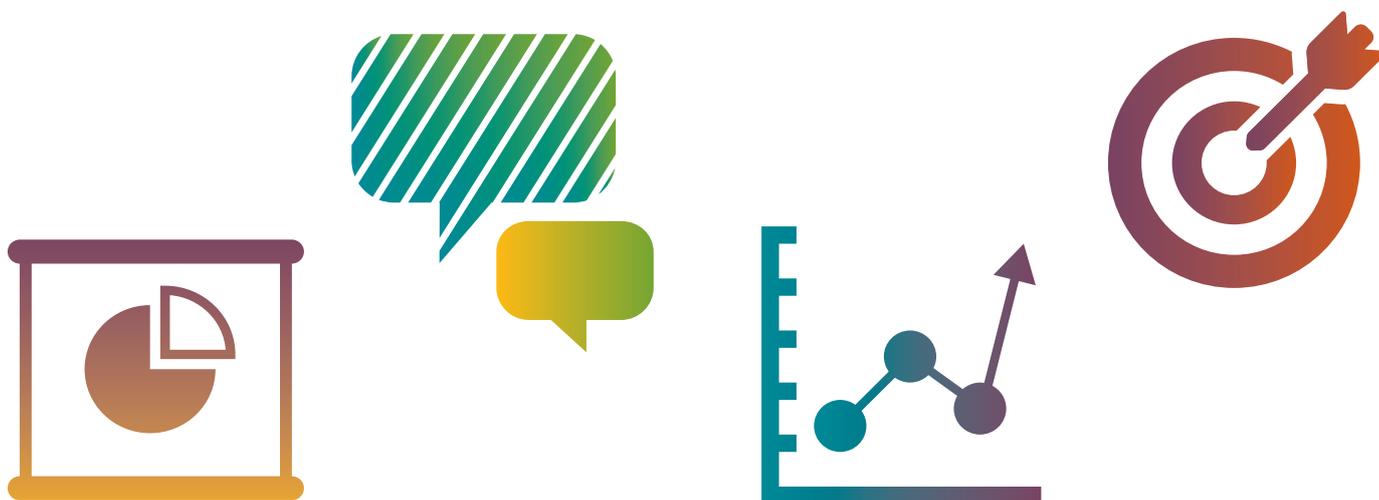
The use of a range of engagement mechanisms, including financial instruments tools such as loans, guarantees and grants and non-financial instruments such as policy dialogue and technical assistance, is an effective way to address development challenges coherently. A strategic approach to private sector engagement realises synergies across mechanisms and approaches and allows for the flexible application of mechanisms in different contexts. For example, non-financial private sector engagement tools – policy dialogue, sustainable business promotion and engagements with business associations – lay the groundwork for direct (financial) partnerships. Flexibility to adapt tools at the country level ensures that they are fit for purpose and can maximise the impacts of partnership.



### MAKING STRATEGIC USE OF PRIVATE SECTOR ENGAGEMENT MECHANISMS: SWEDEN'S APPROACH

Sida adopted a “sector approach” to combine different private sector engagement modalities and thereby create strong synergies that support a specific sector in a developing country. Sida applied the approach to advance entrepreneurship and productive employment in Zambia by funding a portfolio of seven projects, including: three public-private development partnerships, two Making Markets Work for the Poor (M4P) initiatives, a guarantee instrument and a project carried out by a non-profit Zambian company. The strategy was initiated by the Embassy of Sweden in Lusaka to achieve the goals outlined in Sweden’s results strategy for Zambia.

Embassy staff were able to mix different modalities of private sector engagement to create synergies and reinforce one another in order to boost entrepreneurship and employment in rural areas. The development and implementation of the sector approach in Zambia was rooted in the use of practical tools and a significant amount of analysis. The team at the Embassy of Sweden in Lusaka developed a robust theory of change for result areas, grounded in political economy analysis, a market systems approach and the Donor Committee for Enterprise Development Standard for Results Measurement. It adopted an iterative approach that has allowed for flexibility in implementation. The success of the sector approach can also be attributed to efforts to build capacity at the embassy level to work with the private sector, including through training and workshops.



### STRATEGIC ENGAGEMENT WITH BUSINESS ASSOCIATIONS: GERMANY'S APPROACH

Germany engages with business associations in a number of ways. In addition to direct partnerships aimed at building the capacities of business associations in partner countries and delivering vocational education and training, Germany launched the EZ-Scouts programme to provide advice and consulting services to companies on investment opportunities and challenges in partner countries. EZ-Scouts are individuals seconded to business associations and German chambers of commerce through the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ). They work to promote engagement by business associations in international development co-operation and put companies in touch with international and local networks as a way to assist in the implementation of projects. By providing easily accessible expert advice and information on the conditions, challenges and opportunities for investing in partner countries, the programme helps to streamline and increase the participation of companies in partnerships with the Federal Ministry for Economic Cooperation and Development (BMZ) and its implementing partners.

## 7. Integrate responsible business practices directly into private sector engagement mechanisms.

Most DAC members are working to promote corporate social responsibility, as well as inclusive business and responsible business conduct. An element of good practice in this regard is the inclusion of provisions related to responsible business conduct as a criterion for partnership under private sector engagement mechanisms.

### INTEGRATING RESPONSIBLE BUSINESS CONDUCT INTO PRIVATE SECTOR ENGAGEMENT MECHANISMS: THE NETHERLANDS' APPROACH

The Netherlands has found that a useful approach to supporting responsible business conduct – in addition to policy dialogue and participation in standard-setting processes – is to include provisions related to responsible business directly into criteria for partnerships in development co-operation. For example, under the Dutch Good Growth Fund, which provides loans to investing and exporting Dutch SMEs, and investment funds in partner countries, Dutch applicants must comply with international corporate social responsibility frameworks, namely the OECD Guidelines for Multinational Enterprises, International Finance Corporation's Environmental and Social Performance Standards, and Netherlands Development Finance Company's (FMO) Exclusion List, and not have tax planning techniques to avoid paying taxes in countries where earnings are generated. Local investment funds must comply with international corporate social responsibility frameworks, be established in a country with an effective anti-money laundering law, pay taxes in developing countries, be willing to publicly explain and report on its tax policy, and enforce and monitor local clients' (entrepreneurs) compliance with tax laws.

## 8. Harness core business.

DAC members continue to engage with the private sector on philanthropic and traditional corporate social responsibility activities, such as by working with a company that sponsors an education initiative that is outside its core business activities. These forms of engagement remain important. However, the peer learning review showed that partnerships with the private sector are more likely to succeed and have sustainable results when they are linked to core business operations.

### HARNESSING CORE BUSINESS TO REALISE DEVELOPMENT IMPACTS ACROSS VALUE CHAINS: THE SUSTAINABLE TRADE INITIATIVE (IDH)

Since 2007, IDH has brought together impact-oriented coalitions of over 200 companies, over 30 civil society organisations, numerous governments from developed, emerging and developing countries, multinational organisations including the World Bank and other stakeholders to accelerate sustainable production and consumption, and scale up sustainable trade. The Dutch organisation is supported by the Dutch, Swiss and Danish governments to work through public-private partnerships for pre-competitive market transformation in 18 sectors. IDH works with companies that see a business case for investing in sustainable commodity production which provides them with a license to operate and access to sustainable commodity supplies. IDH supports a range of projects across sectors that link buyers and sellers, but also bring stakeholders together, such as competitors, development banks, research institutions and civil society to identify solutions to complex development challenges.

Source: [www.idhsustainabletrade.com](http://www.idhsustainabletrade.com)



## 9. Be inclusive.

Complex sustainable development challenges often require complex solutions with involvement by a wide variety of stakeholders. Partner country governments, civil society, multilateral organisations and research institutions have valuable contributions to make in the context of private sector engagement. Ensuring that private sector engagement strategies recognise the roles of different stakeholders and work to harness their knowledge, capacities and comparative advantages through partnerships is an important element of good practice.

### **INCLUSIVE MULTI-STAKEHOLDER PARTNERSHIP IN ACTION: THE US FEED THE FUTURE INITIATIVE**

Feed the Future is the US government's global hunger and food security initiative that addresses the root causes of poverty, hunger and undernutrition. It transforms the agricultural sector – from farms to markets to tables – through country-led priorities and partnerships with governments, donor organisations, the private sector, research institutions and civil society. Feed the Future draws on the agricultural, trade, investment, development and policy resources and expertise of 11 US federal agencies, which partner with 19 host governments in Africa, Asia, Latin America and the Caribbean that were selected based on their levels of need and opportunities for partnership and economic growth. Private sector actors that have shared values, financial resources and the technical expertise to create public goods or achieve business and development objectives are offered matching funds, technical assistance, access to credit, and the physical infrastructure and policy environment that fosters growth in emerging economies. Researchers with knowledge on sustainable intensification, increasing productivity, food safety and nutrition, and enabling environments are eligible to respond to calls for applications and concept notes. Civil society organisations that have local connections and development expertise are offered procurement and grant opportunities.

## 10. Create opportunities for innovation to flourish.

DAC members facilitate opportunities for a wide range of stakeholders to develop innovative solutions to complex development challenges. In this context, DAC members can convene stakeholders by creating spaces that encourage individuals representing a range of different sectors to innovate and work together. Rather than identifying solutions a priori, an element of good practice identified in the peer learning review is for DAC members to identify a challenge or key issue that they want to address to promote sustainable development and then convene the private sector and others to develop business solutions.

### **CREATING OPPORTUNITIES FOR INNOVATION: US AND GERMAN APPROACHES**

Germany and the United States have launched initiatives that aim to facilitate the development of innovative solutions to development challenges by bringing together a range of private sector and other stakeholders. These initiatives are structured to enable participants to identify and co-create solutions that are then backed and tested by government with the goal of facilitating scale-up of successful solutions by private sector actors and other partners.

Germany makes use of the Lab of Tomorrow to bring together private sector stakeholders and others to identify solutions to development challenges. The lab uses unique buildings and spaces to bring participants together to workshop potential business models to address challenges. GIZ, which implements the lab, identifies challenges, but leaves it up to private sector partners to identify the solutions. Solutions are then backed up with financial and technical assistance commitments by GIZ for further development.

USAID uses its Broad Agency Announcements – amongst other approaches and mechanisms – to collaborate and promote innovation with the private sector and other organisations to address development challenges without clearly defined solutions. Under this approach, the private sector is invited to submit solutions to development challenges. The approach encourages private partners to co-define problems and co-create solutions with government, including through the use of system-level thinking.

## 11. Take responsible risks.

Government institutions must be willing to take on risks if they want the private sector to do the same. Large impacts often come with greater risks. Risk management strategies used by DAC members include the use of clear partnership criteria, drawing on expertise and evidence-based analysis to inform decision making, due diligence processes and careful attention to private sector motivations. The adoption of a portfolio approach to risk taking and effective communication of successes and failures are also important aspects of good practice.

### CREATING SPACE TO TAKE ON RISK: EXPERIENCE FROM THE OVERSEAS PRIVATE INVESTMENT CORPORATION (OPIC)

OPIC, the US government's development finance institution, introduced an impact investing portfolio in 2008. Its impact investing tools provide funding and risk mitigation for projects with explicit intentions, from the outset, to create social and environmental returns in high-impact sectors, while earning returns on investments. OPIC's partners range from small entrepreneurs to large institutions with business models that explicitly address social or environmental issues in high-impact sectors, specifically agriculture, education, access to finance, housing for the poor, SME finance, health care, renewable energy, and water and sanitation. OPIC provides its partners, which would not otherwise qualify for commercial financing, with debt financing (loans), co-financing (access to private equity and grant funds) and risk mitigation (political risk insurance, derivatives and loan guarantees). The creation of dedicated funds to support impact investing has allowed OPIC to invest in new partners and higher-risk projects, while still maintaining its regular portfolio activities.

OPIC's experience also demonstrates the importance of effective communication on risk. Low tolerance for risk by stakeholders, such as politicians and the general public, can present a challenge to government institutions that works at the nexus of official funds and private sector engagement in development co-operation. Frequent communication of successes is an important way to tackle this challenge. It ensures that conversations with key stakeholders highlight successes often more frequently than failures. This makes conversations about failures less difficult as they can be seen within the context of overall portfolios. It is important to educate stakeholders that working with the private sector carries intrinsic risks and that failures are not a sign that something is wrong, but that institutions are supporting innovation, and adapting and evolving.

## 12. Do no harm and do not distort markets.

At a minimum, engagement with the private sector in development should do no harm and avoid market distortions. This means ensuring alignment with international and national legal, regulatory and voluntary frameworks with respect to the social, environmental and economic impacts of private sector engagements. In fragile and conflict-affected contexts, this means ensuring that activities do not exacerbate conflict or undermine peacebuilding and statebuilding efforts. With respect to market distortions, generally speaking, public finance should not compete with private finance, except in cases where competition promotes better quality investments and has a positive market creation effect.



## AVOIDING MARKET DISTORTIONS IN PRIVATE SECTOR ENGAGEMENTS: THE EUROPEAN UNION'S APPROACH

The European Union launched a communication in 2014 calling for a stronger role for the private sector in achieving inclusive and sustainable growth in developing countries. The European Commission's approach to direct support for the private sector stresses the importance of avoiding market distortions. With respect to this issue, the 2014 communication on private sector engagement in development co-operation outlines criteria for partnership. It notes:

“While official development assistance is clearly justified for intervention at macro and meso levels, it can also be effective at micro level to speed up local enterprise development or to overcome market failures and sub-optimal investment situations. However, to guarantee development impact and sustainability, avoid market distortions, and mitigate reputational and fiduciary risks, clear criteria have to be applied in decisions on support to enterprises or financial intermediaries through direct grants or subsidised business development services, or in the form of guarantees, insurance or concessional finance. The European Commission has developed a set of criteria to guide such decisions. [...] These include a number of provisions to maximise positive development impacts, do no harm and avoid market distortions:”

- 1. Measurable development impact:** Support given to a private enterprise or financial intermediary has to contribute in a cost-effective way to the achievement of development goals such as job creation, green and inclusive growth or broader poverty reduction. This requires transparency as regards objectives and results, along with appropriate monitoring, evaluation and results measurement arrangements.
- 2. Additionality:** Without public support the private enterprise would not undertake the action or investment, or would not do so on the same scale, at the same time, in the same location or to the same standard. The supported action should not crowd out the private sector or replace other private financing.
- 3. Neutrality:** The support given should not distort the market and should be awarded through an open, transparent and fair system. It should be temporary in nature with a clearly defined exit strategy. Support justified by market failures and consequent risks should not have the effect of discouraging regulatory reform efforts addressing the causes of market failure.
- 4. Shared interest and co-financing:** Partnerships with the private sector have to be based on cost-effectiveness, shared interest and mutual accountability for results. The risks, costs and rewards of a joint project have to be shared fairly.
- 5. Demonstration effect:** A supported action should aim to have a clear demonstration effect that catalyses market development by crowding in other private sector actors for the replication and scaling-up of development results.
- 6. Adherence to social, environmental and fiscal standards:** Private enterprises receiving support have to demonstrate that their operations are compliant with environmental, social and fiscal standards, including respect for human and indigenous rights, decent work, good corporate governance and sector-specific norms.”

*Source: European Commission (2014: 4-5).*

### 13. Establish guidelines for additionality assessment and follow them. Clearly communicate to partners and the public what is meant by additionality and be transparent on how it is assessed.

An important starting point for institutions working with the private sector in development co-operation is the creation of appropriate guidelines on additionality. Such guidelines should be rigorously followed to ensure consistency within institutions. In this context, clear strategic direction to facilitate support for investments that are likely to be additional, assessment of portfolios and individual projects, ex-post evaluations, and distinction between financial, value and development additionality are emerging elements of good practice. Guidelines should be complemented by staff capable of making good judgements on the likelihood of additionality. Clearly communicate to partners and the public what is meant by additionality and be transparent on how it is assessed.

A clear articulation of additionality and its assessment is important for potential partners applying for government support, as well as other stakeholders, to ensure transparency and accountability for investment decisions. Additionality guidelines should be transparent, and the additionality rationale for specific investments should be communicated to external stakeholders. In this context, the level of effort to ensure additionality should be proportionate to the size of investments, expected development impacts and risks.

#### DEG'S APPROACH TO ADDITIONALITY

The German Investment and Development Corporation (DEG), Germany's development finance institution, has developed the Corporate-Policy Project Rating tool. The tool assesses additionality and expected development outcomes and is integrated into investment decision-making processes. It is used throughout the life of an investment to monitor development outcomes. Information on the tool is available on DEG's website.

### 14. Establish provisions for monitoring at the start of partnerships and report results on individual projects and at the portfolio level.

It is important to establish provisions for monitoring at the start of projects to ensure that all partners have a shared understanding of what will be required over the course of partnerships and the monitoring and results reporting meets the needs of all partners.

As DAC members expand and consolidate their private sector engagement portfolios, there is a need to better demonstrate and communicate results at project, programme and portfolio levels. The use of shared results indicators is an element of good practice that can facilitate results comparison across projects, portfolios and implementing partners, as well as contribute to developing overall results narratives. DAC members should look to central policy objectives for this purpose and make use of existing indicator frameworks. It can be useful to have core results metrics for all sectors as well as specific indicators for each sector.

#### MEASURING RESULTS AT PORTFOLIO AND PROJECT LEVEL: NORWEGIAN INVESTMENT FUND FOR DEVELOPING COUNTRIES' (NORFUND) EXPERIENCE

Norfund, Norway's development finance institution, measures its strategic achievements and project results. Strategic achievements refer to the overall Norfund portfolio and include, for example, the share of investments to Africa and least developed countries. It has also established a number of development effects indicators that are measured for all projects, including direct jobs, local purchases and corporate tax. These **core indicators** are then complemented by a set of specific indicators for each of Norfund's four priority sectors. Norfund reports on its core indicators in its annual reports.

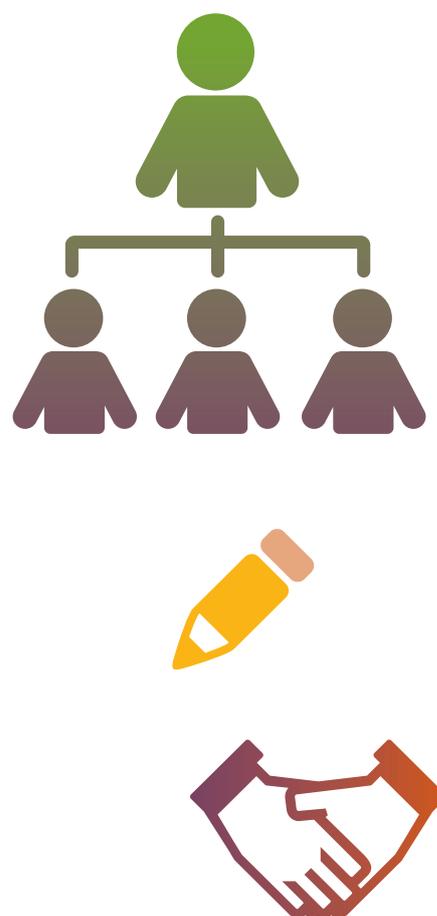
*Source: Norfund (n.d.a.).*

## 15. Plan to evaluate and allocate resources to do so.

The implementation of appropriate independent evaluation processes is important for assessing development impacts, communicating results and driving evidence-based decision making. The establishment of provisions for evaluation at the outset in individual private sector engagements is a recognised element of good practice. Such provisions ensure that all partners have a common understanding of what is expected and that resources are allocated appropriately. Provisions and resources allocated for evaluation should be proportionate to the size of investments or their level of financial risk and innovation.

### EVALUATING PRIVATE SECTOR ENGAGEMENT MECHANISMS: DENMARK'S EXPERIENCE

Denmark's 2014 evaluation of a former private sector mechanism, the Business-to-Business (B2B) Programme, has driven evidence-based decision making with respect to Denmark's private sector engagement portfolio. The evaluation concluded that the B2B Programme and its successor, Danida Business Partnerships, led to a number of positive development outcomes. They contributed to technology transfer and leveraged Danish companies to engage commercially in developing countries. However, the evaluation also suggested that the B2B Programme and its successor did not have sufficient impact on employment and sustainable growth in developing countries and, as such, did not contribute to poverty reduction and socio-economic development to the extent that had been anticipated. The evaluation also questioned the extent to which the mechanism aligned with European Union state aid rules. Against this background, Denmark put the Danida Business Partnerships facility on hold in November 2014.



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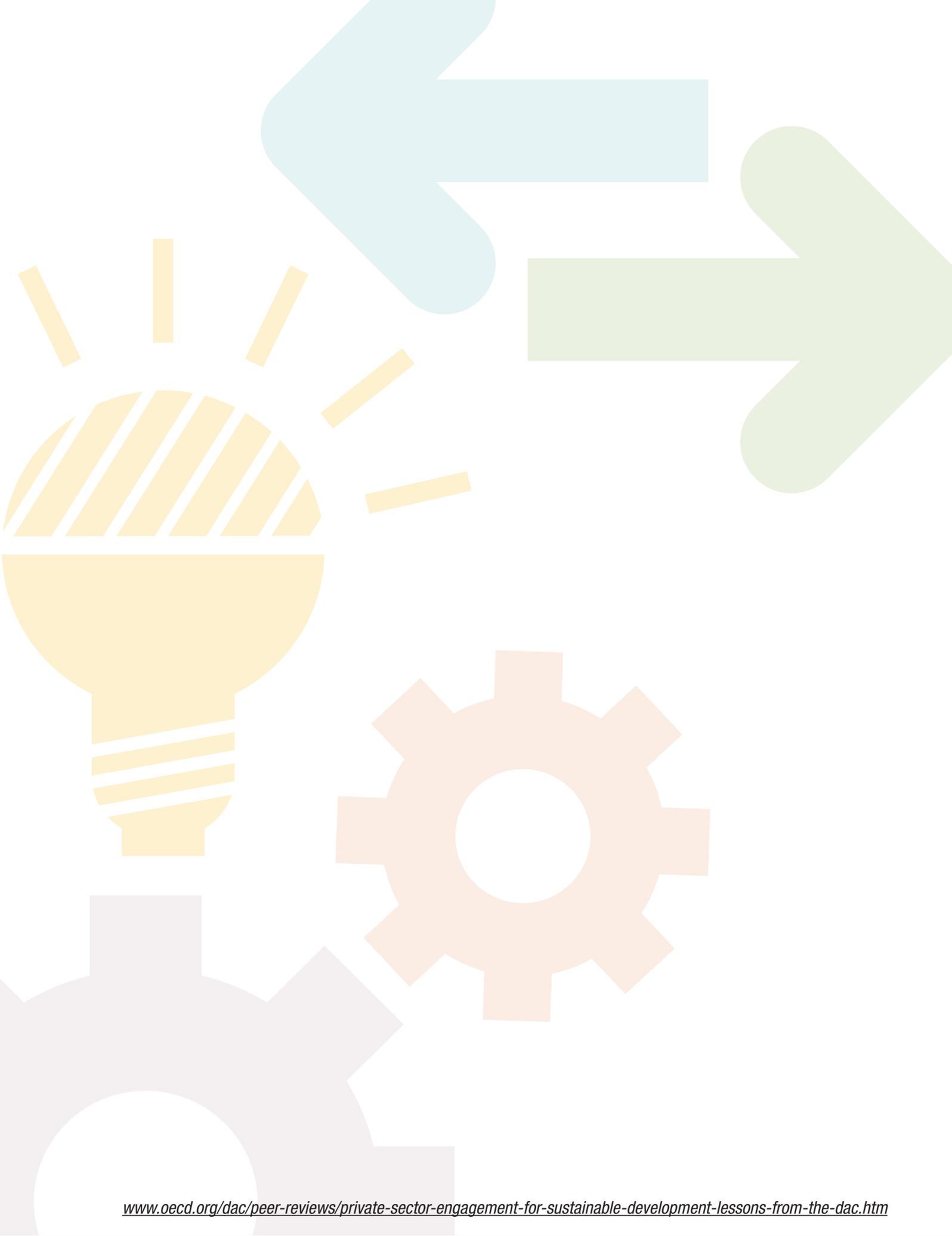
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