Peer Learning Country Report

Germany

BETTER POLICIES FOR BETTER LIVES

Germany sees private sector engagement as an important way to leverage the strengths and potential of the private sector to realise development outcomes. Its objectives for private sector engagement include the mobilisation of private capital and expertise, improved efficiency in public service delivery in partner countries, promotion of voluntary private sector commitments that supplement government regulations, improved development outcomes with private contributions, and supporting German and other companies – especially small and medium-sized enterprises – in developing markets. This report outlines lessons arising from Germany's approach to private sector engagement. Germany harnesses the power of its economy, notably the "Mittelstand", and draws on its successful apprenticeship model to assist in the development of effective vocational education and training programmes that meet the needs of the private sector in partner countries. It also uses a wide range of mechanisms to engage the private sector and promotes innovation, coherence and synergies within its portfolio for private sector engagement. Germany's experience offers lessons on how to effectively promote opportunities for engagement with the private sector, establish multi-stakeholder partnerships and monitor private sector engagements at the project and portfolio levels.

INTRODUCTION

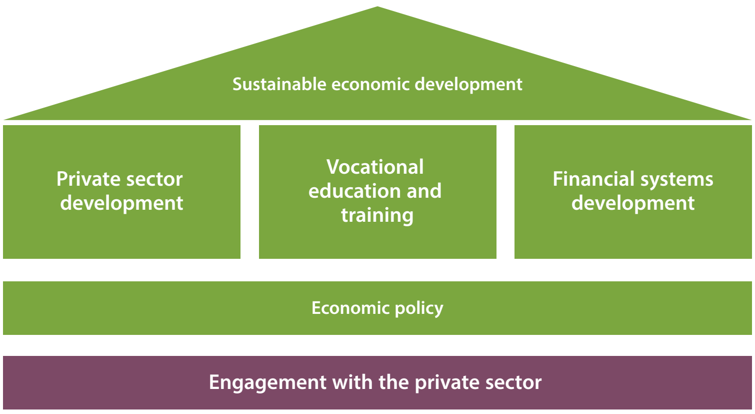
On 22-26 February 2016, representatives from Luxembourg, the Netherlands and Korea participated in a mission to Germany as part of the Organisation for Economic Co-operation and Development's (OECD) Development Assistance Committee (DAC) peer learning exercise on working with and through the private sector in development co-operation. Supported by the OECD-DAC Secretariat, the mission included discussions with a range of government actors, implementing partners and representatives from the private sector and civil society. Discussions touched on all aspects of the analytical framework for the peer learning exercise, including policies, institutional make-up, human resources, government co-ordination, operational frameworks and key insights related to the management of private sector engagement mechanisms and specific partnerships. Cross-cutting issues such as ensuring additionality, results, and monitoring and evaluation were prominent themes covered during the week.

This report provides an overview Germany's approach to private sector engagement and key lessons learned. It also includes a list of key resources.

THE GERMAN APPROACH TO PRIVATE SECTOR ENGAGEMENT

With its private sector engagement, the German government's development co-operation aims to ensure sustainable economic development in partner countries. As illustrated in Figure 1, sustainable economic development consists of four core areas: private sector development, vocational education and training, and financial systems development, all of which are underpinned by Germany's focus on economic policy. Across these core areas, Germany engages the private sector. German development policy is guided by social and ecological market economy principles and directed to support pro-poor, inclusive and environmentally sustainable growth.

Figure 1. Engagement with the private sector in the context of sustainable economic development



Germany sees private sector engagement as an important way to leverage the strengths and potential of the private sector to realise development outcomes. Specifically, such engagement puts additional (private) funds and know-how at developing countries' disposal and creates shared value for people in partner countries, private sector partners and German development co-operation efforts. In turn, the efficiency of development co-operation increases and dialogue between government institutions and the private sector leads to benefits for both sides.

Germany's objectives for private sector engagement include the mobilisation of private capital and expertise, improved efficiency in public service delivery in partner countries, promotion of voluntary private sector commitments that supplement government regulations, improved development outcomes with private contributions, and supporting German and other companies – especially small and medium-sized enterprises (SMEs) – in developing markets (BMZ, 2011). Germany's approach harnesses the power of its economy, notably the "Mittelstand", which refers to Germany's highly competitive and specialised SMEs. Germany draws on its successful apprenticeship model to assist in the development of effective vocational education and training programmes that meet the needs of the private sector in partner countries.

Key actors and institutions

Germany's Federal Ministry for Economic Cooperation and Development (BMZ) sets overall policy objectives and develops long-term strategies. It also manages a focal point for the private sector that provides advice on the opportunities available for partnership. BMZ has five divisions that participate in private sector engagement activities, and cover the following areas:

1. economic policy (including financial sector development);
2. trade-related development co-operation;
3. sustainability standards;
4. employment creation; and
5. financing for development.

These divisions encompass efforts related to private sector development in partner countries as well as engagements with German and European private sector actors in development co-operation.

Engagement with private sector actors in partner countries is carried out by three implementing partners. The Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) was formed in January 2011 when three implementing organisations for technical co-operation merged – the German Technical Cooperation (GTZ), German Development Service (DED) and Capacity Building International, Germany (InWEnt). It is an implementing partner for BMZ's private sector engagement, operating on behalf of BMZ as an international enterprise for human resources development, training and dialogue. Programmes implemented by the GIZ include the develoPPP.de programme, EZ-Scouts and integrated development partnerships.

The German Investment and Development Corporation (DEG) was founded in 1962 and became a part of KfW Group in 2001. KfW Development Bank, one of the banking group's business units, is responsible for financial co-operation, which is the largest form of development co-operation in Germany. It does not implement technical co-operation projects, though financial co-operation programmes are co-ordinated with German technical co-operation and other donor interventions. While KfW Development Bank supports programmes and projects that mainly involve government institutions in developing countries and emerging economies, the DEG promotes private business initiatives in developing and transition countries, provides long-term capital, advice, consultancy services and partnership-based support, and is also one of the implementing partners for the develoPPP.de programme.

sequa gGmbH is an international development organisation that has been supporting German chambers of commerce, business associations and companies for over 25 years by providing assistance in the acquisition and implementation of international co-operation projects. sequa's main shareholders are the Association of German Chambers of Industry and Commerce (DIHK), German Confederation of Skilled Crafts (ZDH), Federation of German Industries (BDI), Confederation of German Employers' Associations (BDA) and GIZ. For BMZ, sequa is the implementing agency of several programmes, including the Chambers and Associations Partnership Programme, Vocational Education and Training Partnership Programme and develoPPP.de programme.

Other German institutions also engage the private sector. Launched in April 2016, the Agency for Business and Economic Development acts as an entry point for businesses seeking to partner with the German government in development co-operation and is responsible for proactively engaging with the German private sector. The Federal Institute for Geosciences and Natural Resources (BGR) specialises in technological and scientific matters. Germany Trade & Invest, which operates under the Federal Ministry for Economic Affairs and Energy (BMWi) and serves as Germany's economic development agency, supports German companies setting up in foreign countries, promotes Germany as a business location and assists foreign companies setting up in Germany. Support is also available through the Import Promotion Desk to connect German importers with SMEs in developing countries and emerging economies. Finally, the Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety (BMUB) manages Germany's emissions trading scheme and has made available approximately EUR 400 million since 2008 for the International Climate Initiative,[1] which funds climate and biodiversity projects through an ideas competition that is open to businesses and implementing partners such as civil society organisations and research institutions.

Mechanisms for private sector engagement

Germany uses a wide range of mechanisms to leverage private investment for sustainable economic development including grants, concessional loans, credit lines to local financial institutions, blended finance packages, public-private partnership arrangements, structured investment funds, risk capital provision, equity capital, mezzanine finance and guarantees. The key mechanisms used by Germany are listed below. They include development partnerships with the private sector, bilateral agreements, work with chambers and business associations, corporate social responsibility promotion, the promotion of inclusive business, activities to fight corruption, the provision of expertise, and the provision of finance. Development partnerships are central to German development co-operation. Since 1999, more than 1 700 partnerships with the private sector have been formed. The develoPPP.de programme is Germany's primary mechanism for their establishment. Development partnerships include smaller partnerships with individual companies as well as strategic development alliances that bring together two or more private partners.[2]

Development partnerships and strategic development partnerships[3]

- Financing mechanism based on idea competitions for development partnerships four times per year.
- Development partnerships employ a 50% cost-sharing formula (EUR 200 000 maximum public contribution) for projects in countries that are eligible for official development assistance.
- Development partnerships are implemented by GIZ, DEG and sequa, each of which contribute according to their expertise and partner needs.
- Strategic development partnerships are implemented by GIZ and DEG and must have a particularly pronounced developmental benefit. The total project budget must be at least EUR 750 000.
- Proposals must meet specific selection criteria. Applicants can be German or European companies.

Development partnerships through bilateral agreements and specific programmes

- Integrated development partnerships involve projects between multinational, regional or local companies and the German government through bilateral and regional co-operation programmes in a partner country that directly help achieve programme objectives.
- GIZ serves as the contact point for interested companies. Scope for partnership depends on the agreement entered into by the German government and partner countries.

Chamber and business association support services

- sequa and the Savings Banks Foundation for International Cooperation are key implementing partners for this mechanism. They both support the establishment of business membership organisations in partner countries (see KVP and BBP mechanism profiles). sequa assists German chambers in engaging in international partnerships.

Advisory services, learning and implementation networks for inclusive business, and corporate social responsibility

- The Senior Expert Service places retired development professionals in partner countries, where they give advice on professional matters, mainly to SMEs.
- Learning and implementation networks for inclusive business include a range of activities such as the Inclusive Business Action Network, an entry point for and to the global inclusive business community (see partnership profile). Responsible and Inclusive Business Hubs complement the global Inclusive Business Action Network. Hubs in the Middle East and North Africa, the Southern African Development Community and Southeast Asia provide technical support to develop and implement projects, skills and business model development, advice on inclusive business models, knowledge sharing and partnership facilitation between businesses and development co-operation actors.
- Founded by BMZ and leading German industrial organisations, the Alliance for Integrity is a business-driven, multi-stakeholder initiative that assists businesses through training and knowledge sharing to improve their organisational structures and eliminate red tape, thus reducing corruption-related hazards (see partnership profile).
- Germany also supports relevant national and international processes on corporate social responsibility, such as the United Nations Guiding Principles on Business and Human Rights, United Nations Global Compact and Group of Seven initiative on sustainable supply chains.

Promotion of sustainable business activities

- GIZ works with companies to build frameworks for action on sustainable development (e.g. through the Global Compact Network Germany and the lab of tomorrow).
- BMZ also provides support through its implementing organisations for efforts to raise consumer awareness about production conditions and social situations in companies, support for fair trade and commitment to establishing decent labour conditions.

Expertise

- GIZ provides training, prepares staff for assignments abroad and assists in recruiting internationally qualified personnel.
- The EZ-Scouts programme dispatches over 20 expert to chambers of commerce and business associations to advise German companies on business opportunities with developing and emerging countries and the promotion activities of BMZ (see also mechanism profile).
- The Centre for International Migration and Development's ExperTS Programme (formally known as the Integrated Experts Programme) places highly qualified experts with organisations in developing countries. German companies can benefit from the professional experience and local knowledge of approximately 25 integrated experts working at German chambers of commerce abroad.

Finance – DEG

- Investment opportunities are untied and provided on a long-term basis of four to ten years.
- Provides loans, equity capital, mezzanine finance, guarantees, grants (through the develoPPP.de programme and Climate Partnerships with the Private Sector which is funded by BMUB) and repayable grants (through the Up-Scaling Programme for early-stage SMEs).
- Criteria for obtaining finance vary by mechanism and type of investor.
- Supports feasibility studies and business support services (50% of costs up to EUR 200 000), promotes dialogue across regions among companies that operate in the same sector, and provides advisory services.

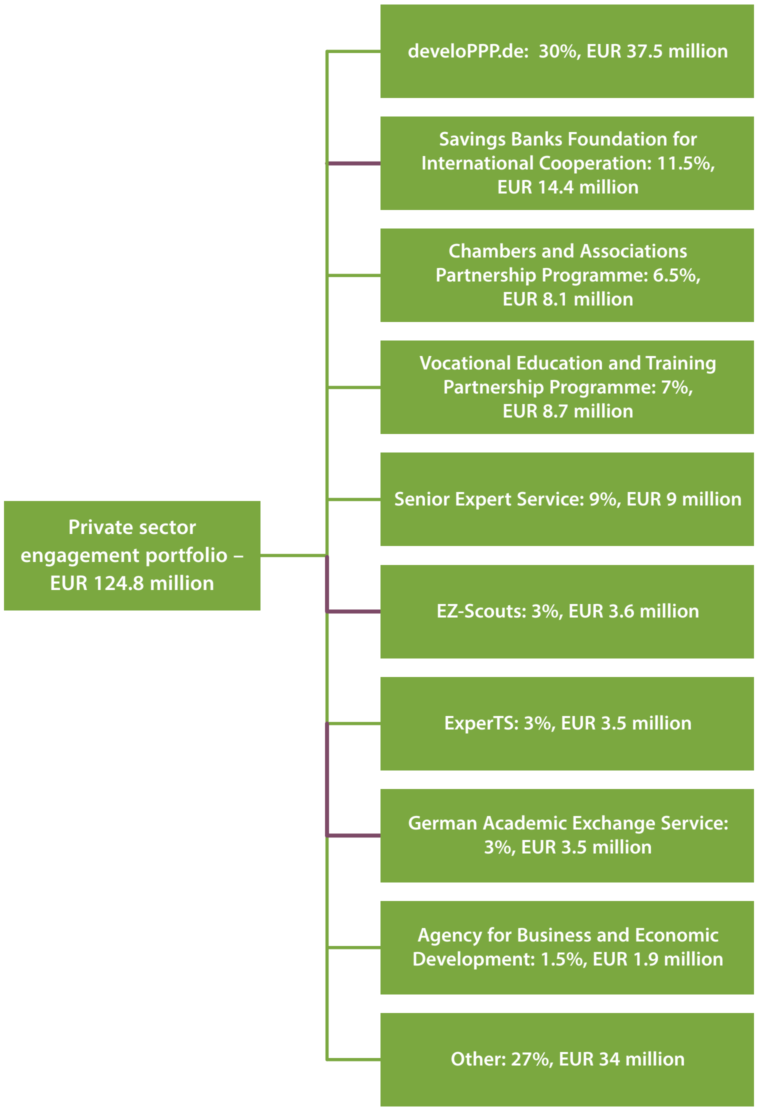
Allocations[4]

In 2016, the private sector engagement portfolio had a budget in excess of EUR 124 million. Figure 2 provides an overview of allocations by programme and institution. BMZ estimates that over 2003-2014, EUR 7.79 billion was contributed to private sector engagement, including EUR 1.95 billion for private sector development. For 2016, EUR 124.8 million has been allocated to engagement with the private sector. Furthermore, BMZ estimates that – through the develoPPP.de programme – over 1999-2015, EUR 330 million was contributed to partnerships with the private sector, matched by EUR 558 million in private contributions. Over 1999-2012, Asia was the largest recipient of develoPPP.de partnerships and funds (EUR 274 million), followed by Africa (EUR 177 million) and Latin America (EUR 131 million). Countries in Eastern Europe and the Middle East and North Africa also benefited from partnerships.

Germany has no specific sectoral focus for private sector engagement, though special emphasis is placed on the agricultural sector for food security. When selecting sectors, the potential of a sector to generate jobs and raise incomes for poor segments of a population over the medium term are decisive factors. Through the develoPPP.de programme, the bulk of development partnerships over 1999-2015 were related to economic reforms (614 partnerships totalling EUR 330 million), followed by the environment (273 partnerships totalling EUR 132 million) and agriculture (230 partnerships totalling EUR 131 million). Other sectors that have benefited from partnerships include health, water, energy, education, and transportation and communications.

DEG's portfolio as of 2014 was EUR 8 billion, with EUR 2.3 billion in equity. Asia is the largest recipient of DEG investments (EUR 2.6 billion), followed by Latin America (EUR 2.1 billion), Africa (EUR 2 billion) and Europe (EUR 1.1 billion). DEG primarily invests in services, agribusiness and the food industry, manufacturing, the financial sector and infrastructure. The financial sector received the largest amount of new commitments in 2015 (39%, EUR 413 million), followed by manufacturing (25%, EUR 294 million) and infrastructure (24%, EUR 255 million).

Figure 2. Private sector engagement portfolio: Planned budget allocations for 2016



LESSONS

Building blocks for private sector engagement

Politics and Policies

- **Ground policies and approaches to private sector engagement in comparative advantages.**

The German approach to private sector engagement is grounded in the strengths of the German economy – SMEs, the vocational education and training system and well-developed business membership organisations (i.e. chambers of commerce and business associations). In addition to harnessing the skills, knowledge and finance of German SMEs, the German government draws on its extensive experience in successful vocational education and training programmes. It works with business membership organisations to support similar organisations, develop vocational education and training programmes and promote investment opportunities in developing countries. DAC members should incorporate their economic comparative advantages into policies and approaches to private sector engagement.

- **Link private sector engagement activities in development co-operation to broader policy objectives.**

Linking private sector engagement activities explicitly to policies in foreign, development, economic, environmental and energy arenas facilitates policy coherence and has the potential to ensure that programmes and initiatives meet multiple policy objectives, such as the internationalisation of domestic companies, investment promotion and sustainable economic development.

Institutions

- **Harness the comparative advantages of implementing partners when developing new private sector engagement activities.**

It is crucial to consider and make use of the comparative advantages of implementing partners when allocating funds, implementing co-operation activities and liaising with stakeholders. The German government's development co-operation involves a range of actors that offer different expertise and skill sets in the context of private sector engagement. For example, DEG is responsible for various financing instruments, GIZ carries out technical co-operation activities, and sequa is well-connected to chambers of commerce and business associations and has significant expertise in vocational education and training.

- **Inclusion of divisions responsible for private sector engagement in the establishment of sectoral, bilateral and regional development co-operation plans offers opportunities for greater private sector engagement across development portfolios.**

Strategic planning processes do not always include inputs from divisions responsible for private sector engagement. Opening up these processes to such divisions has the potential to increase strategic private sector engagement across government institutions.

Co-ordination

- **Co-ordination within and between government institutions is not automatic and therefore must be facilitated.**

Formal and informal structures offer opportunities for continuous learning, knowledge exchange and synergies. The use of shared data management and knowledge sharing platforms for private sector engagement can promote synergies within and between government institutions. In Germany, co-ordination on monitoring and evaluation between implementing partners is an example of good practice.

Division of labour is an important component of co-ordination. In the German context, a range of ministries and agencies have varied responsibilities with regard to private sector engagement. For example, EZ-Scouts dispatched to business membership organisations advise German companies on business opportunities and challenges in developing and emerging countries. By contrast, Germany Trade & Invest provides trade and procurement information for companies and promotes inward investment.

- **International co-ordination between DAC members, including their development finance institutions, is important for harmonising efforts vis-à-vis private sector engagement and furthering discussion on best practices.**

The mission to Germany highlighted the importance of efforts by European development finance institutions to create a set of harmonised results indicators. The use of such indicators enables these institutions to analyse the impacts of projects more efficiently and consistently, enhances opportunities for sharing best practices and lessons learned, and simplifies reporting requirements for private sector partners that may engage with multiple development finance institutions. There are other opportunities for discussion about difficult issues related to private sector engagement in development among development finance institutions, with other development actors, and at the OECD and Donor Committee for Enterprise Development.

Focus and delivery of private sector engagement strategies

Countries and sectors

- **As a priority area in bilateral programmes, sustainable economic development is an important entry point for private sector engagement.**

Private sector engagement can promote solutions to challenges across sectors such as health, education, and peace and security. However, as a priority area in bilateral programming, sustainable economic development is a key entry point for private sector engagement activities.

- **Opportunities exist to harness private sector engagement activities in relation to migration.**

Germany recently launched an employment training programme for refugees in Germany and Turkey. The programme aims to equip them with the necessary skills to support reconstruction efforts in their countries of origin. In order to provide both refugees and locals in Turkey with a better future, Germany also launched an employment drive called "Partnership for Prospects". Its purpose is to create up to 500 000 jobs for refugees and locals in the region by 2017, while simultaneously supporting the construction of schools, hospitals and community centres through cash-for-work programmes. Potential exists to harness greater support for such initiatives across DAC members.

Partners

- **Government institutions offer significant value beyond financing to private sector partners.**

The role of government as a facilitator in bringing together partners (and competitors) is important, in addition to the role of providing financial resources. Dialogue helps build confidence among competitors on difficult issues, such as corruption. Moreover, companies benefit from branding when partnering with government stakeholders. Formal partnerships demonstrate to others that government stakeholders have confidence in private sector partners, which can benefit companies when engaging with local and other development partners. In addition to public-private dialogue, government also has a role to play in facilitating dialogue across sectors, including with academia and civil society.

- **Establish clear entry points for private sector actors to learn about engagement opportunities in development co-operation and actively promote opportunities.**

Germany established a private sector focal point (now replaced by the Agency for Business and Economic Development) to provide information and advice to companies seeking to partner with the German government in development co-operation. A lesson learned in this regard is that it is important to be clear on the role of the entry point in external communications to ensure that partners understand the services offered. Moreover, potential exists to harness the knowledge of private sector contact points in terms of feedback on existing instruments.

In addition to providing an entry point for potential partners, it is important to actively promote private sector engagement opportunities. Dispatching experts to chambers of commerce and business associations through the EZ-Scouts programme, for example, is an important means to increase private sector engagement. Other tools such as policy dialogue are also helpful.

- **Differentiate approaches to engaging different types of private sector partners.**

There is a need to differentiate approaches to engaging different types of private sector actors. For instance, the needs of German and European companies are different than those of companies domiciled in partner countries. Ensuring that engagement tools are suitably flexible to accommodate various needs is important to enabling partnerships with a wide range of actors. Smaller companies and start-up entrepreneurs typically require specialised instruments to enable their engagement.

- **Chambers of commerce and business associations are important partners in private sector engagements.**

Chambers of commerce and business associations convene businesses, provide government institutions with access to members and can play an active role in supporting similar organisations in developing countries. The German approach includes a number of programmes aimed at engaging business organisations.

- **Language matters for attracting the right partners.**

Speaking the language of the private sector is critical for attracting partners. For example, rather than referring to log-frames and results-based frameworks, German implementing partners find it more effective to speak in terms of milestones when discussing what progress looks like in partnerships.

- **Understand the people behind the company and their motivations.**

Though a company may meet formal requirements for partnership, it is essential to understand the people behind a company and their motivations. For example, personal connections between an individual and a partner country can positively motivate a partnership.

- **Civil society organisations play an important role in supporting private sector engagements.**

Civil society organisations bring value to private sector engagements as representatives of specific communities or issue areas, watchdogs, experts and implementing partners. Their varied roles should be respected and efforts in terms of policy dialogue and funding should be made by government institutions to enable their engagement in addressing complex challenges alongside the private sector and government. Though private sector actors and civil society organisations are already co-operating in development, the provision of dedicated funds for multi-stakeholder partnerships has potential to further facilitate their co-operation.

Tools for private sector engagement in development co-operation

Suite of tools

- **Link private sector engagement mechanisms to business-enabling environment initiatives.**

A multi-layered approach to private sector engagement that includes addressing enabling environment conditions, market access and skills development creates opportunities to bring private sector solutions to a range of issues and make connections between activities. Implementing partners' openness to working with companies on business-enabling environment initiatives and accessibility are appreciated by private sector partners in Germany.

- **Establish private sector engagement mechanisms to complement existing private sector support mechanisms offered by government and fill gaps.**

When establishing new private sector engagement mechanisms, attention should be paid to the existing suite of tools offered by government institutions outside development co-operation. As private sector engagement mechanisms evolve, it is also important to review and address gaps between available mechanisms. For example, specialised tools may be needed to target the smallest companies. Non-concessional loans may be needed by companies that are no longer ideal recipients under subsidy programmes, but are too small to access larger financing windows. Private sector partners noted that the develoPPP.de programme fills an important gap by providing finance on a longer-term basis (three years) when compared other government mechanisms and channelling investments directly to partner countries.

- **Pilot new private sector engagement mechanisms and approaches.**

It is helpful to allow time to test new mechanisms and approaches and generate feedback on their effectiveness.

- **Tailor mechanisms and projects to country contexts and according to needs.**

Providing staff at government institutions with the authority and flexibility to select private sector partners is necessary for partnerships and activities to be carried out efficiently at the country level and grounded in local realities and priorities.

- **Ensure integration and coherence across private sector engagement mechanisms.**

The integration of mechanisms is desired. For example, linking policy dialogue with resources and the means to implement policies on the ground or on a larger scale can be effective. Non-financial tools – policy dialogue, corporate social responsibility promotion and active engagement in business associations (e.g. through the EZ-Scouts programme) – are important to lay the groundwork for direct (financial) partnerships with the private sector.

- **Make it easy for private sector partners to engage.**

Private sector partners appreciate the high frequency of engagement opportunities in German development co-operation. The develoPPP.de programme, for instance, has four application periods per year. They also noted their appreciation for the openness of development partners to answering questions related to partnership opportunities. While such openness is important, accessibility needs to be balanced with ensuring an equal playing field for all partners and the maintenance of competition for funds, which is a requirement of grant subsidy programmes.

Importantly, the administrative burden of engaging in development co-operation should be balanced with the modus operandi of the private sector. Balance between due diligence with respect to public expenditures and limiting red tape is also needed. The use of streamlined, simple application and reporting procedures across implementing partners can be helpful in these regards as seen in the develoPPP.de programme.

- **Be prepared to move quickly on opportunities and wait for them to arise.**

Government institutions work at a slower pace than private sector actors. Institutions need to be positioned to harness opportunities in development co-operation quickly. However, it is important to also be patient and wait for good opportunities rather than rush into partnerships. Comprehensive analysis of challenges and possible solutions, which takes time, is necessary to identify good opportunities.

Risk

- **Government fills a key gap in commercial markets by providing longer-term finance and taking greater risks, a role which also has a demonstration effect.**

Risk profiles in commercial markets in developing countries typically only allow financial sector actors to provide short-term finance. Willingness by government to provide longer-term finance and take greater risks fills a key gap. Moreover, the activities of DEG (and other European development finance institutions) in high-risk markets have a demonstration effect for other relevant actors, showing that it is possible to invest in high-risk markets, make a return on investment and support development.

- **Due diligence is critical, but should be commensurate with the size of investments.**

Government institutions are supporting a wide range of initiatives with the private sector, ranging from small investments with SMEs (up to EUR 200 000) to large-scale multi-stakeholder partnerships in global value chains worth millions. Due diligence processes should be streamlined according to the size of investments, with more stringent processes applied to larger investments.

Supporting innovation

- **Flexibility facilitates support for innovation.**

Innovative solutions to development challenges can originate from the private sector and government institutions at headquarter or field levels. There is no one way to organise the interface between government institutions and the private sector. Importantly, there is a need to balance strict procedures and the autonomy of mechanisms' managers to promote innovation. Too much autonomy may make it difficult for managers in government institutions to engage with companies, but in other cases, flexibility that allows the freedom to make mistakes and experiment with projects promotes innovation.

- **Harness existing partnerships, facilities and networks.**

Rather than creating new structures, an effective approach to testing innovations and scaling up successes is to harness existing partnerships, facilities and networks at the country level.

- **Internationalise successes.**

Broadening multi-stakeholder partnerships from the country level to the regional or global levels is a practical way to scale up successful initiatives. This approach also ensures a fair playing field, particularly in the case of initiatives that include commitments related to corporate social responsibility, inclusive business or sustainable global value chains. The approach can serve as part of an exit strategy for government. For example, membership fees from scaled-up partnerships can be used to sustain initiatives.

- **Use approaches that encourage individuals to innovate and work together to find solutions to complex challenges.**

Germany uses the Lab of Tomorrow to bring together private sector partners to identify solutions to development challenges. The lab is held in unique locations and involves participants discussing business models that can address specific challenges. GIZ, which implements the lab, identifies the challenges, but leaves it up to private sector partners to identify potential solutions. Promising solutions are then supported with financial and technical assistance commitments by GIZ for further development.

Insights on multi-stakeholder partnerships

- **Be inclusive from the beginning and prepared to compromise.**

Germany's experience shows that successful multi-stakeholder initiatives should be inclusive from the beginning – participants should not feel that some decisions have been made behind closed doors. Practices should be inclusive throughout, with members taking decisions and moving forward together. When working as part of multi-stakeholder partnerships, partners may need to adjust their expectations at times to ensure that all stakeholders are able to come on board.

- **Multi-stakeholder partnerships should include clear commitments from partners.**

Clear commitments by partners in multi-stakeholder partnerships are important to ensure that all partners are fully dedicated to an initiative. Commitments do not always need to be financial – they can come in the form of in-kind contributions. Regardless of the type of commitment, partners should be willing to put resources toward initiatives.

Measurement challenges in working with and through the private sector

- **The effective tracking of private sector engagement activities requires new and updated data management and information systems.**

New and updated data management and information systems may be needed to track private sector engagements, particularly when private sector engagement is a cross-cutting approach for all development co-operation activities. Such systems are critical for being able to track and report on allocations, results and leverage. Effective knowledge management also plays an important role in capturing and disseminating evidence of what works.

Leverage

- **Be clear about what counts as leverage from private sector partners, including finance and in-kind contributions.**

Leverage can come in the forms of finance or in-kind contributions from the private sector. In the latter case, it is important to outline what can be accepted. For example, staff time can be charged at market rates or at cost.

- **International efforts to harmonise reporting on financial flows in private sector engagements should fit with realities on the ground and make it as simple as possible.**

OECD work on the role of private sector engagement in development, particularly on financial flows, should align with the realities of companies and institutions that contribute to development. Reporting needs to be made as simple as possible.

Additionality

- **Finance is not the only or main thing that companies are interested in when partnering in development co-operation.**

Apart from the provision of finance, government institutions add value by providing expertise and access to local networks and knowledge. This role is additional and valued by the private sector. As private sector partners increasingly see the value of working with government institutions, they may be more willing to contribute their own finance to initiatives, without any public finance needed. GIZ has already seen trends in this direction.

Results

- **Monitoring and results systems may not capture all of the impacts and benefits of working with the private sector in development co-operation.**

Existing monitoring and results systems may not fully capture all of the impacts and benefits of working with the private sector, which is particularly true in the cases of policy dialogue and provision of expertise. It can be difficult to capture the full range of qualitative and quantitative results that arise from private sector engagements.

- **Shared results indicators can facilitate the comparison of results across projects, portfolios and implementing partners and contribute to the articulation of an overall results narrative.**

Targeted efforts are needed to identify and measure results within projects and for portfolios. Efforts to define consistent and shared results indicators across private sector engagements are key in this regard. DAC members should look to their central policy objectives for this purpose and make use of existing indicator frameworks. It can be useful to have core key performance indicators for all sectors and specific key performance indicators for each sector. Once established, such indicators can be used to articulate a broader results narrative, which has potential to garner further support for private sector engagement activities and ensure greater accountability.

DEG uses the Corporate Policy Project Rating (GPR) tool for monitoring and to identify and aggregate results. The GPR incorporates long-term profitability, development effect/sustainability, additionality (a special role of DEG) and DEG's return on investment. Standard indicators are used as part of the tool, such as those relating to employment, taxation and the production of renewable energy. The GPR serves as a model for facilitating harmonised results reporting across projects and portfolios. It also reduces the administrative burden on partners through the use of a streamlined process and internally, as all DEG units use the tool.

- **Systems thinking is an important approach for ensuring the successful design of projects with the private sector.**

Results models have a significant impact on project design and success. Systems thinking recognises the complexity in which development projects and partnerships operate. It includes outlining assumptions, logic and factors that can influence success of a particular project. GIZ has found this approach to be important for ensuring the successful design of projects, including with the private sector.

Monitoring and evaluation

- **Balance reporting requirements to reduce the administrative burden on private sector partners.**

Balance is needed between reporting on activities and results during project life cycles and ensuring that reporting is not too burdensome, particularly for small companies with relatively small investments.

- **Invest time, finance and human resources into evaluation systems.**

When establishing an evaluation system at a government institution, it is important to first understand the mandate of the institution and the purpose of evaluation. Appropriate resources, which can include time, finance and human resources, can then be allocated to the development of an evaluation system in proportion with investments made. When starting out, technical requirements can be simple. For example, a spreadsheet programme can be a useful tool to start, followed by the introduction of more complex systems over time.

- **Make use of different types of evaluations as appropriate.**

Thematic evaluations are useful for identifying best practices and learning both within and across government institutions. Portfolio evaluations offer an opportunity to assess impacts and inform future investments.

KEY RESOURCES

Policy and approach	
BMZ (2014), "German development cooperation – supporting you to do business in developing countries", Federal Ministry for Economic Cooperation and Development, Bonn and Berlin, http://indonesien.ahk.de/fileadmin/ahk_indonesien/Bilder/Training_and_Education/Leistungsspektrum_Wirtschaft_Dec2014_EN_FINAL_Web_barrierefrei.pdf.	Document that provides an overview of engagement opportunities for German and European companies.
BMZ (2013), "Sector strategy on private sector development", *BMZ Strategy Paper*, No. 9/2013e, Federal Ministry for Economic Cooperation and Development, Bonn and Berlin, www.bmz.de/en/publications/archiv/type_of_publication/strategies/Strategiepapier338_09_2013.pdf.	Paper that provides useful overview of German approach to private sector development and intersections with private sector engagement.
BMZ (2011), "Developing markets, creating wealth, reducing poverty, taking responsibility – The private sector as a partner of development policy", *BMZ Strategy Paper*, No. 304, Federal Ministry for Economic Cooperation and Development, Bonn and Berlin, www.bmz.de/en/publications/archiv/type_of_publication/strategies/Strategiepapier304_03_2011.pdf.	Paper that sets out the approach adopted by the German government in 2011 to increase private sector engagement in development.
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Notes

1. The initiative was originally funded through the sale of emissions allowances, but now has a budget from the ministry.
2. Other types of partnerships include integrated development partnerships, the Employment for Sustainable Development in Africa programme and the PPP Fund for cooperation with companies in Mano River Union countries.
3. See Annex 2.
4. Information on the develoPPP.de programme is available at http://www.developpp.de/en/content/facts-and-figures. Otherwise all figures provided by BMZ.

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