Measuring the results of private sector engagement through development co-operation

Discussion paper for the OECD/DAC Results Community Workshop 10-11 April 2018, Paris

This issues paper is targeted at the OECD/DAC Results Community and is intended to provoke discussion during the workshop session on measuring the results of private sector engagement through development co-operation on 10 April. The paper explores how the OECD/DAC Results Community can contribute to ensuring robust measurement and effective use of results information from private sector engagement.

This papers focuses on private sector engagement, thereby covering activities that aim to engage the private sector for development results, and involve the active participation of the private sector (also called PS4D). This is narrower than Private Sector Development (PSD) which covers providers' strategies for promoting private sector-driven economic growth and opportunities for the poor in developing countries.

While development partners have significantly increased their activities related to private sector engagement, there is limited evidence of the development results achieved. Yet it is important to ensure that increased engagement with the private sector creates "shared value" and delivers development results for the most vulnerable communities. Building on this, the paper analyses why results evidence for programmes involving the private sector is often limited – putting forward both conceptual and operational reasons (section 2). It then explores the benefits and requirements for applying a development results lens to private sector engagement (section 3). Section 4 presents examples of existing practices and tools, including building a solid theory of change, setting up operational systems for monitoring and reporting, and harmonising indicators. The last section underlines the importance of monitoring and reporting development results of development co-operation activities and partnerships involving private companies for accountability, direction, learning and communication purposes, and concludes with questions to guide the discussion at the workshop:

1. How can providers ensure that monitoring systems related to private sector engagement enable them to make informed choices in support of sustainable development outcomes?
2. What existing tools and approaches can practitioners draw on? What components should be developed to measure development results better and trigger optimal use by all stakeholders?
3. How can the Results Community help advance this work – How should we engage other stakeholders?

The paper draws on work done by various workstreams within the OECD1 as well as other sources to underline the importance of measuring results of private sector engagement through development co-operation and explore how to improve current practices and systems.

[1] In particular the documents produced by the DCD/FSD blended finance and statistical teams, DAC peer learning on private sector engagement for sustainable development, OECD Social Impact Investment (SII) initiative, EvalNet on the implications for evaluation of the growing support to private sector development, and Global Partnership for Effective Development Co-operation on private sector engagement through development co-operation.

1. Introduction

The 2030 Agenda for Sustainable Development requires a massive step up in resource mobilisation and collective efforts for development impact. It is expected that more than 50 per cent of the financing needed to achieve the SDGs could be mobilized through the private sector. More broadly, the 2030 Agenda "calls on all businesses to apply their creativity and innovation to solving sustainable development challenges".

The development co-operation community is adapting its policies and practices to mobilise private finance and enhance the role of the private sector across a broad spectrum of development activities, harnessing market-based solutions to create jobs, improve service delivery and the business environment, and increase tax revenues. Donors engage with the private sector using various financing and investment tools, ranging from blended finance, social impact investment and green investment to concessional loans, credit lines to public financial institutions, equity capital and other capital market instruments. They also support a range of public-private platforms to build markets and promote a conducive environment for private investment in partner countries. In doing so, they aim to mitigate risks and create incentives to attract private sector engagement.

This shift to another order of magnitude in engaging the private sector in support of sustainable development raises two issues.

First, despite efforts to attract private sector investments and promotion of a "shared value" model[2], the SDGs do not appear yet as a driving factor for many private sector actors and the amount of private finance actually mobilised is below expectations[3]. Opportunities exist but are not taken by private companies. Risks are still perceived as too high, and many seem reluctant to partner with the development co-operation community because of its perceived cumbersome procedures leading to high transaction costs without clear advantages for their businesses.

Second, the extent to which the use of private sector instruments actually supports the development outcomes articulated in the SDGs and contributes to meeting the leave no-one behind commitment is questioned by a number of actors. They note that:

- Emerging evidence shows that non-official development finance mobilised through blended finance has taken place mostly in middle income countries and does not target all SDGs equally[4].
- While recognised as key drivers of job creation and inclusive growth in developing countries, domestic small and medium-sized enterprises often have difficulties accessing finance and other resources, owing to lack of knowledge of existing

[2] The shared value model assumes that both commercial and development objectives can be reached (Porter and Marker, 2011).
[3] As an illustration, World Bank data show that the volume of infrastructure investment with private participation in developing countries is down from over $210 billion in 2012 to $76 billion in 2016 (Lee, 2018).
[4] 77% of the funding mobilised through blended finance goes to Middle Income Countries - and 43% to Upper Middle Income Countries (Benn, Sangaré and Hos, 2017). In terms of the SDG focus, the OECD 2017 survey on blended finance funds and facilities shows that they focus on economic growth and jobs (SDG 8), infrastructure (SDG 6, 7, 9 and 11), climate change (SDG 13) and goals that cut across most others (SDG 1 and 17). In contrast, biodiversity (SDG 14) and natural resources (SDG 15) are less targeted (OECD, 2018). Another report notes that the focus of development finance targeting private sector engagement in climate action has been on the "low-hanging fruit", i.e. in areas where there is a clear business case and potential for returns, i.e. renewable energy (Crishna Morgado, N. and B. Lasfargues, 2017).

opportunities, limited support in-country and inability to meet eligibility criteria (OECD, 2016).

- Market distortion can result from providers aiming to improve the commercial effectiveness of their implementing partners, boosting their performance so they can compete more successfully with other market players (Lemma, A & Ellis, K, 2014). More broadly, the promotion of domestic commercial interests carries the risk that development partners favour private interests over development interests (OECD, 2016).

- There is lack of transparency on due diligence and accountability around public-private contracts and across global value chains, partnership criteria and project approval processes, taxation aspects and collective bargaining opportunities (OECD, 2016, Action Aid et al, 2015).[5]

- The extent to which private sector engagement supports country ownership and the partner country government's capacity for defining and implementing national development strategies is unclear, and can be undermined by providers' use of centrally managed instruments (OXFAM, 2017; GPEDC, 2017).

These concerns need to be addressed if development co-operation activities involving the private sector are to happen on a larger scale and at a faster pace. This requires clear information on overall development results. Lack of evidence – including on what works and what does not – limits the attractiveness for social impact investors who look for development results alongside financial returns. It also hinders the effective deployment of private sector instruments by development co-operation providers, making it difficult to identify the key success factors and to determine how successful projects and partnerships might be scaled up.

2. WHY is results evidence limited for programmes involving the private sector?

Overall there is limited evidence of the achievements of outcomes (e.g. in terms of poverty reduction or job creation) of programmes and partnerships involving the private sector, including in sectors as important as infrastructure (IDEV/AfDB-a, 2016; GPEDC, 2017).

The rise in private sector engagement activities has not been accompanied by a sufficient focus on development results, and in particular, monitoring outcomes and impacts. Alongside poor design – in particular lack of clear theory of change – many projects involving private sector partners have weak monitoring systems that do not produce the information required. A survey on blended finance found that, even if most of the blended finance funds and facilities have a formalised monitoring and evaluation function, the quality of monitoring information needs to improve (OECD, 2018). Similarly, a mapping of 240 projects and partnerships related to private sector engagement in Bangladesh found that the information available in terms of results and evaluations of individual projects is limited (Box 1). More broadly, the majority of multi-stakeholder platforms promoting private sector engagement in

[5] Steps are being taken to address this, as illustrated by the OECD DAC Blended Finance Principles for unlocking commercial capital for the SDGs endorsed in 2017.

development do not play a monitoring and accountability function for the activities engaging the private sector that they support (GPEDC, 2017). These findings suggest that monitoring systems, which have been designed as public monitoring tools, need to be adapted when private companies are involved – including because of the limitations in accessing and using what private companies may consider as confidential information.

Box 1. Monitoring and results approach of private sector engagement initiatives in Bangladesh

In January 2018, the Global Partnership for Effective Development Co-operation conducted a study of private sector engagement (PSE) mobilised through development co-operation in Bangladesh. The study includes a mapping of 240 projects and partnerships that include a development partner, are supported by development co-operation and also include a private sector partner. Main findings are as follows:

"Only a limited number of the examined PSE projects (12%) explicitly target the poor or people living in underserved or rural locations. Only 4% explicitly target women. While other examined projects may still benefit those left behind and women, these findings suggest that PSE projects do not sufficiently purposefully target the most marginalised. There is an opportunity for the government and development partners to make greater use of PSE through development co-operation to address social challenges.

A majority of PSE projects have some monitoring system in place. The majority of PSE projects are subject to regular monitoring through annual or more frequent report, and to a lesser extent, field visits. More development partners could make project specific monitoring provisions publicly available.

Results frameworks are available for the majority of projects, however more information could be made available on intermediate and final results. Fifty-nine percent provided some information on results frameworks and 46% provide a general results framework that is used by the organisation, mainly bi- and multilateral DFIs. The majority of PSE projects, 58%, provide information on results or expected results, which mainly focus on access to finance, employment generation, development of a specific sector, the adoption of ESG standards, or energy generation.

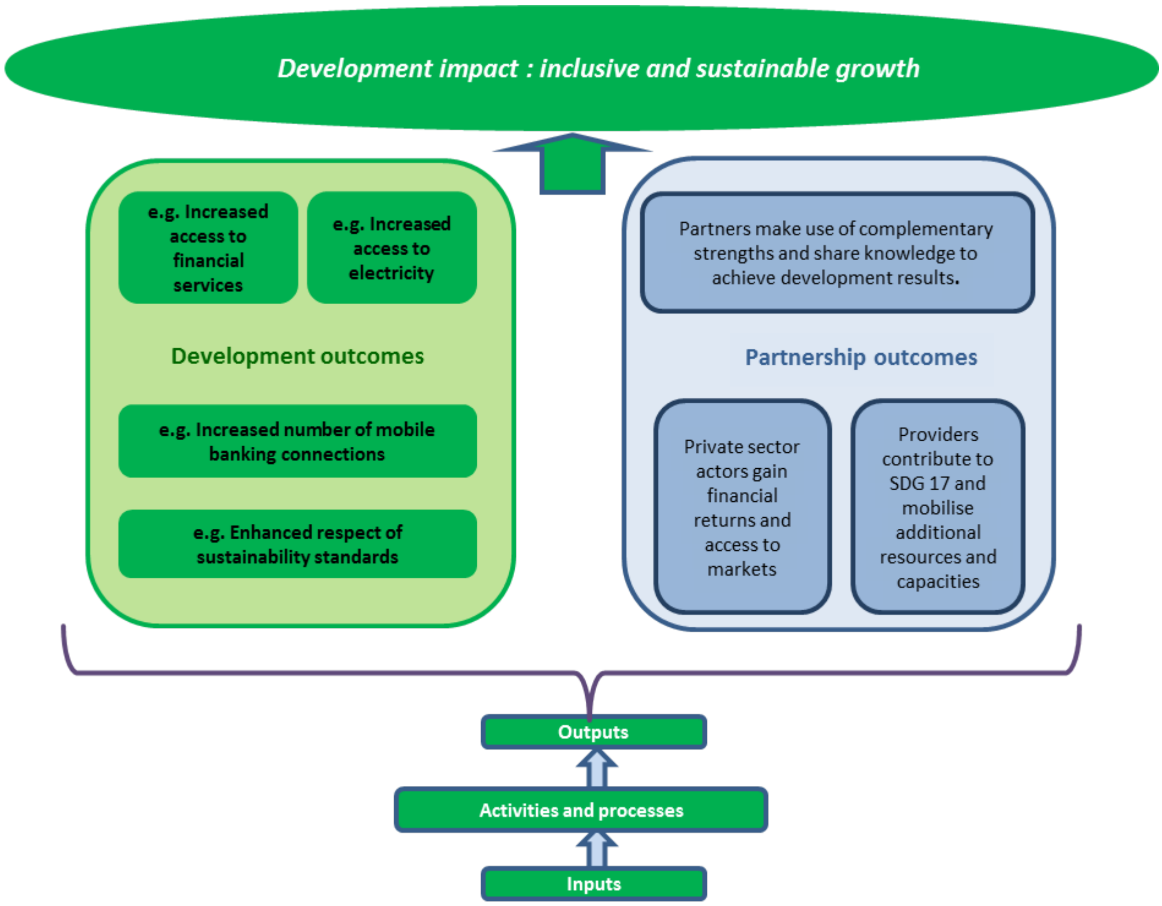
There is a significant gap in terms of evaluations available on PSE projects. Only 3% of examined projects provided actual evaluation information while another 4% outlined how evaluation will occur. Yet, for the majority of projects (65%) information is available regarding institutional approaches and policies for evaluation."

Source: Global Partnership for Effective Development Co-operation (2018), Private Sector Engagement through development Co-operation in Bangladesh, Draft Summary Report, January 2018, http://effectivecooperation.org/wp-content/uploads/2018/02/Bangladesh_Country_Report_draft.pdf

Development co-operation providers are already engaged in numerous partnerships with governments, CSOs, or universities and it might be worth exploring if the issue of measuring results of these partnerships is as acute as in the case when working with private sector partners. Standards for results measurement in private sector development programmes already exist, as illustrated by the tool developed since 2008 by the Donor Committee for Entreprise Development (DCED, 2017b). However the DCED standard applies mostly to technical assistance-related interventions to promote private sector development, interventions that do not necessarily involve private sector partners.

The results chain of projects engaging the private sector through partnerships could be described as follows (Figure 1).

Figure 1: Results chain in private sector engagement projects



This graphic can help to illustrate the potential reasons (both conceptual and operational) that are put forward below to explain why measuring development results of projects and partnerships involving private sector actors seems particularly difficult to achieve. Three key reasons are specific to the type of partners involved:

- ***Development co-operation providers focus on mobilisation and leverage***: Providers increasingly act as enablers and intermediaries between governments and the private sector in order to increase the level of private funding. In working with the private sector, they also aim to stimulate technology transfers and innovation, effects that are indirect and hard to measure[6]. With mobilising private finance as a key driver, providers have mostly focused on mapping the various public-private initiatives and building a pipeline of investments to select where and how to engage, and developed standards or principles for engaging the private sector[7]. Beyond this approach focused on inputs and outputs, development co-operation providers have not necessarily defined a strategy setting the expected outcomes at the corporate level. Meanwhile programmes and partnerships do not generally specify desired development impacts and lack a theory of change that would underpin the relevance of the objectives of the private sector development programmes in supporting poverty

[6] In addition, blending operations are not always earmarked in the corporate M&E system or tracked in a harmonised manner with other official development flows, presenting additional difficulties in gathering performance data (OECD, 2018).

[7] For example, the DAC blended finance principles as well as the Hamburg Principles applying to Multilateral Development Banks Strategy for Crowding-in Private Sector Finance for Growth and Sustainable Development adopted in 2017.

reduction (GPEDC, 2017). As a result, most providers have systems to track inputs and leveraging effects, but only a few are equipped to assess the outcomes of their interventions engaging the private sector. For example the World Bank Group tracks through its Corporate Scorecard the level of private finance mobilised, but it has not yet developed and incorporated into the Scorecard the metrics that would enable it to track outcomes.[8]

- ***Private actors focus on financial returns:*** Private sector actors have different ways of assessing performance and rely on different accountability mechanisms. While a growing number report on social and environmental impact, investors tend to overemphasise short-term financial returns. With the nuance that social impact investment aims to balance financial returns with social and environmental impact and can adopt longer-term perspectives, most private firms' internal audit and monitoring systems are geared towards the tracking of financial performance and risk management, and rarely track development effectiveness and outcomes (IDEV-AfDB-b, 2016).

- ***Multilateral development banks and development finance institutions*** providing loans also ***face conflicting interests and constraints***: they need to strike a balance between generating incomes and ensuring financial stability and returns as commercial actors, and investing in poor countries with weak capacities to promote sustainable development. The way results are measured reflects the strategic priorities set by the shareholders[9]. These institutions may also face limitations in accessing the information needed to assess results. For instance, when a credit line is extended from a development finance institution to a local commercial bank, the validity of its monitoring mechanism may be questioned since the operations of the local bank is in the realm of its private portfolio, and the bank may or may not make its portfolio operations publicly available.

Other obstacles relate to the following aspects:

- ***Set-ups are complex and involve multiple actors with different rationales***: the multiplicity of actors with various objectives and different understanding of what development impact is makes it hard to agree on a common theory of change and framework for assessing results. Even within a bilateral provider, institutions (ministry, development agency, development bank) may have different perspectives and thereby a different way of measuring results. An evaluation synthesis found that in Africa the broad range of private sector development instruments used by both governments and development partners results in a mix of interventions that often lack a common theory of change – e.g. how they led to job creation (IDEV/AfDB-a, 2016). In the case of blended finance, the multi-layered architecture of the instrument involving public and private actors with different monitoring and evaluation arrangements makes it even more difficult to design systems that meet the needs of all partners (OECD, 2018).

- ***Measuring results of private sector engagement requires addressing conceptual and methodological issues***:

  - Objective <u>metrics</u> for tracking outcomes of projects engaging the private sector are often lacking and most are hard to devise. As opposed to sectors related to the previous Millennium Development Goals, such as health and water and sanitation, agreed global monitoring indicators related to economic and environmental activities were lacking for many years. This results in a

[8] Developing these metrics is planned in 2018 as part of implementing the World Bank Group Maximizing Finance for Development approach.
[9] As an illustration the Belgium development finance institution (BIO) monitored its activities mainly from a financier's perspective until 2015, when it introduced a system for tracking development results for new investments.

proliferation of indicators being developed by each provider. In addition, metrics tend to become more complex as requirements increase. For instance measuring impact on job creation requires not only tracking the number of jobs generated, but also qualitative dimensions (e.g. the duration of the labour contract), how inclusive those jobs are and how they impact on poverty rates. Methodologies to measure such indicators are not yet harmonised.

- Analysing and measuring developmental and financial additionality[10] is a key element to inform decisions to engage with potential partners. Yet, measuring additionality is complex. Despite research conducted to identify criteria and principles to demonstrate additionality in private sector development initiatives (DCED, 2014), there is no harmonising practice across development finance institutions or among aid agencies to assess additionality when working with the private sector (OECD, 2016).

- Attributing results to a specific intervention or investment also raises conceptual and practical issues: attribution is difficult to measure, and actors along a specific value chain may have a different perspective on the results of their respective inputs (DCED, 2017a). It is particularly difficult to claim credit for the effect of an intervention where there are many intermediaries – as is the case in public-private partnerships – and when the assessment takes place long after the project ends – in the case of impact evaluations. In the absence of an agreed, cost-effective methodology, measuring impact should focus on assessing the contribution of a collective effort to a global outcome.

3. WHAT is needed to get more results evidence from private sector engagement and use it to strengthen development outcomes?

There are many benefits associated with applying a results focus to private sector engagement through development co-operation. Related results information can be used for direction, accountability, learning and communication, in different ways along the results chain and corresponding results information tiers: tier 1 on development results, tier 2 on development co-operation results, and tier 3 on performance information (Zwart, 2017).

Meanwhile incorporating partnerships and projects involving private sector actors into results based management approaches and systems requires several adaptations in the results chain architecture. These range from the selection of appropriate SDG targets as the ultimate goals; a theory of change articulating how development outcomes will be achieved and will contribute to those SDGs; monitoring systems with key indicators that meet the needs of all partners and are aligned to the SDGs and partner country results frameworks; to setting up appropriate incentives and feedback loops to ensure the needed information is disclosed, and data are collected and used.

Benefits and requirements for embedding private sector engagement in results-based approaches are described in table 1 below.

[10] Development additionality is the complement of some development outcome or objective that the presence of the development finance institution helps realise, which the private investment otherwise may not aim for (or price in). While financial additionality means providing financial services only where the market cannot or does not do the same, or otherwise does not provide financing on an adequate scale or on reasonable terms.

Table 1. Applying a development results focus to private sector engagement

	BENEFITS	REQUIREMENTS
Tier 1: Development results	Communication and Direction: Help to show the provider's contribution to greater impact at country level in support of the Sustainable Development Goals.	The **Sustainable Development Goals** are placed at the top of the results chain, as the ultimate overarching objective of all public action in this area. Individual providers select the **targets** that are most relevant for their policy priorities, e.g. target 7.1 on ensuring universal access to affordable, reliable and modern energy services; target 8.5 on achieving full and productive employment and decent work for all women and men; target 11.6 on reducing the adverse per capita environmental impact of cities; target 12.6 on encouraging companies to adopt sustainable practices and to integrate sustainability information into their reporting cycle.
Tier 2: Development co-operation results	Accountability: Help maintain alignment and consistency between the priorities and expected outcomes of the development co-operation programme and the actual deployment of the development co-operation instruments, including private sector instruments. Direction: Guide allocations and help providers question whether they make appropriate use of private sector instruments, including whether they look at opportunities to extend the use of private finance to a broader range of goals, where the business case might be less clear and the potential for commercial gains less apparent. Learning: help to identify which partners and instruments are most effective in addressing different SDGs in a given context. Communication: Help to communicate on actual results of engaging the private sector.	The **development outcomes** are identified at agency level and for each private sector engagement activity. Results frameworks identify the expected outcomes and include a **theory of change** articulating how these will be achieved, and which actor is the best placed to help realise these development outcomes. **Results-based management systems** are established at the outset of partnerships. • They ensure that **monitoring** systems are able to track private sector engagement and report on progress and results at both project and portfolio levels, meet the needs of all partners, and have resources commensurate to the size of investments. • They include specific guidance for assessing **additionality** in the context of private sector investment. • They draw on qualitative and quantitative information, including from **evaluations**, and on partner countries' own data, systems and results frameworks. • Disaggregated **indicators** at impact, outcome, ouput and input levels comprise a mix of standardised, mandatory indicators that are easy to aggregate across projects, portfolios and partners and can facilitate results comparisons, and a select number of indicators directly relevant to the project or sector with concrete baselines and targets. • Where possible, use **SDG indicators** to measure impact, e.g. indicator 7.1.1 Proportion of population with access to electricity; indicator 8.5.2 Unemployment rate, by sex, age, and persons with disabilities; indicator 11.6 Annual mean levels of fine particulate matters in cities.
Tier 3: Operational and organisational performance	Direction: Help inform operational decisions in the course of a programme/partnership. Learning: Help identify which partners and instruments are most effective in mobilising commercial finance. Communication: help to communicate the mobilisation of private finance and leveraging effect of ODA funding.	**Incentives** and training opportunities are in place to help ensure that all stakeholders, including private sector partners, are engaged in resuts-based management. **Feedback loops** are organised on a regular basis so that real-time information from the field can inform decision making to improve the effectiveness and efficiency of on-going programmes. Results data are shared among all partners and inform public-private dialogue at partner country level.

4. HOW can practitioners draw on examples of existing practices and tools?

Numerous initiatives are taking place with a view to better measure the development outcomes of public policies and programmes involving private sector actors; frameworks and tools to bridge existing gaps are also being developed. As an illustration, the German Federal Ministry for Economic Co-operation and Development (BMZ) has set up, together with the International Finance Corporation (IFC) and the World Business Council for Sustainable Development a working group for monitoring and evaluation within the Partnership for Prosperity. This working group produced as a first step a study providing ten good practices for results measurement of public-private partnerships (Tewes-Gradl, C. et al., 2014). Learning from these initiatives and building on them to develop rigorous and more standardised approaches would be an important step forward.

Below are some (non exhaustive) examples of efforts that are ongoing to address better the different elements that are required to measure the development outcomes of programmes involving private actors effectively: a robust theory of change, operational mechanisms to track and report on development effects and results, and standardised indicators to assess development outcomes.

Robust theory of change

Programming decisions should be rooted in a theory of change articulating how the expected outcomes will be reached by drawing causal pathways from the implemented activities to the expected development outcomes. At a corporate level, keeping in mind that engaging the private sector is a means not an end, this has implications on the decision to engage the private sector, as shown in the following examples:

- To support its vision of putting development outcomes first, Sweden has developed a framework to ensure it only works with the private sector partners when they are best placed to realise development 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 (OECD, 2016).

- The World Bank Cascade initiative aims to help countries maximize their development resources by drawing on private financing and sustainable private sector solutions to provide value for money and meet the highest environmental, social, and fiscal responsibility standards, while reserving scarce public financing for those areas where private sector engagement is not optimal or available. This means teams consistently testing whether a project is best delivered through sustainable private sector solutions (private finance and/or private delivery) while limiting public liabilities, and if not, whether World Bank Group support for an improved investment environment or risk mitigation could help achieve such solutions (World Bank, 2017).

- The OECD Social Impact Investment (SII) initiative is developing a theory of change, placing the SDGs as a basis in the delivery chain and helping to answer “how does the policy cycle trigger effects on the SII market?” (OECD, 2017).

Theories of change will be very different depending on the levels (micro, meso, and macro) to which they apply and the instruments used. A theory of change leading to an actionable results chain is easy to define at a micro level or when there is a direct link between the provider and the beneficiaries (e.g. support to entrepreneurship in a given country). Experience shows that it is more complex – and results are more difficult to measure – when an investment is made to an intermediary fund, where the money is pooled with other funds to invest in various companies.

Operational mechanisms for monitoring and measuring development outcomes and impact

Developing, at the corporate level and at the outset of a programme, a monitoring system able to generate not only performance data, but also outcome level data that meet the needs of all actors is crucial. This should come together with incentives, training and tools to ensure that systems apply and that results are shared and used by the various stakeholders for accountability, direction, learning and communication.

- KFW/DEG has been using the newly created Development Effectiveness Rating (DERa) for monitoring purposes since 2017. DERa allows the measurement and steering of development quality of DEG's portfolio. Each DEG private sector company client is assessed via the DERa rating which provides a single score for development effects resulting from the client's economic activities, e.g. decent jobs or income created. The score can be aggregated over DEG's portfolio and is used as steering KPI for development quality. Besides steering, DERa enables DEG to report consistently on most relevant reporting data e.g. number of jobs, but also on DEG's customers' contributions to the SDGs – from a single client focus to aggregates of the whole portfolio.The rating is used in the planning and throughout the life of an investment and it is integrated into investment decision-making and strategy decision processes (KFW/DEG, 2017).

- IFC has created the Development Outcome Tracking System (DOTS) as a monitoring tool which helps collect standardized data from IFC clients to help management and teams understand how projects are progressing and delivering their development impact. IFC uses DOTS to track the development impact of all its investments and advisory work. IFC investments are given an overall DOTS score based on their rating against a number of quantitative and qualitative indicators identified in four performance categories: financial performance, economic performance, environmental and social performance, and private sector development. A synthesis rating is given to the overall development outcome[11].

Standardised indicators

While outcome-oriented SDG targets and indicators can be used to measure broad development results, there is a need to develop a common language for understanding and describing the outcomes and impact of activities related to private sector engagement. This requires agreeing on standardised indicators, provided with detailed definition and usage guidance. Progress has been made in this direction

[11] Indicators for investment and advisory services are available here: http://www.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/Development+Impact/Areas+of+Work/Monitoring/

and below are a number of initiatives, coming either from private or public actors, that target a range of sectors related to private sector operations.

- Led by impact investors, the Global Impact Investing Network (GIIN) aims to increase the scale and effectiveness of impact investments. The GIIN is managing a tool for measuring the social, environmental and financial performance of an investment. This tool, called IRIS, is a catalogue of performance metrics that are used by impact investors (IRIS, 2018). IRIS has been an initiative of the GIIN since 2009[12].
- The Harmonized Indicators for Private Sector Operations (HIPSO) initiative launched in 2013 resulted in 25 international finance institutions adopting harmonised definitions of 38 reporting indicators for private sector operations – down from some 400 initially reviewed – that split up across 15 different sectors and industries (including cross-cutting) (HIPSO, 2015).
- The Donor Committee for Entreprise Development (DCED) engaged in 2014 in a similar harmonisation exercise with its members. This work involved filtering 689 indicators used by 15 DCED members to report on private sector development activities. It resulted in a list of 25 harmonised indicators that follow a simplified theory of change and are broadly aligned with the SDGs (DCED, 2016b). Some indicators are at impact level (e.g. number of full time (equivalent) jobs supported; energy used, avoided or reduced (MwH/year)), and others are outcome level (e.g. number of firms or individuals that meet firm-specific, national or international sustainability certification; number of individuals or firms gaining access to a value chain). While these indicators do not cover all aspects of private sector development approaches and are not meant to replace all indicators being used, it is expected that members will strive to use these indicators. The next step will be to harmonise methodologies to measure these indicators.
- The Let's Work partnership, composed of 30 international finance institutions aiming to create more and better private sector jobs, is currently looking at establishing a standardised tool for measuring private sector-led job investments with a view to track not only the number of jobs generated, but also the quality of those jobs, and how inclusive those jobs are[13].
- The OECD SII initiative is developing global data standards on Social Impact Investments in order to increase transparency and comparability of data in the Social Impact Investment market.

Efforts are made to bring closer together the impact investment, private sector development and development finance communities and seek further harmonisation. This already led to positive result. As an illustration, among the 38 core indicators agreed by HIPSO, 15 are aligned with the metrics developed by the GIIN/IRIS. This means that IFIs and impact investors can use a streamlined reporting process for these 15 indicators (see the list of common indicators in Table 2).

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[12] Global Impact Investing Network has designed IRIS as a free public good to support transparency, credibility, and accountability in impact measurement practices across the impact investment industry. Prior to 2009, IRIS was jointly managed by The Rockefeller Foundation, Acumen, and B Lab, which began development of IRIS in early 2008 with technical support from Hitachi, Deloitte, and PricewaterhouseCoopers.For more information, see: https://thegiin.org/.

[13] https://blogs.worldbank.org/jobs/evaluating-development-projects-pressing-better-tools-measuring-job-creation

Table 2. List of 15 common HIPSO and IRIS indicators

The list of IRIS metrics below represents those that align with the harmonized indicators for private sector operations (HIPSO) developed by the IFI Working Group on Development Results Indicators Harmonization.		
Cross-Sector	Payments to Government	Value of all transfers to the government made by the organization during the reporting period.
Agribusiness	Sales Revenue	Value of the revenue from sales of the organization's products/services during the reporting period.
	Sales Revenue: Exports	Value of the revenue from sales of exports of the product/service during the reporting period.
	Units/Volume Sold: Total	Amount of the product/service sold by the organization during the reporting period.
Education	School Enrollment: Total	Number of students enrolled as of the end of the reporting period, both full-time and part-time, where each discrete student is counted regardless of number of courses.
Energy	Energy Generated for Sale: Total	Amount of energy generated and sold to offtaker(s) during the reporting period.
Financial intermediation	Number of Equity Investments Outstanding	Number of equity investments on the organization's balance sheet at the end of the reporting period.
	Number of Loans Outstanding	Number of disbursed loans remaining on the organization's balance sheet at the end of the reporting period.
	Value of Loans Outstanding	Value of disbursed loans remaining on the organization's balance sheet at the end of the reporting period.
Housing	Number of Housing Units Constructed	Number of housing units constructed by the organization during the reporting period.
	Number of Housing Units Improved	Number of housing units improved or refurbished by the organization during the reporting period.
Industries and services	Payments to Supplier Organizations: Local	Value of payments made to local enterprises that sold goods or services to the organization during the reporting period.
Waste and sanitation	Waste Disposed: Total	Amount of waste disposed by the organization during the reporting period.
	Wastewater Treated	Volume of wastewater treated by the organization during the reporting period.
Water	Water Provided for Sale: Potable	Volume of potable water provided and delivered to offtaker(s) during the reporting period.

Source: https://iris.thegiin.org/harmonized-indicators-for-private-sector-operations

Meanwhile DCED is engaging with the impact investment community to explore how they can learn from each other. Understanding better the results information that is most useful for private companies can help to reconcile the needs of both private investors and development co-operation providers that invest in private companies (DCED, 2016a). Within this framework, DCED commissioned a study that looked at the results-related systems used by social and environmental impact businesses, exploring: i) what information social and environmental impact businesses values most and least, and why; and ii) the key incentives for social and environmental businesses to collect, analyse and use information (DCED 2017c).

Overall there is scope for a more harmonised approach among DAC members, which the Results Community could help facilitate. As mentioned above, impact investors are also working on developing metrics that meet their needs and reduce the reporting burden. Harmonising indicators requires an inclusive approach involving multiple actors, primarily to ensure that indicators respond to the needs of the various stakeholders and are grounded in partner country national frameworks. Extensive consultations are also needed to avoid a donor-driven effort that risks turning into a series of new conditionalities with related cumbersome procedures.

5. Conclusion and questions for the panel and discussion at the results workshop

Monitoring, reporting and using development results of development co-operation activities and partnerships involving private companies is a critical function for accountability, direction, learning and communication purposes. It requires more attention from bilateral and multilateral donors and agencies. This paper shows that while there are conceptual and operational challenges to applying a results focus to private sector engagement, numerous initiatives are being conducted by diverse actors and groups of actors to overcome those challenges, and there is scope for the Results Community to advance this work. Key aspects relates to the theory of change and monitoring systems.

Building on this paper, three questions can be further discussed:

1) How can providers ensure that monitoring systems related to private sector engagement enable them to make informed choices in support of sustainable development outcomes? This includes:
   - How to align the goals of the various stakeholders – How best to articulate the logic and ensure the different needs for measurement of the various parties are met?
   - How to reconcile the incentives for accountability and for learning/adaptation?
   - Are the challenges different for different kinds of private sector engagement (e.g. loan, grant, guarantee, technical assistance, platform)?

2) What existing tools and approaches can practitioners draw on? What components should be developed to measure development results better and trigger optimal use by all stakeholders? This relates to issues such as:
   - Harmonising private sector-related indicators, linking them to SDG targets, and exploring the feasibility of getting disaggregated data
   - Looking at how data and studies are feeding back into decision processes (and whether incentives and training opportunities are in place to support this)

3) How can the Results Community help advance this work, and how should we engage other stakeholders (partner countries and the private sector)?

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