

## PRIVATE SECTOR PEER LEARNING POLICY BRIEF 3

# Ensuring Results when Engaging the Private Sector in Development Co-operation

### KEY MESSAGES

- There is insufficient demonstration and communication of the results of private sector engagements at project, programme and portfolio levels. There is a need for more and better evaluations of private sector engagements that assess development impacts and the effectiveness of partnerships.
- Good practice for ensuring effective results measurement, monitoring and evaluation includes updating existing data and information management systems to capture private sector engagements, developing standardised results metrics that allow for comparison of projects and communication of overall results narratives at programme and portfolio levels, and establishing clear expectations for monitoring and evaluation during the design stages of private sector engagements.

### INTRODUCTION

A key criticism of private sector engagements in development co-operation is the limited demonstration of concrete results. A recent best practice guide on private sector partnerships reads: “After more than a decade of development partnerships, hard data on these partnerships’ ‘return on investment’ for the public sector in terms of development achievements remains scarce and unsystematic” (Tewes-Gradl et al., 2014: 12). Moreover, there have been few evaluations of private sector engagements in development co-operation that adequately assess development impacts and the effectiveness of partnerships. As members of the Organisation for Economic Co-operation and Development’s

Development Assistance Committee (DAC) expand and consolidate their private sector engagement portfolios, there is a need to better demonstrate and communicate results at project, programme and portfolio levels and invest in evaluation processes.

The DAC peer learning review on working with and through the private sector revealed a number of key challenges and opportunities for improving results measurement as well as monitoring and evaluation of private sector engagements in development co-operation.

### LESSONS

#### *Getting the Right Systems in Place*

The adaptation of existing data and information management systems to effectively track private sector engagements and report on results is a challenge. Institutions participate in non-financial forms of private sector engagement, such as policy dialogue, that do not necessarily trigger financial flows, but may lead to development results through, for instance, the adoption of new standards. These types of activities may not be captured by regular data and information management systems. Funding for private sector engagement that is channelled through a non-profit implementing partner also may not be captured by existing systems as part of private sector engagements. Without a specific marker, it is not always evident which projects and activities include private sector partners.



Data and information management systems that track private sector engagements are a building block for results measurement, monitoring and evaluation. Such systems allow institutions to identify the full breadth of private sector engagements being undertaken, contribute to harmonised systems for monitoring and results reporting, and facilitate evaluation processes.

### **Results Reporting**

There is a gap in reporting on the results of private sector engagements at project, programme and portfolio levels. Reporting on private sector engagements is often characterised by one-off success stories about individual projects and there is inconsistent use of quantitative results metrics.

Limited communication of results undermines DAC members' commitments to effective development co-operation, notably in terms of focusing on results and ensuring transparency and accountability.

### **Results Metrics**

Many DAC members do not make use of common results metrics for private sector engagements. Rather, results metrics vary by individual project and programme, which makes it difficult for DAC members to monitor progress at programme and portfolio levels.

### **Evaluation Gaps**

While DAC members have conducted evaluations of private sector engagements, the peer learning review found that, in comparison to the scope, risks and innovations of activities being undertaken, there is a need for greater attention to and rigour of evaluations. Existing evaluations do not always sufficiently capture the development impacts of private sector engagements or assess the effectiveness of partnerships.

### **Meeting the Needs of All Partners**

Companies often have specific results that they work to achieve through partnership and their own rigorous evaluation systems and capacities to carry out evaluations. The same is true for government and civil society partners. It is important to develop appropriate results metrics that meet the needs of all partners.

## **GOOD PRACTICE**

### **Update and Adapt Data and Information Management Systems**

The first step to improving results measurement is updating and adapting data and information management systems to effectively monitor private sector engagements.

### **Set Clear Expectations**

An effective approach to results measurement is for partners to co-create results metrics and agree on how monitoring and evaluation will be conducted from the outset of a partnership. This is a recognised element of best practice (Tewes-Gradi et al., 2014). Establishing clear provisions for monitoring during the initial planning phase of a partnership is important to ensure that all partners have a common understanding of what is expected in terms of milestones, indicators, and human and financial resource requirements. In this regard, DAC members should ensure that resources are allocated to monitoring and evaluation during the initial stages of private sector engagements.

### **Consider Proportionality in Monitoring**

The peer learning review also showed that a balance is needed between reporting on activities and results during project life cycles and ensuring that reporting is not too burdensome, particularly for relatively smaller investments or when working with relatively smaller companies. Provisions and resources allocated for monitoring should be proportionate to the size of investments.

### **Standardise Results Metrics**

Though it is important to adapt results frameworks to meet the needs of all partners in private sector engagements, the peer learning review pointed to a need for standard results metrics to facilitate the comparison of results across projects, programmes, and portfolios as well as implementing partners. DAC members should look to central policy objectives for this purpose and make use of existing results frameworks, such as those used by the Global Reporting Initiative. It can be useful to have core results metrics for all sectors as well as specific metrics for each sector.

There are examples of standardised results metrics. Many development finance institutions publish figures on job creation and the impacts of renewable energy projects, such as reductions in greenhouse gas emissions, at the portfolio level in their annual reports. These institutions have also developed a set of Harmonized Indicators for Private Sector Operations<sup>1</sup>, which include 38 quantitative indicators, including cross-cutting indicators, for use across 15 sectors and industries. Fifteen of the indicators are aligned with the Impact Reporting and Investment Standards metrics. Development finance institutions are looking to develop shared qualitative indicators.

In its 2014 report on development co-operation results, the Netherlands included a review of private sector

development, which includes its private sector engagement activities. The report makes use of international indicators related to private sector development, such as the World Bank's ease of doing business index, and aggregates the results of the Netherlands' private sector engagement activities to provide data and information on six thematic areas: 1) market access and sustainable trade; 2) laws, regulations and policy plans; 3) economic institutions and actors; 4) infrastructure development; 5) financial sector development; and 6) private investment in developing countries (Ministry of Foreign Affairs of the Netherlands, 2015).

There are a variety of approaches and options available for the standardisation of results metrics in relation to private sector engagements. Once established, metrics can be used to set out overall results narratives, which have the potential to garner further support for private sector engagement activities and contribute to transparency and accountability for the impacts of private sector engagements.

### **Communicate Results**

As mentioned, various institutions communicate the results of their private sector engagements in annual reports. The Netherlands' approach is an example of good practice.

The peer learning review identified a number of examples of results reporting at project and programme levels. The United States' Development Credit Authority, a guarantee provider, disseminates success stories and maintains an interactive map that provides access to evaluations of specific projects. The German Investment and Development Corporation (DEG) provides figures on its impacts in terms of job creation, annual tax payments in partner countries arising from its investments, green energy production, information and communication infrastructure, and access to finance for small and medium-sized enterprises in its annual report. Portfolio figures are complemented by quantitative and qualitative information from evaluations of specific projects. Evaluations are made available online.

### **Invest in Evaluation**

The use of appropriate independent evaluation processes is important for assessing development impacts, communicating results, driving evidence-based decision making, and ensuring transparency and accountability for the impacts of private sector engagements. DEG conducts thematic and portfolio evaluations. In DEG's experience, thematic evaluations are useful for identifying best practice and learning both within and across institutions.

Portfolio evaluations offer opportunities to assess impacts and inform future investments.

The peer learning review also showed that the use of external entities, including knowledge institutions, to assess and feed into evaluation processes can enhance their credibility inside and outside government. The Netherlands works with research institutions to evaluate partnerships and their impacts.

### **Learn from Evaluations**

Efforts are needed to ensure that new approaches and initiatives build on lessons from evaluations. Effective knowledge management systems are needed to ensure lessons and best practice feed into strategic planning processes and subsequent activities. US government institutions that engage the private sector collect data and conduct research to better understand the results and lessons from private sector engagement activities as well as inform future approaches and strategies for engaging the private sector.

Overall, evaluation culture is something that must be actively established and fostered. The Netherlands' experience shows that legal and regulatory requirements – evaluation protocols – can lead to increased attention to and appreciation of monitoring and evaluation. Management within government institutions must make evaluation and learning priorities that are supported by internal policies and systems as well as human and financial resources.

## **CONCLUSION**

Through their commitments to effective development co-operation, DAC members have committed to a focus on results, transparency and accountability. These issues are important for all forms of development co-operation, including private sector engagements. Going forward, improving results measurement, monitoring and evaluation is critical for assessing the effectiveness of private sector engagements and ensuring overall transparency and accountability.

## NOTES

1. See <https://indicators.ifipartnership.org>.

## REFERENCES

Ministry of Foreign Affairs of the Netherlands (2015), “Results private sector development 2014”, Ministry of Foreign Affairs of the Netherlands, The Hague, [www.rijksoverheid.nl/onderwerpen/ontwikkelingssamenwerking/documenten/kamerstukken/2015/11/06/bijlage-28](http://www.rijksoverheid.nl/onderwerpen/ontwikkelingssamenwerking/documenten/kamerstukken/2015/11/06/bijlage-28).

Tewes-Gratl, C. et al. (2014), “Proving and improving the impact of development partnerships: 12 good practices for results measurement”, Endeava UG, Berlin, [www.endeva.org/publication/proving-and-improving-the-impact-of-development-partnerships](http://www.endeva.org/publication/proving-and-improving-the-impact-of-development-partnerships).

