FAITH IS NOT ENOUGH

Ensuring that aid donor-private sector partnerships contribute to sustainable development

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Aid donors increasingly assume uncritically that private-sector partnerships are crucial for global development. In the right context and with the right regulatory frameworks in place, the private sector can generate growth that reduces poverty and economic and gender inequality. However, donor engagement with for-profit entities entails important inherent risks. Donors must institute checks and balances so partnerships 'do no harm.' If Official Development Assistance is involved, the partnership must 'do good.' Oxfam reviewed nine donors and 20 partnerships, finding that donors fail to sufficiently integrate development, human rights and environmental principles and standards. They inconsistently implement due diligence and risk management requirements, and development impact assessments are inadequate. Oxfam recommends donors put measures in place to ensure their partnerships with private actors reliably result in people-centred and sustainable development.

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Cover photo: Anita Kumari (foreground) is a community-based health worker in Bihar State, India. Her work is supported by the Zinc Alliance for Child Health, a partnership between the Canadian government, Nutrition International, UNICEF Canada, the World Food Programme and the Canadian mining company Teck. Photo: Nutrition International.

SUMMARY

A growing trend amongst donors is for aid to be channelled into partnerships with the private sector. The argument is that public money is insufficient to reach the Sustainable Development goals (SDGs), therefore donors need to leverage adidtional resources from the private sector. A clear preference for attracting private finance over public finance has emerged, as seen in the World Bank's Maximizing Finance for Development Approach.[1]

Oxfam recognizes that, where there is a vibrant, thriving, accountable and responsible private sector there are greater possibilities for sustainable development and economic growth that can lead to poverty reduction and reduced inequality while staying within our planetary boundaries.[2]

However, engaging with the for-profit private sector comes with important inherent risks and challenges. Through this paper, Oxfam calls upon donors that choose this approach to put checks and balances in place to ensure partnering with the private sector contributes to pro-poor outcomes. At a bare minimum, when such partnerships use public resources and in particular Official Development Assistance (ODA), they must meet the same standards as other development cooperation modalities. This means that these types of partnerships must 'do no harm,' 'do good' and advance human rights. Donor partnerships with the private sector deserve further scrutiny because they entail public subsidies[3] (reported as ODA) to for-profit entities and there are certain rules and standards[4] in place that guide donors on the utilisation of these public funds.

In an attempt to provide some structure to a crowded and confusing field of terms, Oxfam believes the broader types of private sector partnerships supported with ODA should be grouped together as Donor-Private Sector Partnerships (DPPs). These include public-private partnerships (PPPs), blended finance arrangements and much more. Oxfam has developed a categorization and assessment framework to examine the risks and merits of DPPs, looking at donor policies and programmes on private sector engagement. The framework of six components is a tool to help civil society and research institutions to assess DPPs but also to outline key considerations that should inform these partnerships and the policies of donors developing programmes that support DPPs. The assessment framework is not meant to stand alone but to be used in discussions and development of legislation or policy to ensure that the principles and frameworks are integrated when donors use ODA in DPPs. Against this framework, Oxfam assessed the DPP programmes of nine donors – Australia, Canada, the European Commission, France, Germany, the Netherlands, the UK, the US and the World Bank – along with 20 partnerships involving one or more of those donors. In several instances, Oxfam faced the issue of a lack of information.

The assessment found that a number of donors make assumptions that DPPs are inherently good, but these are not borne out by the evidence. While individual donors showcase examples of good practice, overall they do not sufficiently integrate established international development, human rights and environmental principles and standards into their DPPs. Most donors do not use aid and development effectiveness principles (promoting country leadership and democratic ownership, demonstrating development results, establishing strong transparency and accountability mechanisms) as a baseline for all interactions. There was poor donor tracking of aid transfers. Donors were inconsistent with requirements for due diligence and risk management in DPPs and had inadequate systems to demonstrate the net impact (development and financial additionality) of engaging a private sector partner. In order to remain accountable to northern tax payers, and to people living in poverty in developing countries, donor support for DPPs cannot continue to be based on unproven ideological assumptions about their postive value. Instead it must be based on a careful and measured consideration of their impact.

Ultimately it is imperative that donors use ODA most effectively to reduce poverty, gender and economic inequality, and to promote sustainable development – and tools, partnerships and instruments that deploy ODA need to be scrutinized to ensure it reaches its full potential. Donors and the international development community should ensure policies and standardized systems are put in place that deliver people-centred and sustainable development outcomes. Partnering with the private sector should be chosen only when it demonstrates additionality, does not undermine governments or country systems and serves the public good.

Our assessment concludes that all DPPs should conform to six key principles:

Donors should recognize the need for caution when choosing DPPs. Oxfam's research and experience shows that poverty reduction as a result of private sector investment and activity cannot be assumed – it must be nurtured. Donors should therefore analyse the trade-offs and opportunity costs of investing ODA in DPPs and make a (public) case as to why they think this is an investment that will help reduce poverty and inequality before they actually make the decision to engage in the DPP. In particular, donors should not invest in risky and unproven public-private partnerships, especially in education and health, which have been shown to increase inequality.

DPPs should always link to all SDG and climate objectives. The ultimate aim of ODA is to reduce poverty and inequality, enhance gender justice and reach all the SDGs, without cherry-picking amongst them. When ODA is used to support private sector engagement, development objectives and desired results should determine the selection or not of the private sector partners. The objectives of the partnership should contribute to achieving all the SDGs and international climate change commitments.

DPPs should adhere to aid and development effectiveness principles. Aid and development effectiveness principles hold donors to account to ensure ODA is spent in the right way to reach its desired objectives. Donors need to operate in line with principles of country and democratic ownership to ensure inclusiveness and participation of the local population and impacted communities, including civil society, in decision making; manage for results that align to countries' development objectives and use country systems; have clear key performance indicators that are harmonized across donors and results metrics, and clear partnership-specific results indicators; ensure transparency; limit tied aid and ensure robust monitoring, evaluation and learning.

DPPs should respect international legal and voluntary standards. DPPs should comply with international human and labour rights frameworks and voluntary standards for the private sector, e.g. the UN Guiding Principles on Business and Human Rights (UNGP) and the OECD Guidelines on Multinational Enterprises. Using existing standards that many donors, countries and firms have signed up to demonstrates that these norms are relevant and feasible to consider.

DPPs should demonstrate due diligence and risk management. Due diligence and risk management are important to avoid and address adverse impacts related to workers, human rights, the environment, bribery, communities and governance that may be associated with operations, supply chains or other relationships. Programmes and partnerships should operate in line with the tenets of presumed full disclosure and transparency, principles of accountability, provision for public oversight, a public consultation mechanism and a publicly communicated complaints mechanism, including public reports on the outcome of complaints and in line with due diligence principles and guidelines.

DPPs should demonstrate financial and development additionality. Donors need to show that engaging a private sector partner in a development project brings a net benefit to that project and they are not unnecessarily subsidizing the private sector using ODA.

1 INTRODUCTION

Crowding-in private finance to help bridge the estimated $2.5tn[5] a year Sustainable Development Goals (SDGs) financing gap has been a main focus of development finance discussions of the last few years, specifically by donors, international financial institutions (IFIs), development finance institutions (DFIs) and institutional investors. With the biggest three asset managers globally (Blackrock, Vanguard and State Street) managing $11tn, which is equal to the GDP of the Eurozone in 2016, it is understandable that the finance donors and DFIs are attracted to this option. The World Bank's 'Maximising Finance for Development' (MFD)[6] approach, adopted at the World Bank's Development Committee in October 2017, has led the way, articulating a preference for private development finance over purely public finance.

In step with this new paradigm, donors are aligning their economic diplomacy and commercial interests with their development priorities and becoming more coordinated in their responses. It has re-oriented donors' theory of change, diagnostic reviews and development interventions via capital markets. Multilateral Development Banks (MDBs) are reinventing themselves as conduits for private investments, rather than givers of public loans, and DFIs are gaining in importance, with more public funds directed through them,[7] carving out a more central presence within the international development discourse.

With the elevated role of private finance in development comes new risks, opportunities and governance challenges. The private sector and private finance can, in the right context and with the right regulatory framework in place, make important contributions to sustainable development, the eradication of poverty and the reduction of inequalities, including gender inequality – by stimulating decent jobs and livelihoods, by catalysing innovation and by paying taxes that enable states to deliver essential public services.

However, the concern for the future is that a large share of public resources, and especially of official development assistance (ODA), becomes dedicated to de-risking assets, creating a specific type of enabling environment for the private sector that may not fit to the local context, identifying bankable projects to transform into tradable assets, as proposed by the G20 and supporting projects chosen by the MDBs and donors, rather than what is reflected in countries' national development plans.[8] At the same time, governments often lack strong public policy and regulations to enable responsible and sustainable private investments, to protect the vulnerable in their society in this environment, and in some cases they are incentivized to do the opposite.[9] An overall concern is that risk is clearly being transferred to the public sector, creating a volatile model that could lead to a repeat of the financial crisis of 2008, where the public sector bailed out private finance, at the neglect and underfunding of critical sectors, like healthcare and education which require public financing and public delivery to maximize impact on poverty and inequality.

The UN Special Rapporteur on Extreme Poverty and Human Rights Philip Alston studied the World Bank's MFD approach and concluded that it created a 'public/private division of labour' without considering the human rights implications or the effects on people living in poverty.[10]

This drive towards the financialization of development cooperation ultimately means that development aid could turn into a mechanism to secure maximum accumulation for the investor clients, rather than one focused on providing public goods and reducing poverty. In other words, aid would guarantee private sector income streams rather than putting support for governments' responsibility to provide quality services with access for all at the top of the agenda.

'In effect, profitable enterprises will be reserved to the private sector, while unprofitable activities will be publicly financed. The voluminous materials promoting this entirely one-sided solution to development financing make no mention of the human rights implications of the resulting public/private division of labour, and the implications for those living in poverty are given short shrift.'[11]

Philip Alston, UN Special Rapporteur on Extreme Poverty and Human Rights

The desire to seek capital is leading to a rapid increase in the use of private sector instruments, rapid expansion of more donor-private sector partnerships and blended finance, without ensuring that the evidence is there to support the effectiveness of those tools. While the need for private finance in service of the SDGs is undeniable, the question is what role it should play and how it should be governed. To date, these questions have taken a back seat to efforts to mobilize the private investment. Donors are making assumptions that market-based solutions to development challenges are effective, efficient, provide 'value-for-money' and can achieve long term sustainability, without the necessary evidence.[12] Quantity is trumping quality. At the same time, questions regarding the role of ODA, public funds with a specific mission, especially related to if and how it should be used to boost private investments for the attainment of the SDGs, are dismissed. Issues that stand out include the different role of public and private finance, the complexities of aligning social and commercial returns, the growth of blended finance, accountability and transparency challenges and the need for structural reforms of the global financial system.

Donors use a wide range of programmes and instruments to realize a variety of objectives, with the private sector playing a number of different roles. There are various ways to categorize private sector engagement and partnerships in development cooperation. In an attempt to provide some structure to a crowded and confusing field, Oxfam believes a more appropriate term to describe the broader types of private sector partnerships supported with ODA should be Donor-Private Sector Partnerships (DPPs), which include public-private partnerships (PPPs), blended finance and much more.

Ultimately it is imperative that development aid (ODA) is used most effectively to reduce poverty, gender and economic inequality and to promote sustainable development – and tools, partnerships and instruments that deploy ODA need to be scrutinized to ensure it reaches its full potential. Donors and the international development community should ensure policies and standardized systems are put in place that deliver people-centred and sustainable development outcomes. Partnering with the private sector should be chosen only when it can demonstrate it can prove development additionality – i.e. that the project will result in greater development impacts than either the donor or the private sector partner would have generated without the partnership – does not undermine governments or country systems and serves the public good.

In this paper, Oxfam calls for caution in donors' assumptions that DPPs are inherently good for development and serve as an efficient way to realise development results, and calls on donors to test the assumptions before engaging in DPPs (Chapter 2). To understand and assess DPPs, Oxfam has developed a novel framework, explained in Chapters 3 and 4, to examine the risks and merits of DPPs, looking at donor policies and programmes on private sector engagement. The framework of six components is a tool to help civil society and research institutions to assess DPPs but also to outline key considerations that should inform

DPPs and donors’ policies used to develop programmes that support DPPs. When putting the framework to use, Oxfam found that while individual donors showcase examples of good practice, overall, they do not sufficiently integrate established international development, labour, human rights, and environmental principles and standards into their DPPs. There is a concern whether the pursuit of DPPs is contributing to an erosion of aid and development effectiveness principles and social and environmental standards. Oxfam’s framework incorporates a set of norms that should govern DPPs to ensure that these partnerships, when using public funds, do no harm and promote human and labour rights; comply with the principles of development effectiveness; advance sustainable development, poverty eradication, gender justice and inequality reduction; and do not serve merely to cover up donors’ naked support and subsidies to their own companies and efforts to push for the financialization of development cooperation (Chapter 5). Finally, Oxfam has built its recommendations and conclusions (Chapter 6) on not only donor compliance with the principles of the DPP framework, but from Oxfam’s long established work in partnering with the private sector, assessing DPPs from a more focused sectoral or institutional perspective and finally in its long-term drive to ensure equality for all.

2 THE NEED FOR CAUTION

It is recognized and accepted that addressing sustainable development challenges will require a multi-stakeholder approach, and that governments cannot do it alone and need to work across sectors and with the private sector and civil society. At the same time, the role of government remains crucial, the social contract should not be broken, and the need for more emphasis on supporting governments to build progressive domestic revenue mobilization cannot be neglected. Economic development and private sector development are key to ending poverty, and donors can help developing countries design and adopt economic models which are more equitable and sustainable from the start and which are better able to create decent economic opportunities.

ODA REMAINS ESSENTIAL

Private finance is frequently touted as an alternative for insufficient public resources for development. However, private finance serves a different purpose from that of domestic public finance or international public finance flows, such as ODA, and private flows cannot simply replace public funding.

ODA remains a vital source of public finance for more than a fifth of the world's countries. Aid is still larger than any other external resource flow in the least-developed countries which are mainly in sub-Saharan Africa.[13] Aid is a scarce financial resource and it should be directed primarily to countries with the greatest financial need. The role of ODA to support governments to provide essential services such as education, health and social protection, is vital, and it does so without increasing recipients' fiscal deficits. Budget support should be provided to support the building of strong, accountable institutions and public financial management. Aid can also reduce inequality by supporting governments to collect more taxes – and to collect them more equitably.[14] ODA does not have the same role as other development finance and it is important that ODA is given the space to do its job. When donors decide to use ODA to leverage additional private finance to reach the SDGs, what matters is not just the amount of private money ODA can leverage, but more importantly the type and quality of the private money. Development Initiatives identified barriers that prevent effective dialogue on resource allocation and the most effective ways international public finance could work with the private sector in a paper in 2018. One is the lack of a standard definition of what donor support to the enabling environment for private sector development entails. Another is the lack of clarity around the variety of interventions captured under this type of support, and where these may result in the most impact – including on the poorest and most vulnerable people.[15] Ultimately, Oxfam believes ODA can encourage sustainable economic development by helping to foster alternative business models that share value by design, supporting government reforms and improving wage legislation or collective bargaining to ensure that jobs effectively lead to poverty reduction.

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VITAL ROLE OF THE PUBLIC SECTOR

Corporations often use their political clout in a self-reinforcing cycle: companies seek favourable tax rules that lead to reduced revenue collection, leaving governments with less money and power to effect changes, thereby creating a greater reliance on the private sector which in turn reinforces the private sector getting more money and more control. The increasing emphasis on DPPs should not divert aid away from support to strengthening public institutions and services. They should also be complementary to programmes that achieve public finance leveraging, such as strengthening efficient and progressive tax systems that can boost domestic revenue mobilisation whilst tackling inequality.

Private investment cannot be the means to achieve the SDGs in vital sectors such as healthcare and education.

In particular, it is ultimately the duty of government to provide social protection, health and education, and these should not be funded by private capital that seeks financial returns nor delivered on a for-profit basis. Oxfam's analysis is that there is no better or more equitable way to deliver public health outcomes than publicly financed and delivered healthcare, free at the point of use.[16]

There is a worrying trend towards the commercialization of education. Despite considerable evidence that education PPPs which support private schooling frequently fail children from poor families and can deepen income and gender inequality, the World Bank is promoting these partnerships. Oxfam's research found that over one fifth of World Bank public sector projects in basic education included a component of support for private provision of education.[17] A study by the non-governmental organization (NGO) RESULTS found that investments from the World Bank's private-sector arm, the International Finance Corporation (IFC), to private education providers quadrupled between 2006 and 2015, $37.4 million to $153.18 million.[18] The need to generate returns transfers risk either to end users – excluding those who can't afford the fees or other payments like insurance – or to governments through uncertain and unproven PPPs. Strengthening public sector delivery must be the priority for donors and governments. Recognizing these concerns, in June 2019, the board of the Global Partnership for Education – a platform of developing country governments, donors, international organizations, civil society, teacher organizations, the private sector and foundations – decided not to provide funding 'used to support for-profit provision of core education services'.[19]

GETTING THE PRIVATE SECTOR ROLE RIGHT

The private sector and private finance, in the right context and with the right regulatory framework in place, can make important contributions to sustainable development, the eradication of poverty, and the reduction of inequalities, including gender inequality – by providing decent jobs and livelihoods, and by paying taxes that enable states to deliver essential public services, ultimately leading to growth and development.[20]

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However, Oxfam's research and experience shows that poverty reduction as a result of private sector investment and activity cannot be assumed – it must be nurtured. Developing countries continue to be net losers from participating in the global financial system. Illicit financial flows are estimated to exceed $1tn annually, and developing countries on average lose 20 cents in tax revenue for every dollar that flows illegal across their borders.[21] They continue to lose huge sums to capital flight, corporate tax abuse and illicit financial flows.

The biggest trend at the moment is the tapping of private capital and the use of public funds (often development aid) to create the right conditions to attract private capital to the table and a very vocal shift from public to private as a preferred partner in development. Private sector engagement in development cooperation through blended finance and private sector instruments carries significant risks – with marginalized communities such as indigenous peoples often bearing the heaviest costs.[22] Time and again, there have been clear cases where communities have faced considerable challenges in accessing due process of accountability and recourse measures.[23]

Mobilizing private investment should be selective, not a substitute for public investment in the SDGs, understanding that some countries are simply too poor (or insufficiently profitable) for private finance and the democratic ownership of countries over their development plans needs to be safeguarded.

WILL PRIVATE SECTOR ENGAGEMENT PROMOTE DEVELOPMENT?

The preference for private finance is permeating into all areas where development finance is discussed, from decisions made at the G20 in Germany in 2017, to the setting up of the World Bank Group's private-sector window under the International Development Association (IDA) 18 (the concessional financing arm of the Bank that targets the poorest countries), to bilateral donors.[24] The new paradigm means creating new private sector engagement policies, new development banks or increasing the role and amount of development funding flowing to established national development banks.

The former World Bank president Jim Kim said, 'One of the things we'd like to do, for example, is to find a way for a pension fund in the United Kingdom to be able to invest in building roads in Dar es Salaam, get a reasonable return on that investment, and do a lot of good in the process'.[25] As the financialization of development expands, so do the sectors covered, with more and more donors including health and education projects. The involvement of the private sector in public service provision is not new, but there is currently keen political interest in expanding PPPs and creating new asset classes – pushed by the G20 through its new roadmap on ‘developing infrastructure as an asset class’.[26] These initiatives favour using ODA in blending or impact investing, prioritizing market returns above the quality of the service delivery and turning citizens with rights into clients whose rights are determined by how much they are willing and able to pay. Moreover, in education, there is substantial evidence that PPPs and private education do not necessarily deliver better education outcomes, can increase the gap between rich and poor and contribute to socio-economic segregation.[27] There is also considerable evidence that PPP arrangements in general can lock governments into providing high returns for contractors, bringing significant risks to government budgets. The IMF even recently issued guidance that warns against the substantial fiscal risks of PPPs.[28]

The World Bank and other IFIs have devised financial products – from project bonds to infrastructure funds – to attract private investment. But the institutions are entirely silent on the private sector profits being made out of these investments.[29] Oxfam has also highlighted how third party contractors and suppliers are not explicitly required and held to account on typical due diligence and risk management requirements in the public finance or aid supply chain.[30]

Oxfam and others point out that the IFC and other DFIs need to strengthen their efforts to ensure that the private financial intermediaries they fund do no harm.[31] This is a matter of concern with regard to land rights for example. A recent International Institute of Environment and Development study reviewed the approaches European and North American bilateral DFIs use to address land issues in the agriculture sector in their direct lending to the private sector and their lending via financial intermediaries. The study found that while there had been advances, DFIs needed to invest in further improving their policies and practices, and to play an even more proactive role in improving private sector conduct in this area. If not properly addressed, land rights issues can expose people affected by DFI-financed activities to severe negative impacts and human rights violations including gender-based violence, impoverishment and loss of livelihoods. They can also expose DFIs to reputational and operational risks.[32]

Understanding the inter-relationships between donors and private sector partners is complex. Donors need to offer incentives that are sufficient to provide commercial returns to private partners – as a Blue Orchard survey of private investors showed, ‘while we find that de-risking benefits are an important aspect for private investors…we cannot conclude that they would waive for this reason expected financial returns’.[33] Adding to this, many private partners find donor partnership criteria and reporting too onerous. As a consequence, there can be real trade-offs between development and for-profit objectives. In the absence of demonstrating shared value, it is difficult to justify donors providing ODA through DPPs, which would otherwise amount to a market-distorting subsidy.

AN ENABLING ENVIRONMENT FOR WHOM?

Donors and private partners operate in a dynamic political economy, which comes with political and economic risks, and for them, impediments or unyielding regulatory environments. Many countries, especially the Least Developed Countries (LDCs), do not have the right perceived or actual investment climate to attract private investors. For example, the World Bank Group conducted a survey of the Nepal Private Equity and Venture Capital (PEVC) environment and found legal and regulatory restrictions that restricted PEVC growth.[34] Therefore, donors are building programmes that focus on putting in place reforms in partner countries to address market failures and other constraints to private sector investments at country and sector level, to create an enabling environment for private sector investments. ODA spent delivering activities targeted at strengthening the enabling environment for private sector development totalled $9.9bn in 2015, a figure that rises to $16.6bn when it includes other official flows (OOFs).[35] 'Creating an enabling environment' looks different to different actors, and the question should always be asked, whose interests are being promoted?

For example it may mean focusing on policies that are advantageous to large European seed companies, which could come at the expense of local farmers' access to affordable seeds. It may mean improving market access and addressing trade barriers for large transnational agribusiness companies instead of focusing on policies for local agricultural businesses. Or it could result in developing Export Processing Zones, where lower tax and labour standards can be applied. Even though many private sector actors prefer stable regulatory and legislative environments, they often seek to pay the least possible taxes and oppose strict regulations around labour rights and environmental standards. There is clear concern about corporate capture of decision-making processes in countries where the rule of law is not well-established, civic space is restricted and parliamentary oversight is weak.

At the same time, donors are focusing their publicly funded projects towards more technical assistance to support the design and implementation of these efforts to create a favourable investment environment through activities such as feasibility studies and assessments or strengthening the project implementation capacity of partners or support to brokering PPPs. This has led to an increase in the diversion of finance and partnerships to a focus on private sector development and private sector delivery.[36]

A NEW DEBT CRISIS?

The geography of wealth is gradually changing with many countries graduating to middle income status – half of the 32 low-income countries will graduate in the next 10 years.[37] Most developing countries' governments want more foreign direct investment, large scale infrastructure and energy projects and investment to stimulate private sector development and growth. At the same time, the number of poor countries in or at risk of debt distress is increasing rapidly (due to the effects from the 2008 global financial crisis and the collapse of commodity prices).

An OECD Development Assistance Committee (DAC) report states that the number of developing countries in debt distress or at high risk of debt distress doubled from 12 to 24 between 2013 and 2017.[38] 30% of public debt in developing countries is to private lenders.[39] In Africa, 55% of governments' external interest payments go to private creditors.[40] An increasing trend has been to attract private finance and promote private debt or put another way, supporting commercial banks to increase loans to private individuals or companies. According to the UN Conference on Trade and Development, 'Private debt has exploded, especially in emerging markets and developing countries, whose share of global debt stock increased from 7% in 2007 to 26 % in 2017'.[41] Over the same period, the share of debts racked up by non-financial businesses in emerging markets in their total debt increased from 56% in 2008 to 105%.[42] This is a highly problematic move as private debt is less monitored and will be harder to track. This includes PPPs' debt[43] that can be financed 'off the books', helping to fuel the new emerging debt crisis in many developing countries.

In Africa, 55 % of governments' external interest payments go to private creditors.

TRANSFERRING RISK TO THE POOR?

Who carries the burden of financial risk? De-risking does not remove it, but rather shifts it in whole or part from the private sector to the governments, the donors and ultimately the taxpayers of the Global South and North. Strong governance and policy frameworks are, therefore, required to ensure the fair sharing of risks and benefits between the parties involved, and with other stakeholders in society.

Transparency, accountability and the right of redress for affected communities are key challenges when it comes to private finance and the transference of risk. While there has been significant progress in scaling up the responsible investment field (over 1,300 investors managing around $60tn have committed to the UN Principles for Responsible Investment (PRI)), the field remains diverse, with individuals, institutions, investment companies and financial institutions displaying varying degrees of prioritization of financial and social impact and addressing the positive versus the negative contributions of their investments. It is the weakest in the investment chain who will be hit hardest by being exposed to market shocks. It is often difficult to obtain information about investments, as investors insist that it is 'commercially sensitive' and not publicly disclosed.[44]

FINANCING MODALITIES IMPACT GENDER INEQUALITY

The type of modalities that help crowd in commercial finance, in many cases, changes the nature of the service delivery, and this actually exacerbates gender inequality. For-profit provision of services is inherently different from public provision. The cost of generating profit is usually transferred to the end user, through fees or other payment mechanisms like insurance. In health, user fees are the most inequitable means of financing care, with direct payments for healthcare pushing three people into poverty every second.[45] Pursuing expansion of for-profit services risks drastically escalating poverty and inequality, which disproportionately affect women. Where governments cover the costs of the poorest citizens, enabling them to access privately delivered services, there is usually a negative impact on government budgets. Many partnerships fail to analyse their likely gender impacts. For example it has been found that some cherry pick students or patients based on ability to pay, which contributes to overburdening and underinvestment in the public sector equivalents, where the poorest people, who are disproportionately women, rely on services they cannot afford from the private versions.[46]

Many DPPs are gender blind. Some cherry pick students or patients, for example; this contributes to the overburdening and underinvestment in the public equivalents, where the poorest, mainly women, are reliant on services they can't afford from the private versions.

WILL THIS TREND STAND THE TEST OF TIME?

Ultimately, the question is will this trend stand the test of time? Four years on from the Addis Ababa Action Agenda on Development Finance, when crowding-in private finance and the all-encompassing word blending started trending in the donor community, the discussion seems very much stuck at its starting point. The narrative at the policy level is ahead of the research and evidence on the impact. Through all the noise and hype, donors and the OECD insist that leveraging private finance with ODA is only a small proportion of aid and that it will stay this way. Preliminary ODA data released in April 2019 showed that only 12 of the 30 DAC donors reported giving any ODA in the form of Private Sector Instruments, reported collectively as US$2.46bn: US$1.47bn in the form of increased capital allocations to national DFIs and US$0.99bn of loans and other investments to the private sector within developing countries.[47] Nevertheless, donors' current emphasis on private sector engagement suggests that the political will is there to expand substantially on this modest base.

At the same time, there seem to be concerns that private finance for development will be unable to reach scale because there are not enough bankable or commercially viable projects in developing countries, which has meant DFIs competing with each other for the same space. In some cases policy is far out-stripping reality, where donors want to focus on fragile states and LDCs, yet in many of these places there is no effective demand and no disposable income to generate revenue that would attract private investors. To emphasize this, the Overseas Development Institute's (ODI's) recent report on blended development finance shows that for every $1 of MDB and DFI resources invested, private finance mobilized amounts to just $0.75, and $0.37 in LICs. This is far from leverage ratios some donors have been promising – the EC for example has claimed ratios as high as 1 to 36 on occasion.[48] This also seriously questions donors' claims about blended finance's potential to shift the SDG financing needle 'from billions to trillions'. The report also indicates that ODA per capita is higher in LICs than other countries, but the opposite is true for blended finance.[49] So much of the conversation is focused on attracting new capital that it is detracting from other key issues:

The Overseas Development Institute's (ODI's) recent report on blended development finance shows that for every $1 of MDB and DFI resources invested, the private finance leveraged amounts to just $0.75, and $0.37 in low-income countries.

- There are too few transactions and bankable projects;
- Too few organizations are effectively working to do the project preparation;

- There are insufficient monitoring and evaluation systems to show impact;
- Transparency is woefully lacking;
- There are no common definitions for key terms;
- Technical assistance (TA) is being used as a catch all term – meaning it is harder to track what type of TA is being funded;
- Overall, donors do not adequately integrate established international development, human and labour rights, and environmental principles and standards into their private sector partnerships;
- Donors are not focusing on what the right interventions are to meet the needs of those left furthest behind first, and how, when private finance is not appropriate, to scale up public finance to meet them;
- There is a lack of recognition that private finance may do more harm than good in some sectors.

3 CATEGORIZING DPPS

For decades, the private sector has had an inexorable role in the 'development process', providing services through government procurement processes, but was not until recently recognized as a 'partner in development', giving it a central role in the development discourse, increasing its access to financing and economic diplomacy.

Today, the private sector has a widely accepted role in the global efforts to promote development including job growth and creation, service delivery, technology transfer, testing innovative solutions and testing new products, offering services or business models, providing capital, supporting non-profits to partner with the private sector, the promotion of donors' own domestic private sector and commercial objectives and promoting inclusive and responsible business and standard setting.

However, donors that use a wide range of programmes and instruments to realise this variety of objectives with the private sector often use terms and definitions that are interchangeable and cause confusion.

In an attempt to provide some structure to a crowded and confusing field, Oxfam has built a classification framework for understanding DPPs, consolidating and drawing from existing typologies.[50] This categorization could help those trying to scrutinize and hold donors to account in how they spend their ODA and political capital to develop the right and detailed questions and scrutiny. It is also to understand that international development stakeholders use a wide range of terms when referring to partnerships with the private sector.

Notably, the term PPPs is frequently used to refer to any form of partnership with the private sector. In reality, PPPs have a very specific definition: arrangements whereby the private sector provides infrastructure assets and services that traditionally have been provided by government, such as hospitals, schools, prisons, roads, bridges, tunnels, railways, and water and sanitation plants.[51] Therefore, Oxfam believes a more appropriate term to describe the broader types of private sector partnerships supported with official development assistance should be Donor-Private sector Partnerships, which include PPPs and much more.

FINANCING AND GOVERNANCE

Partnerships are structured and financed in a variety of ways. They could be **donor-led**, for example donor-led private sector and donor-led non-profit structures with a cost-sharing basis, in which the recipient(s) of the funds are accountable to the donor and the partnership is governed by the particular rules and stipulations tied to the provision of donor financing.

There can be **coalitions** where civil society, the private sector (companies and associations), governments and research institutions work in partnership to address an issue of common interest, usually funded by both the public and private sector.

Another approach is where donors may fund various components of a project/programme but the initiative lies with other stakeholders and is not rooted in donor initiatives, such as **company–led, business-CSO**

alliances or the CSO-led models that can result in the viable creation of a social enterprise or for-profit company.

PRIVATE SECTOR ROLE IN DPP

The role of the private sector can be multifaceted in any partnership and the different parts they might play are not mutually exclusive. It could include being a **beneficiary** (of financial support, capacity building, technical assistance, knowledge sharing), for example when receiving funding from DFIs. They might be **implementers**, for example realizing new business models such as social enterprises that receive donor support. They could be **reformers**, making efforts to reform existing business approaches to be more development friendly, such as companies taking efforts to reduce their environmental impact. They might be **resource providers** when the private sector invests financial, expertise or other strategic resources. Or they could be **participants** through policy dialogue, knowledge sharing and multi-stakeholder initiatives.

DONOR MECHANISMS AND PRIVATE SECTOR INSTRUMENTS

The DAC considers all financial instruments that are used to engage the private sector in development cooperation to be private sector instruments (PSIs). These instruments are associated with formal private sector partnerships and create contractual obligations when used. The five broad areas are grants, debt instruments, mezzanine finance instruments, equity and shares in collective investment vehicles and guarantees and other unfunded liabilities (see Table 1). Donors have set up a number of different programmes to facilitate formal DPPs. These are subject to specific application processes, operating procedures and monitoring and evaluation provisions.

In the past, much of this support to the private sector was not eligible to be counted as ODA – loans to private sector companies are typically less concessional than loans to governments and do not meet the criteria for inclusion within ODA. Public money used for such loans would be considered Other Official Flows (OOFs). As donors, and therefore, the OECD DAC, wanted to incentivize greater support for the private sector in developing countries, they have embarked on a process to modernize the ODA rules to be able to capture more of these private sector instruments. This has been considered one of the most controversial and testing of reforms for the OECD DAC.

As there is to date no agreement on permanent rules, in December 2018 a stop-gap arrangement[52] was established, giving basic rules for how private sector instruments will count towards donors' aid spending targets. It also includes some limited recommendations on added transparency and safeguards – these are only voluntary. The DAC members will review data collected in 2021 and make adjustments if a more permanent agreement has not yet been reached.

Table 1: PSIs and private sector programmes

PSI	Associated private sector programmes
Grant	• Blended finance • Business support • Business-to-business • Capacity development • Challenge funds • Multi-Stakeholder partnership • Non-profit private sector partnerships • Output-based aid • Other programmes and ad hoc support • PPPs • TA
Debt financing	• Loans in various forms • Bonds • Asset-backed securities • Reimbursable grants • Credit lines • Blended finance • Impact investing • Business support programmes • Challenge funds • PPPs
Mezzanine finance instruments	• Blended finance • Impact investing • Mezzanine finance • PPPs
Equity and shares in collective investment vehicles	• Blended finance • Impact investing • Equity finance
Guarantees and other unfunded liabilities	• Blended finance • Guarantees can be used in combination with a wide range of programmes including those in the context of debt financing, mezzanine finance and equity finance • PPPs

Source: Oxfam.

The provisional reporting arrangements are not enough to safeguard ODA's unique potential as a resource for leaving no-one behind, and do not fully address many critical risks associated with PSIs.[53] Oxfam shares the same concerns raised in a recent open letter from former chairs of the DAC and the Working Party on Statistics, that resolving unanswered questions on the PSI rules is critical for the DAC´s reputation.[54] Some of these concerns include the need for clear checks and balances currently not in place, concern ODA will become more 'tied' (i.e. formally or informally sourced from companies in the donor country) and that new rules have the real potential to change the very nature of

ODA itself, by using additionality rather than concessionality as a criterion for ODA eligibility.

Concessionality (i.e. the fact loans are extended at better terms than those provided by the market) is a defining feature of ODA: upholding it is necessary to maintain a clear distinction between ODA and commercial transactions. Additionality, though important, should never be used as a substitute for concessionality in determining ODA eligibility. If concessional support to the private sector is deemed to pose too many risks from a competition perspective, ODA is not the appropriate way to finance PSI.

4 THE DPP ASSESSMENT FRAMEWORK

Oxfam proposes an assessment framework to try to provide a standardized way of assessing a wide variety of DPPs to generate evidence on their strengths and weaknesses and identify good practice and where partnerships need to improve to actually 'do some good', advance human rights and provide much needed development results. The framework draws and pools together proposals from others, as well as drawing on existing principles agreed by the international development community and international legal and voluntary standards for the private sector.[55]

The framework includes the following six components by which to assess DPPs:

- Demonstration of sustainable development objectives;
- Demonstration of additionality;
- Adherence to aid and development effectiveness principles;
- Respecting mandatory and voluntary standards for private sector operations;
- Demonstration of due diligence and risk management;
- Provision of sound monitoring and evaluation processes.

The framework is applied at two levels, the donor programme and the partnerships themselves. Oxfam's assessment using the framework looked at the programme level to see to what extent the principles were referred to in policies and procedures and then translated into programme procedures. Annex 1 gives a detailed overview of what questions to ask while assessing DPPs.

COMPONENTS OF THE FRAMEWORK

Sustainable development objectives

It is important to examine the development objectives and the theory of change that inform the private sector programme and partnerships. These should be grounded in impact on poverty reduction; impact on gender equality, specifically promoting the rights of women and gender minorities; impact on reducing inequality; contribution to environmental sustainability such as being part of the low carbon development pathway, and contribution to the realization of the SDGs. DPP objectives, like all aid objectives, should not focus on serving the donor country's short-term self-interest, e.g. promoting donor-country firms.

It is crucial to note that donors face challenges demonstrating the effects partially due to the nature of investing in the private sector, where social outputs are not the primary objective of the private sector partner, and are difficult and expensive to measure.

Additionality

Since a prominent feature of – and donor justification for – private finance blending is to create development and financial additionality, the assessment framework includes more detailed questions to build more evidence on the links between DPPs and additionality. One of the main challenges of providing funds to DPPs is how to confirm that projects applying for support actually require some form of subsidy. Two key types of additionality should be assessed – financial and developmental. There is still a lack of common agreement on the definition of additionality across stakeholders,[56] which hampers monitoring and evaluation efforts. Additionality is key for all DPPs, but it is particularly referenced in blending. The OECD definition requires that blended finance mobilizes additional finance, and that the mobilized funds are used for sustainable development.[57]

Financial additionality refers to situations where finance is mobilized and an investment is made that would not have materialized otherwise, while development additionality refers to the outcome and impact of the investment that goes beyond what would have been achieved in the absence of additional finance (e.g. poverty reduction, job creation, greater gender and income equality, environmental protection etc.).[58]

This latter form of additionality is crucial to consider, given the opportunity costs of DPPs: every dollar put into such partnerships is a dollar not put into public spending or public service provision. So the question is whether DPPs can demonstrate that they have led to a greater development benefit than if the money had simply gone into increased public spending e.g. on health or education.

The assessment framework looks at how programmes address these two forms of additionality and what they require of potential partners in terms of demonstrating additionality. Oxfam assessed partnerships in terms of articulation of how they realized additionality. Specifically for development additionality, it is about what more is achieved in terms of development gains as a result of the partnership.

Aid and development effectiveness

Providers of ODA agreed a set of aid and development effectiveness principles through successive understandings 2003-2011 in Paris, Accra, Busan, Mexico City and Nairobi. This includes provisions on ODA to the private sector and should be the basis of any DPP, and the use of ODA in such partnerships should be guided by these principles. Key principles to specifically look out for related to private-sector involvement include country and democratic ownership, use of country systems, alignment and harmonization, managing for results so they are brought into line with development objectives and transparency and accountability, as well as ensuring that the donor is clear that the partnership avoids tied aid (i.e. aid contracts that formally require goods and services to be sourced from companies in the donor country).

Mandatory and voluntary standards

There are established and accepted global standards and legally binding principles that pertain to the impact of private sector operations on economic, social and environmental outcomes. The framework takes two levels, relevant human and labour rights frameworks where donor governments have obligations under international law and which are relevant to their engagement with the private sector; and voluntary standards that are often complemented by institutional codes of conduct, due diligence and other internal policies. For example, the IFC Performance Standards on Environmental and Social Sustainability are often used by other institutions and facilities. It should be noted that while often there are safeguards to mitigate harm, these frequently are poorly implemented and enforced.[59]

The primary obligation of private companies operating on the ground or providing aid-related services must be 'do no harm' and advance human rights. It is the responsibility of host governments and donors to ensure firms meet this obligation.

In Oxfam's view, four norm-setting frameworks stand out and have the potential to shape how DPPs operate as long as donors and their partners take the essential step of ensuring implementation. These are the important international standards of the ILO Core Conventions and the UNGP, as well as the more specific IFC's sustainability framework and the OECD DAC's Blended Finance Principles. Below we provide a brief discussion of these frameworks.

ILO conventions

The ILO is a tripartite organization consisting of trade unions, governments and companies, and is now part of the United Nations system. Since 1919, the ILO has maintained and developed international labour standards[60] aimed at promoting opportunities for women and men to obtain decent and productive work, in conditions of freedom, equity, security and dignity. In 1998, the ILO produced the Declaration on Fundamental Principles and Rights at Work, in which ILO member states agreed that they should all respect, promote and realise core labour standards (whether they have ratified them or not):

- Freedom of association (ILO Convention Number 87).
- The right to engage in collective bargaining (Convention No. 98)
- The elimination of all forms of forced and compulsory labour (Conventions Nos. 29 and 105).
- The effective abolition of child labour (Convention Nos. 138 and 182).
- The elimination of discrimination in respect of employment and occupation (Convention Nos. 100 and 111).[61]

Additionally Oxfam believes that Convention No. 169 is relevant. Importantly, it is a legally-binding international instrument open to ratification. It addresses the rights of indigenous and tribal peoples.

UN Guiding Principles on Business and Human Rights

The UN Guiding Principles on Business and Human rights (UNGP)[62] were unanimously adopted by the Human Rights Council in 2011. They provide a common reference point in the field of Business and Human Rights, setting out the duty of states to protect, and the responsibilities of companies to respect human rights. This focus can not only minimize the risks of potential negative business impacts, but also help to harness positive business contributions. These are essential international principles and widely accepted across stakeholders. The three-pillar approach of the UNGP emphasizes the distinct responsibilities of states and businesses to protect, respect and provide access to remedy for human rights violations. It is the most widely endorsed framework for private sector accountability, and the principles apply to all states and businesses regardless of size, sector, location, ownership or structure and regardless of states' ability and/or willingness to fulfil their own human rights obligations. The UNGP represent a logical starting point for thinking about how private sector performance on the SDGs could be assessed, by whom and based on what indicators. However, they do not expressly recognize binding legal obligations for rights violations and companies cannot be held legally accountable under international law for human rights abuses they committed in their operations and supply chains.

Companies need to proactively track human rights risks throughout their business operations. Transparency should be seen by companies as important when disclosing risks. Where national legislation prescribes minimum standards or benefits relating to human rights which may set a low bar for compliance, international companies need to exceed those minimum standards or benefits.[63]

IFC Sustainability Framework

IFC activities include investments financed directly by IFC, investments implemented through financial intermediaries (FIs) or managed by IFC's asset management company or any other IFC subsidiary, as well as investments funded in part or in whole by donors and advisory services.. In 2006, IFC developed its Performance Standards, and updated them in 2012.[64] These are important to understand and assess for DPPs as they are often used as a global benchmark by donors and DFIs as a key component of their environmental and social risk management and are increasingly being adopted by financial institutions across the world.[65]

Complementing the IFC's Sustainability Policy which outlines its own commitments to risk screening and due diligence, the Performance Standards define clients' responsibilities and requirements for managing their environmental and social risks. These include managing risks around labour rights, involuntary resettlement, and conducting environmental and social impact assessments, etc. These apply to all direct project lending and to higher risk financial intermediary lending. The IFC's Compliance Advisor/Ombudsman (CAO) is the Corporation's independent accountability mechanism to where individuals and communities negatively impacted by IFC-supported business activities to can file complaints and seek redress.

Overall these standards are considered reasonably progressive for the private sector but there are some key areas for improvement. CSOs are concerned that there is not clear enough language on human rights in the standards to protect affected communities, especially on human rights due diligence, and there are several areas that could be strengthened with respect to gender. Importantly, the standards include the principle of free, prior and informed consent (FPIC),[66] together with key disclosure requirements for FPIC documentation, in the new access to information policy. However, FPIC will only be required under 'certain circumstances' that are tightly restricted, and the Performance Standard does not meet consent requirements under the UN Declaration on the Rights of Indigenous Peoples. The IFC standards reference ILO standards and include clear disclosure requirements for extractive-industry contracts.

However, the access to information policy still allows for a ban on the disclosure of 'commercially sensitive and confidential information' and of 'deliberative information.'[67] Moreover, unless it is a direct investment, it is almost impossible for communities to find out if IFC is indirectly financing companies and projects through financial intermediaries operating in their area in sectors of high social and environmental risk such as infrastructure, agribusiness, logging and extractives. Such financing through FIs now makes up around 50 % of IFC's portfolio yet there is very limited information about where that money ends up.[68] This type of information is critical not only for IFC's own accountability process, but, most importantly, for communities that have the right to know who is financing such projects, which standards should apply, what their rights are and whom to hold accountable if things go wrong.

There are crucial weakness with the Performance Standards, however. In cases of both direct and indirect lending, there is poor implementation by private sector clients evidenced by a high number of CAO complaints. There is also a lack of independent verification or adequate disclosure of the IFC's monitoring and supervision reports. In addition, there is insufficient assessment of, for example, impacts of investments on public systems or impacts on gender and economic inequality. Finally, it is unclear what procedures the IFC follows if borrowing companies fail to meet the Performance Standards.[69]

OECD DAC blended finance principles

The OECD's Development Assistance Committee (DAC) adopted the 'Blended Finance Principles for Unlocking Commercial Finance for the SDGs' [70] at the OECD DAC High-Level Meeting in October 2017. For the OECD, blended finance is 'the strategic use of development finance for the mobilization of additional finance towards sustainable development in developing countries.' Different actors have different definitions for blended finance and in relation to this paper, blended finance is one type of DPP.[71]

It is important that in this rapidly adapting space, donors work on realising these principles, especially as they have adopted them at the OECD and as part of the G7 Charlevoix commitments.[72] To support donors, the OECD DAC has been working on putting the principles into practice through the Tri Hita Karana Roadmap on Blended Finance.[73] The aim is to build guidance to support donors to apply the principles to policy, providing this through a web portal rather than publications.

A constraint to implementation is that, so far, there are no common definitions of blending, additionality, impact or what 'local' means. Additionality is still assumed rather than observed. Blended finance has a complex governance arrangement which could hamper monitoring and evaluation as well as oversight on the part of the donors. Transparency is still a major concern when even the OECD has stated that they are unable to access documents due to 'commercial sensitivity'.

What is missing in the whole discourse is not only publishing the potential positive change blending can bring to people but also the risks that can result from blending. This includes a clear explanation that there may be 'de-risking' for private finance, but that the risk doesn't disappear, it is only transferred (in whole or part) to governments, consumers, and/or tax payers. Another missing aspect is an assessment of when and where it is appropriate to crowd in private finance and when donors/DFIs should use other instruments. A recent report by Convergence, a global network of institutions and businesses on blended finance, noted that 'blended finance can only address a subset of SDGs that are investable'.[74] What is needed is a more sequenced, coordinated and country focused approach which could lead to greater country ownership and more sustainable outcomes for blended finance projects.

Due diligence and risk management

Due diligence and the systems in place to carry out due diligence and compliance are critical when providing ODA to the private sector and the financial institutions that facilitate the leveraging. There have been many concerns and examples raised over the extent to which sufficient due diligence is carried out to ensure partners follow environmental, social and governance (ESG) standards and do no harm in development.[75] Partnership criteria should be assessed to ensure the potential partners are responsible businesses; the due diligence process is treated as important; and finally how risk is managed.

M&E

The assessment framework focuses on the provision for monitoring and evaluation that should be set out at the programme level and actual evidence of monitoring at the partnership level. The assessment should focus on the actual process of monitoring and look at the provisions on evaluations and evidence that they have occurred.

LIMITATIONS TO THE FRAMEWORK

Our framework has a number of limitations as an assessment tool that we must acknowledge:

- Lack of information on individual partnerships including the governance structures hampers the framework's utility.
- The details of how ODA providers operationalize the principles and policies that inform blending programmes (and DPPs generally) are not always publicly available (this problem and the previous one can potentially be addressed through direct engagement with ODA providers and private sector partners).
- A similar challenge follows with respect to programme applications, partnership concept notes, and ultimately, final decision-making processes. The two-level approach undertaken aims to address this limitation as much as possible.
- Some ODA providers have overarching policies that guide their portfolio for private sector engagement. As such, individual programmes may not have specific policies and guidelines. In these cases, the overarching policies are used to inform the assessment of programmes. However, it is difficult to assess how such overarching policies translate to programmes and then onto individual partnerships.

5 PUTTING THE FRAMEWORK TO USE: SOME FINDINGS

Oxfam used the assessment framework to study some DPPs in terms of donors' overall policy, their private-sector programmes and some individual partnerships they supported. This assessment looked at the programmes of nine donors – Australia, Canada, the European Commission (EC), France, Germany, the Netherlands, the UK, the US and the World Bank. The next section of this chapter provides some findings from the assessments of the programmes of three of those donors: the US, France and the EC. Oxfam also assessed 20 DPPs involving one or more of the nine donors. Key findings from these partnership assessments appear below, with additional information provided in Annex 2.[76] It is important to note that this sample size is a small drop in the DPP ocean. Since carrying out this research, Oxfam has also used the assessment framework to assess blended development finance in the agriculture sector.[77]

TOPLINE ILLUSTRATIONS OF KEY DONORS' DPP POLICY AND PRACTICE

The United States and DPPs

The US has a long history of working with the private sector in development cooperation. The US approach seeks to harness private sector expertise, supply chains, technologies and investment flows. The US Agency for International Development (USAID) outlines this approach in its newly updated Private Sector Engagement (PSE) policy.[78] This illustrates donors' shift towards market-based approaches and investment (as does the World Bank's Maximizing Finance for Development policy). The policy is just the first step of the larger process of transformation and institutionalizing PSE as a core tenet of USAID's operating model.

Along with the new policy, in October 2018, US President Donald J. Trump signed the Better Utilization of Investment Leading to Development (BUILD) Act. It will create a new U.S. government agency – the U.S. International Development Finance Corporation (DFC) – which will come into being in October 2019. This is the biggest change in US development policy in 15 years. The DFC will combine the Overseas Private Investment Corporation (OPIC), the current US DFI, with USAID's Development Credit Authority (DCA) and add new development finance capabilities, including equity authority. DFC will have a higher capitalization than OPIC, $60bn.

Like OPIC, DFC will have a reasonably transparent complaints mechanism and use the IFC Performance Standards and International

Labour Organization (ILO) core labour rights as part of its due diligence processes. With regard to transparency, both USAID and OPIC publish data to the International Aid Transparency Initiative (IATI).

France and DPPs

France introduced a law in 2014 on international development policy and international solidarity. This gives the private sector an important role in partner countries and France, in terms of contributing to sustainable development. It focuses on the need for catalysing other sources of finance, especially innovative financing, corporate social responsibility, social enterprises and cooperatives.

Agence Française de Developpement (AFD) and its subsidiary DFI, Proparco, provide similar private sector instruments. Grants are reserved for LDCs in France’s aid solidarity zones, mainly providing market-rate and subsidized loans. The AFD Group has committed to implement the aid effectiveness principles, dialogue and working in partnership, monitoring and evaluation of the results. France is a member of IATI, but AFD continues to publish to version 1.03 of the IATI standard – one of the oldest versions. Oxfam believes that France-AFD should update to a newer version of the standard. The results of the 2018 Index on Aid Transparency, published by Publish What You Fund, point to the poor performance of AFD, 32nd out of 45 DFIs.[79] Between 2007 and 2013, Proparco channelled more than $505m intended for developing countries through tax havens. Oxfam continues to warn about Proparco's lack of transparency.[80]

The EU and DPPs

The EC’s Communications ‘Agenda for Change’ (2011) and ‘A Stronger Role of the Private Sector in Achieving Inclusive and Sustainable Growth in Developing Countries’ (2014) outlined the EU’s ambition to strategically engage with the private sector in development cooperation.[81] In the current European Union’s (EU) Multi-Financial Framework, blending represents approximately 4.1 billion euro. This figure includes not only private finance blending but also pooled public finance, which forms the bulk of EU blending operations. Specific annual totals are unavailable. About 60% of the EU grants allocated to blending projects supported energy and transport infrastructure initiatives; 26%

was invested in social infrastructure related for example to access to clean water, housing and health.[82]

In 2016, the EU launched its External Investment Plan (EIP), a flagship blending initiative. It supports investments in African and neighbourhood countries in several sectors, aiming to mobilize private investments through a guarantee mechanism and blending facility with investments targeted towards social and economic infrastructure and to support to micro-, small, and medium-sized enterprises (MSMEs), microfinance and job creation projects. In November 2018, the European Parliament adopted a resolution declaring that the EC must not use development aid money to fund commercial private schools.[83] The EIP also includes a technical assistance pillar for local authorities and companies for project development, and a dedicated pillar on policy dialogue to enhance the enabling environment for business and private investments in partner countries. The new Africa-Europe Alliance for Sustainable Investment and Jobs, proposed by the EC in 2018, is characterized by its focus on economic investment, job creation and trade, and 'represents a radical shift in the way we [the EU and the AU] work as partners towards a logic focussed on Africa's economic potential and the mobilization of the private sector.'[84] The EC and the European Investment Bank publish to IATI.

EVIDENCE ON DONOR ASSUMPTIONS

Oxfam found that while individual donors showcase examples of good practice, donor assumptions that DPPs are inherently good are not borne out by the evidence. Donors tend to see DPPs as leading to poverty and inequality reduction, as well as generating decent jobs and inclusive economic growth. But overall, the DPPs reviewed do not sufficiently integrate established international development, human and labour rights, and environmental principles and standards into their DPPs. Most donors do not use aid and development effectiveness principles as a baseline for all their interactions (for example promoting country leadership and democratic ownership, demonstrating development results and establishing strong transparency and accountability mechanisms). There was poor donor tracking of aid transfers. Donors were inconsistent with requirements for due diligence and risk management in DPPs and had inadequate systems to demonstrate the net benefit (development and financial additionality) of engaging a private sector partner, including whether the partner pays its fair share of taxes.

Donor assumptions that DPPs are inherently good for development are not borne out by the evidence.

Generally the review of donors, their programmes and DPPs revealed a massive information gap including data on overall financial allocations to implementing partners, specific information on programmes in terms of how they are structured and operated, and any detailed information on partnerships, especially when it comes to financial intermediaries. These gaps have and will make it hard to fully assess donor engagement with the private sector in development cooperation.

In order to remain accountable to northern tax payers, and to people living in poverty in developing countries, donor support for DPPs cannot continue to based on unproven ideological assumptions about their positive value. Instead it must be based on a careful and measured consideration of their impact.

MAIN FINDINGS FROM THE ASSESSMENT

Additionality: does the private sector need donor support?

Donors should show that engaging a private sector partner in a development project brings a net benefit to that project and they are not unnecessarily subsidizing the private sector. Due to political discussions on this question, many programmes mentioned the importance of financial additionality, but very few were able to demonstrate how they achieved it. None focused on development additionality. The majority of programmes did not include provisions in their partnership criteria and

None of the assessed programmes focused on development additionality.

application procedures that required partners to articulate the case for support in terms of additionality. Donors should be able to make a clear case for both development and financial additionality at the individual DPP level to justify the provision of an ODA subsidy to the private sector.

Box 1: Questioning development additionality

One of the DPPs we assessed involved a DCA loan guarantee provided in order to improve access to credit for microenterprises in the productive sector (agriculture, handicraft, waste management, infrastructure) in Haiti. This was a $4m, local multi-bank guarantee. The banks received TA from USAID to build their capacity to support the needs of the microenterprises. There is relatively little information available, although an evaluation of the programme has given a good overview of aggregated data and results.[85] Though a risk assessment was conducted, this is not publicly available. Overall, the project's evaluation concluded that though positive, it failed to meet some results targets, and that the banks that participated in this partnership did not change their loan terms for DCA-guaranteed borrowers. These results call into question the project's development additionality.

Aid effectiveness: leaving governments and communities in the dark

The cornerstone of the Busan aid and development effectiveness principles is 'country and democratic ownership and alignment'. However, in our assessment, country ownership is poorly reflected in DPPs and generally there are limited commitments by donors to this principle. Of the DPPs assessed, only two required that potential partners indicate how their project aligns to country priorities. In terms of partnerships, only four demonstrated linkage to country strategies or priorities, though fifteen did have a local partner (local government, company, non-profit). Many CSOs and academics[86] are concerned that there is an erosion of aid and development effectiveness standards. Donors seem to promote demand-driven private sector priorities, rather than align with priorities of partner countries. There is also little information found to fully understand the overall governance of DPPs, to ensure that there is representation during decision making processes of actors beyond the private sector/ donors.

Box 2: Green energy vs. development effectiveness principles?

One of the DPPs that Oxfam assessed is supported by French ODA through AFD and Sunref (Sustainable Use of Natural Resources and Energy Financing), AFD's green finance label, which facilitates access to affordable, sustainable energy. Sunref East Africa enabled Olivado (a New Zealand firm) to access financing ($1.3m) in order to invest in the construction of biogas power plants in Kenya that will produce 300KW of off-grid energy, which powers Olivado's factory, the surplus going to support local producers.[87] Assessing this project against the framework, some notable aspects stand out. There is little or no information available to show a results framework, transparency policy, consultation mechanisms or public oversight, no risk mitigation strategy or evaluations were available and there was no reference to international human rights frameworks or private sector voluntary standards. Ultimately, there is an implicit theory of change that Sunref will encourage banks to finance the ecological transition by offering to ‘remove’ the technical and financial barriers, but there is no detailed analysis to prove this has been the case.

DPPs can accentuate accountability gaps, especially for women and girls

Transparency and access to information are at the core of good governance, informed participation in decision-making and public accountability. Open and transparent processes pave the way for inclusive, high-impact development that meaningfully improves the lives of vulnerable and marginalized people living in poverty and the broader societies in which they live. For marginalized communities, this need for transparency and disclosure of project-related information is real and urgent.

Women, girls and gender minorities are particularly vulnerable due to patriarchal norms, and the consequences of such programs if not designed and implemented correctly can be dire. They experience negative impacts of projects at higher rates and in different ways. This is especially true among marginalized populations and people living in poverty. For example, women have far weaker land rights and far less access to land than men. Therefore, women are often in a weaker position to bargain with government authorities or investors, and they are often more at risk of violence where a land deal involves intimidation.

Oxfam found that though donors have transparency policy frameworks, they do not appear to consistently translate these into high levels of transparency vis-à-vis programmes and individual DPPs. The lack of basic information on DPPs is highly problematic, making it impossible to independently assess partnerships against donors’ own criteria.

Accountability provisions need to be improved over all the DPPs assessed. Public consultations need to have better provisions, especially those with affected communities, and must have explicit ways of taking gender into account during those processes. Consultations often are done in ways that severely limit or totally ignore the needs of women, girls and gender minorities and offer little opportunity to voice those needs. Though there are provisions for oversight and complaints mechanism, at the programme level, donors provide little information on these to varying degrees. There was little information to show how donors had undergone due diligence processes, including risk management and the provisions that were set in place to respond to the outcomes of the due diligence process.

Accountability provisions need to be improved over all the DPPs assessed.

Box 3: Zinc Alliance for Child Health – Strong development objective, unclear accountability

The Zinc Alliance for Child Health (ZACH) is a partnership between Global Affairs Canada and the non-profit Nutrition International (formerly the Micronutrient Initiative), UNICEF Canada, the World Food Programme, and Teck, Ltd., a Canadian mining company.[88] It aims to reduce child mortality by scaling up the use of zinc and oral rehydration salts to treat diarrhoea. ZACH seeks to educate local health workers and communities on the effectiveness of this approach.

However, Oxfam could find no information on public consultation, project oversight by beneficiaries, or the existence of a complaints mechanism. Nor is there any reference in project documentation to compliance with international legal or voluntary standards.

International frameworks are ignored

The assessment highlighted that the majority of the programmes and partnerships do not make reference to specific international human and labour rights frameworks or use voluntary standards to inform their approach. ILO conventions were the most prominently cited by donors, along with the IFC Performance Standards that are part of the IFC's Sustainability Framework and the OECD Guidelines for Multinational Enterprises. This last is a set of voluntary standards, and strong political will is required to integrate it into policies and practices. There were few references to environmental legal frameworks or the International Bill of Human Rights. In general, the assessment found that programmes operated by DFIs or financial institutions were more likely to include reference to specific frameworks.

The majority of the programmes and partnerships assessed do not make reference to specific international human and labour rights frameworks or use voluntary standards to inform their approach.

Lack of harmonized M&E systems

The assessment framework was constructed to recognize that there are certain pre-conditions and commitments that should inform the selection of DPPs, such as ensuring aid and development effectiveness and legal and voluntary standards. The DPPs assessed showed that institutional policies are not always explicitly translated into programmes, nor is it clear how programme provisions translated concretely into partnerships. In other words, it may look good on paper but in practice, it's lost in translation. Specifically, aid and development effectiveness principles were not systematically referenced or integrated into DPPs.

At the institutional level it is common that donors have a results-based framework and standardized reporting. However, in reporting on individual partnership results, only about half the programmes and partnerships explicitly mentioned their results indicators and most of the time the information was just not available.

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There are currently no harmonized monitoring and evaluation systems or standardized reporting mechanisms. Though many of the DPPs assessed have some sort of monitoring system, the variety of approaches means it is hard to assess and compare these. Even the private sector have called for a common system of impact measurement[89] though as there are still no agreed definitions for many of the terms, this seems hard to reach. A step forward has been the development of the overarching Operating Principles for Impact Management, launched in April 2019, which were subscribed to by a number of private investors, MDBs and DFIs which encourages signatories to report on their alignment to these principles on a yearly basis.[90]

Box 6: Donors may say the right words, but find it hard to make them practical

In 2011, CDC, the UK DFI that receives UK ODA, partnered with a local Bangladesh subsidiary of the Swedish equity fund manager Brummer and Partners. This DPP used long-term risk capital from Brummer's Frontier

Fund to support Ananta Companies Bangladesh, a garment exporter specializing in denims and trousers. It employs over 16,000 workers and has an annual turnover of $120mn.[91]

The Frontier Fund raised $88mn from development finance institutions and commercial investors. Its aim was to make long-term investments in privately owned, family companies in Bangladesh that were looking to expand and reach new markets. Its equity investments ranged between $5mn and $15mn, and targeted firms in the country's export, agriculture, health, education, IT and services sectors.[92]

The motivation was to provide equity funds in a risky environment to a successful company to expand, with the objective of creating more jobs (especially for women). Assessing this project with our framework, some notable aspects stand out. Though there was no mention of aid and development effectiveness principles, at the programme level, CDC does report on standardized results indicators across its investments (such as job creation and taxation), has an ex-ante tool and a Transparency and Disclosure Policy.

However, at the partnership level, there is little information on how the advertised successes are measured against the original key performance indicators and whether local communities know about a complaints mechanism. On adherence to legal and voluntary standards, CDC Group has a Code of Responsible Investing which references the human rights framework, ILO conventions, IFC performance standards, UNGP, OECD Guidelines for Multinational Enterprises etc. Nevertheless, at the partnership level there is no information available to show that there is a risk mitigation strategy, and Oxfam could find no information on how to ensure the enforcement of any of the mentioned standards, beyond stating that partners need to adhere to CDC's Code.

Limited evidence on DPPs' development impact

The OECD itself has noted that donors need to address the limited evidence in evaluations on private sector programmes and partnerships, which has created an information gap in terms of understanding the impacts of the partnerships and their effectiveness in realising results.[93] In the assessment, fewer than half of both programmes and partnerships linked the objectives to a theory of change. Evaluations that had occurred focused on quantity (amounts leveraged), loans given or jobs created, rather than quality such as the type of work, gender impacts and any reduction in poverty and inequality. The limited information on results and evaluations is highly problematic given the assumptions behind private sector partnerships and the ambitions of donors to increase engagement with the private sector.

Fewer than half of both programmes and partnerships assessed linked the objectives to a theory of change.

Oxfam's research on a World Bank-supported PPP in Punjab, Pakistan found that private schools in the study were not serving out-of-school children, the poorest girls and boys, or those with disabilities. It found the test-based funding model exacerbates inequalities by incentivizing schools to exclude those children unlikely to perform well on tests. The study also found evidence that education quality was poor due to a lack of investment and a reliance on unqualified teachers.[94] While the World Bank's 2018 World Development Report on education stated that 'there is no consistent evidence that private schools deliver better learning outcomes than public schools,'[95] the evidence is quite clear that there are high risks of socio-economic segregation and gender inequality associated with private schools, particularly for-profit models.

Oxfam's 'Moral Hazard' paper highlighted the weak or absent monitoring and evaluation of mega-public private partnerships in agriculture, including under the New Alliance for Food Security and Nutrition initiative of the G8. This initiative failed to track human rights frameworks, livelihoods and gender impact, and trade relations.[96]

Findings from the Global Partnership for Effective Development Cooperation's (GPEDC) survey on PSE showed that for example in Uganda, very few projects targeted the leave no one behind agenda, with only 4 % targeting poor and vulnerable people, and only 1.5 % explicitly targeting women.[97]

Finally, there is evidence from a donor itself. In 2016, the EU conducted an evaluation of its blending operations, both using ODA for private finance and with public loans. The study concluded that blending added significant value to the EU's grant-based development cooperation but also stated that blending did not address as fully as it could have the development challenges of lower income countries. The report concluded that 'the potential for poverty alleviation [was] not optimized', 'blending projects aimed at macro-economic development rather than direct poverty alleviation', and 'gender was rarely targeted'.[98] The decision to partner with the private sector should be rooted in a theory of change which establishes whether and how the private sector is best placed to help realise specific development results.

Box 7: Findings from an assessment of agricultural DPPs[99]

An Oxfam assessment of DPPs in agriculture found all of the partnerships focus primarily on commercializing value chains to promote food security or support private sector development and growth. The review questioned the extent to which these DPPs define their development objectives in terms of final impacts on poverty reduction, food security, inequality, gender equality and environmental sustainability. All programmes and partnerships looked at the number of jobs created, number of farmers taking credit and so forth (quantitative data), without however looking sufficiently at impacts on poverty, gender or inequality (qualitative data). The most commercially viable small-holders were more likely to attract investment than those operating on the margins, who are unlikely to attract private investors, even with ODA or other public de-risking. These marginalized small-holders, more often women than men, are likely to be left further behind, potentially increasing income and gender inequality.

6 CONCLUSIONS AND RECOMMENDATIONS

Oxfam's DPP assessment framework is not meant to stand alone but to be used in discussions and development of legislation or policy to ensure that the principles and frameworks are integrated when donors use ODA in DPPs.

Data on DPPs have yet to be systematically captured or tracked. Case studies are too few or too piecemeal to be instructive, leading to a troubling knowledge and evidence gap on assessing the value and efficacy of private sector interventions in development, even as the speed for adapting development to this process is in full steam.

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In designing recommendations to harness the potential and minimize the risks of DPPs, it is important to recognize the complexity of private sector partnerships and instruments in terms of size and form. One size does not fit all.

In developing the framework, Oxfam sought a balance between the ideal and the pragmatic, based on already agreed standards, principles, and international law. From the assessment and Oxfam's many years of work in this area, we believe there are six important aspects that donors should take into account as they build and implement DPPs.

RECOGNIZE THE NEED FOR CAUTION

Oxfam's research and experience show that poverty and inequality reduction as a result of private sector investment and activity cannot be assumed – it must be nurtured. Therefore donors should:

- Analyse the trade-offs and opportunity costs of investing ODA in DPPs and make a (public) case as to why they think this is an investment that will help reduce poverty and inequality before they actually make the decision to engage in the DPP.
- Engage in DPPs only when they can demonstrate financial and development additionality – meaning mobilizing greater finance than either the public or the private sector alone would bring to the table and enabling a larger poverty reduction impact than would be possible using public finance alone – effective minimization of risks for people and the environment, promoting the rights of women and gender minorities and economic opportunities.
- Refrain from engaging in DPPs in sectors where there are known negative impacts from engaging for-profit actors in service provision – especially in transferring high costs to end users – including healthcare and education.

LINK TO ALL SDGS AND CLIMATE OBJECTIVES

The ultimate aims of ODA are to reduce poverty and inequality and enhance gender justice. To ensure ODA supports private sector engagement to reach these aims through responsible business and decent jobs, donors should:

- Ensure that the objectives of the DPP contribute to achieving all the SDGs, refraining from cherry picking among the goals, and international climate change commitments.
- Ensure that these objectives and desired results determine the selection of the private sector partners or whether a private sector player is best placed for this work, in the first instance by requiring in the partnership criteria ex-ante forecasts that provide a theory of change which is public and establishes how the private investor is best placed to realize specific development results and will ensure no negative impacts on public systems.
- Develop systems to track and report aid allocations to private sector partners as a proportion of overall aid spending to guard against over-use of DPPs at the expense of other projects and programmes with high social returns such as education, health and social protection in the poorest countries.
- Pay special attention to gender equality and supporting women and other marginalized groups of entrepreneurs, producers, and workers, so as to leave no one behind. Without targeted measures it is less likely that women would be able to benefit from DPPs.

ADHERE TO AID AND DEVELOPMENT EFFECTIVENESS PRINCIPLES

Aid and development effectiveness principles hold donors to account to ensure ODA is spent in the right way to reach its desired objectives of reducing poverty and inequality and enhancing gender justice. Donors need to operate in line with principles of country and democratic ownership to ensure inclusiveness and participation of local populations and impacted communities, including civil society; managing for results that align to countries' development objectives and using their country systems, have clear key performance indicators that are harmonized across donors and results metrics, and clear partnership-specific results indicators; transparency; limiting tied aid and ensuring robust monitoring, evaluation and learning.

Country leadership and democratic ownership

This is about putting developing countries in the driver's seat, and giving citizens – especially women and the most marginalized groups – the means to have a voice in development, to be part of decision making and to hold decision makers to account. Donors should:

- Ensure partner governments verify that a DPP aligns and complements the national development strategy and national budgetary process.
- Engage civil society (all representative stakeholders, intermediaries and beneficiaries, including women's organizations) in consultation and public debate about, and project design, implementation, monitoring and evaluation of DPPs, where appropriate.
- Favour local MSMEs when tendering for DPPs to help develop the domestic private sector and keep more value with local workers and entrepreneurs.

Managing for results for development outcomes

This is important because the approach focuses on ensuring development outcomes throughout the management cycle of a development project and integrates results in the planning, budgeting, implementing, monitoring and evaluation. Donors should:

- Standardize and report on the results of DPPs to demonstrate they have a positive impact on development, and learn from success, by adopting an integrated results framework, such as the SDGs.
- Take account of results that meet developing countries' priorities, and measure for agreed specific development and sustainability criteria.

Transparency and accountability

In development cooperation, these are two sides of the same coin. Without comparable, timely and accessible information, it is impossible to know what money is going where, for what purpose and with what results.

Accountability mechanisms that engage people and create a sense of ownership in projects help to ensure that funding decisions are relevant and implemented as promised. Donors should:

- At a minimum, require all private partners to publish data to the International Aid Transparency Initiative (IATI) data standard;
- DAC donors must urgently agree on collective rules regarding the inclusion of private sector instruments in ODA. They must also improve the quality and transparency of their reporting on private sector instruments to the OECD DAC Creditor Reporting System (CRS). Comprehensive reporting is critical to allow meaningful public scrutiny of how ODA is spent in DPPs;
- Presume public disclosure of donor-partner contracts unless confidentially is requested by a party that can establish that it is necessary to protect business secrets or proprietary information;
- Provide for publicly available independent evaluations at the mid-term and end of partnerships for randomly selected, high-cost DPPs and ensure enough support is provided to enable partners to carry out sufficient monitoring and evaluations.

RESPECT INTERNATIONAL LEGAL AND VOLUNTARY STANDARDS

The importance of international legal and voluntary standards is that they are recognized as binding on states and there is growing consensus around the voluntary standards of the private sector.

- Require all DPPs, as a condition of the partnership, to adopt a human and labour rights policy that is aligned with the highest applicable legal frameworks and voluntary standards[100] such as the UN Guiding Principles on Business and Human Rights, the ILO's core labour rights and the IFC Performance Standards.
- Reference key legal frameworks and include provision for compliance in partnership criteria with respect to potential private partners, including specific partnership projects incorporated into strategic DPPs.

DUE DILIGENCE AND RISK MANAGEMENT

Due diligence and risk management are important to avoid and address adverse impacts related to worker and human rights, the environment, bribery, communities and governance that may be associated with operations, supply chains or other relationships.

At a minimum, donors must in their due diligence and risk management:

- Establish clear partnership criteria in terms of corporate governance, finance and development impact with respect to the private sector partners.
- Legally enforce compliance with legal frameworks in contracts between donors and supply-chain partners on high-value and high-risk projects, including penalties and sanctions where breaches exist.
- Include provision for free, prior and informed consent and social license to operate[101] for communities whose land is affected by the project or investment as conditions of the due diligence assessment.
- Include provision for risk management – financial, ESG, gender-related and economic risks associated with the project should be assessed and managed to ensure the minimization of risks for people and the environment.
- Ensure DPPs via financial intermediaries are subject to the same rigorous standards of impact assessment, monitoring and oversight and transparency as traditional grant ODA.
- Ensure that the private sector partners are paying their fair share of taxes.

To improve accountability and public scrutiny of DPPs, donors should:

- At a minimum, require that programmes operate in line with the principle of presumed full disclosure and transparency, making publicly available partnership criteria, application procedures, decision making, financial contract details, partners supported, activities, results and evaluations.
- At a minimum, stipulate partner-country parliamentary scrutiny and public consultation on high-risk/high-value DPPs, and make provision for representative civil society to hold governments to account on these projects. Annual partner-country parliamentary scrutiny should take on DPP budget debates, including, where possible, gender responsive budgeting, and parliamentary inquiry.
- Encourage, as part of the contract, that host governments conduct inclusive mutual assessments of progress in implementing agreed commitments.
- Ensure that suitable complaints mechanisms (at donor, government and partnership levels) for redress are made available and accessible for all, including marginalized communities, and publicly communicated at the onset of a project to all intended beneficiaries and affected communities when private partners are used, and that there are public reports on how complaints get handled. Any due diligence or consultation process must have explicit ways of taking gender into account during those processes.
- Include in due diligence processes assessments of gender impacts especially but not only when it comes to risk.

ADDITIONALITY

One of the main challenges of providing funds to DPPs is how to show that engaging a private sector partner in a development project brings a net benefit to that project and that the donor is not unnecessarily subsidizing the private sector, using ODA. Donors should:

- Include in partnership criteria provisions for ex-ante forecasts of development and financial additionality.
- Include indicators that measure development additionality – based on an integrated results-framework, such as the SDGs – and financial additionality in the partnership results framework.

ANNEX 1: DPP ASSESSMENT FRAMEWORK

Assessment criteria		Programme level assessment	Partnership level assessment
Component	Sub-component and explanation	Evidence	Evidence
Aid and development effectiveness principles	Programme operates in line with principles of country ownership and alignment. • Programme and subsequent projects are explicitly structured to support national leadership and development plans • Programme and partnerships include provisions for consultation and involvement where possible with domestic stakeholders (broadly understood as government, civil society and the private sector)	• Principle explicitly mentioned in programme documents • Provisions for compliance as set out in partnership application and/or selection process • Evidence of assessment of country ownership in programme evaluations	• Evidence the partnership supports country ownership (i.e. mention of explicit link to priorities or involvement by national stakeholders)[102] • Evidence of demand for the partnership by domestic governments
	Programme operates in line with principle of managing for results. • Programme sets out key performance indicators and results metrics AND/OR • Provisions for the development of partnership specific results indicators	• Description of indicators • Description of provisions for establishing results indicators • Description of whether the programme is tied aid	• Partnership specific results indicators • Description of how results indicators are linked to development objectives
	Programme operates in line with principle of transparency. It makes publicly available partnership criteria, application procedure, decision-making, partners supported, activities, results and evaluation.	• Description of elements of the programme that are publicly available • Existence of a transparency policy for the programme • IATI reporting	• Description of elements of the partnership that are publicly available
	Programme operates in line with principles of accountability. Includes: *Public oversight* • Programme is subject to government regulation and includes element of public oversight • Programme is subject to independent evaluation *Consultation mechanism* • Programme is subject to public consultation *Complaints mechanism* • Programme has a mechanism by which affected communities can raise concerns and seek meaningful resolution	*Public oversight* • Description of regulations to which the programme is subject • Description of public oversight mechanisms • Description of provisions for independent evaluation *Consultation mechanism* • Description of public consultation on the programme • Description of consultation provisions for particular partnerships *Complaints mechanism* • Description of complaints mechanism (e.g. Ombudsman office, policy framework, etc.)	*Public oversight* • Evidence that the partnership follows relevant public regulations and is subject to public oversight *Consultation mechanism* • Evidence the partnership was subject to public consultation *Complaints mechanism* • Available information on the complaints mechanism for the partnership
International legal and voluntary standards	International human rights framework • Programme operates in line with international human rights frameworks	• Human rights frameworks mentioned • Provisions for compliance	• Evidence the partnership supports or at least does no harm in terms of human rights according to relevant human rights frameworks, e.g. referred to in risk mitigation strategy

	Private sector voluntary standards • Programme operates in line with voluntary standards for the private sector	• Standards mentioned • Provisions for compliance	• Evidence the partnership operates according to relevant voluntary standards, e.g. referred to in risk mitigation strategy
Development objective	• The programme has as its primary purpose realizing development objectives such as poverty reduction, gender equality, reduced inequality or environmental sustainability • Programme is linked to internationally agreed development goals (SDGs) • Programme and partnerships are grounded in a theory of change for the realization of development objectives	• Description of programme development objectives and its theory of change • Description of other programme objectives (e.g. supporting domestic commercial interests)	• Description of partnership development objectives and its theory of change (as articulated by the documentation on the partnership or identifiable from a review of the documentation) • Description of other identifiable objectives (e.g. supporting domestic commercial interests)
Due diligence	Partnership criteria • Programme sets out clear criteria in terms of corporate governance, finance, development impact and payment of a fair share of taxes with respect to potential private sector partners [Note: tax payment was not a criterion in the assessments reported on in this paper]	• Partnership criteria	• Evidence that the private sector partner meets partnership criteria as stated by documentation on the partnership
	Due diligence system • Programme includes a due diligence assessment of potential partners • Programme includes free, prior and informed consent for affected communities	• Articulated due diligence process • Provisions for free, prior and informed consent	• Evidence that the partnership was subject to a due diligence process • Evidence of community consultation and consent
	Risk management • Programme outlines how financial, ESG, and economic risks associated with the project are assessed and managed	• Key risks identified as associated with the programme • Provisions to manage risk	• Risks associated with individual partnership and provisions for management
Additionality	Development • Programme supports partnerships that demonstrate development additionality	• Scope of development results expected to be achieved by the programme through partnership that otherwise would not be achieved	• Articulation of development results that otherwise would not be achieved without partnership
	Financial • Programme supports partnerships that demonstrate financial additionality	• Financial additionality requirements	• Explanation of financial additionality
	Value • Programme supports partnerships that demonstrate value additionality	• Potential roles of the public and private sectors under the programme beyond financing	• Description of value added by private sector through their participation in the partnership
Monitoring	• Programme sets out provisions for regular monitoring of partnership activities and results	• Description of monitoring process	• Evidence of monitoring – e.g. mid-term reporting available • Frequency of reporting
Evaluation	• Programme includes provisions for evaluation of individual partnerships AND/OR • Programme is evaluated based on sample of partnerships • Programmes impact on the poorest	• Description of programme evaluation provisions • Existing programme evaluations	• Description of provisions for partnership evaluation • Existing partnership evaluations

ANNEX 2: THE DPPS ASSESSED

Name	Donor, instrument and programme	Public contribution	Duration	Description
African Enterprise Challenge Fund - Vet Care	Multi-donor, grant, challenge fund	$250,000	2013 -?	This project with a small Somali company aims to establish a veterinary inputs and service delivery value chain and support an enabling environment for sustainable private sector-led animal health system. The partnership is a donor-led private sector model with the private sector serving as beneficiary.
Ananta Apparel Partnership	UK, equity and collective shares in investment vehicles, equity	$1m	2011 - ?	This partnership supports Ananta Apparel, a large Bangladeshi company, to expand its operations and improve economic and social conditions for its employees. The partnership is a donor-led private sector model with the private sector serving as beneficiary and reformer.
Angola Electricity Support Programme	US, grant, multi-stakeholder partnership programme	$6.4m	2005 - 2011	This Global Development Alliance aimed to improve electricity service delivery to communities in per-urban locations in Angola. It included an Angolan bank as a partner alongside local authorities and the national electrical company. The partnership is a donor-led private sector model with the private sector serving as resource provider and beneficiary.
Baladini Kitchen Incubator	Germany, grant, programme that provides business support, capacity development and technical assistance	Unavailable	2014 - ?	Supported by a responsible business hub, this partnership includes a local social enterprise in Egypt that aims to train women in artisanal cooking to improve the quality of life in rural communities and foster healthy, nutritional practices for women and their families. The partnership is a company-led model with the private sector serving as implementer.
Cambodia Laos Myanmar Development Fund II LP	The Netherlands, Equity and shares in collective investment vehicles, share in collective investment vehicle	$4m stake in investment fund	2011 - ?	Through MASSIF, FMO invested in a fund managed by Emerging Markets Investment Advisors to provide finance to SMEs in Cambodia, Laos and Myanmar. The partnership is a donor-led private sector model with the private sector serving as beneficiary. SMEs that access the fund may also serve as reformers owing to the CSR related components of the financing they receive.
Consumer behaviour in focus	Germany, grant, business support programme	Unavailable though max is €200,000	2011 - 2014	With the support of the develoPPP.de programme, this project aims to improve the availability of market data in Africa by training market research experts. The project includes Germany's largest market research company, and four universities in Ghana, Kenya, Nigeria and South Africa. The partnership is a donor-led private sector model with the private sector serving as beneficiary and resource provider.

Name	Donor, instrument and programme	Public contribution	Duration	Description
DRC Infraco SPRL (HTD)	World Bank Group, guarantee and other unfunded liabilities, guarantee; there is no provision of aid unless the guarantee is drawn on	$94.6m guarantee	2015 - 2021	This MIGA supported partnership offers guarantees to support financing from the Standard Bank South Africa, DEG and the Belgian Investment Company for Developing Countries for the operation and upgrade, reactivation and expansion of Helios Towers DRC ('HTD'), an independent telecom tower company operating in the Democratic Republic of Congo. This partnership is a donor-led private sector model with the private partner serving as beneficiary.
Educating Nigerian Girls in New Enterprises	UK, grant, multi-stakeholder partnership programme/ challenge fund	£3.65m	2014 - 2017	The partnership is supported by DFID's Girls Education Challenge programme. The partnership with Coca Cola aims to provide education opportunities for girls and young women to advance their leadership and entrepreneurship skills. The partnership is a donor-led private sector model with the private sector serving as beneficiary and participant.
Global Financing Facility	World Bank Group, debt instruments, bonds/blended finance	$500m over 2015-2018, peaking at $2bn over 2018-2022 and declining to $1.7bn 2022-2030	2015 - 2030	Implemented by IBRD, the GFF in support of Every Women Every Child aims to mobilize private sector resources that, in addition to public sector resources, help close gaps in the financing of essential interventions required to improve the health of women, children and adolescents for 63 high burdened low and lower middle income countries. The partnership will establish donor-led private sector model with the private sector serving as resource providers, implementers and beneficiaries.
Haiti-DCA Loan Guarantees	US, guarantee and other unfunded liabilities, guarantee; there is no provision of aid unless the guarantee is drawn on	$4m guarantee	2007 - 2013	The DCA provides a guarantee to two Haitian banks to provide debt financing to micro enterprises and SMEs in the productive sector. The partnership is a donor-led private sector model with the private sector serving as beneficiary.
High Quality Rose Farming	The Netherlands, loan and guarantee, business support programme/blended finance	€1m loan and €1.4m guarantee	2015 - 2020	This partnership is supported by DGGF to a Dutch SME to grow high quality roses in Ethiopia for export. It is an example of the donor-led private sector model and with the private sector serving as beneficiary.
IDH Cocoa programme	Multi-donor, grant, multi-stakeholder partnership programme	€7m	2008 - 2015	The programme is a multi-year initiative that includes a wide range of multinational private sector partners, international non-profit partners, and local government operating in Cote d'Ivoire, Ghana, Indonesia, Nigeria, Cameroon, Vietnam, and Ecuador to improve the sustainability of agricultural practices in cocoa. The programme is an example of a coalition model of partnership with the private sector serving as resource provider, reformer, beneficiary, participant and target.
Jamaica Toll Road	EU, debt instrument, loan	€50m	2011 - ?	The loan from EIB supports the government's Build Operate and Transfer (BOT) concession contract for the

Name	Donor, instrument and programme	Public contribution	Duration	Description
				Jamaica Toll Road with a large Jamaican firm. The partnership is a donor-led private sector model with the private sector serving as beneficiary.
Linking Ethical Fashion Enterprises in Myanmar to Global Markets	Australia, grant, multi-stakeholder Partnership programme	A$150,000	2016 - 2017	This Business Partnership Platform partnership Supports a small Australian firm, working with non-profit partners, to link women in the Myanmar textile industry to value chains. The partnership is a donor-led non-profit model with the private sector serving as reformer.
Mobile SME Insurance in the Pacific Islands	Australia, grant, challenge fund	Unavailable	2015-2016	Supported by the InnovationXchange programme, this partnership brings together two large international firms to provide low cost insurance to employees of SMEs using mobile phones as a means to respond to natural disasters in the Pacific Islands. The partnership is a donor-led private sector model with the private sector serving as implementer.
Port de Pointe Noire Programme	EU, grant, blended finance	€6.6m	2009 - 2014	This partnership is a large scale infrastructure project aimed at investing in updating and expanding a port in the Republic of the Congo. It is an example of the donor-led private sector model with the private sector partner – private concessionaire – serving as resource provider and beneficiary.
Qatrana Electric Power Company	France, debt instrument, loan	$47m	2009 - ?	This Proparco supported project consists of the construction of a gas-fired combined cycle power plant with a capacity of 373MW, to be located in Al Qatrana, ninety kilometres south of Amman. The project will be implemented by the Qatrana Electricity Power Company, a private shareholding company registered in Jordan. The partnership is a donor-led private sector model with the private sector serving as beneficiary.
Tim Hortons Coffee Partnership	Canada, grant, ad hoc and other programmes	C$3.45m	2005 - ongoing	The Tim Hortons Coffee Partnership supports small-scale coffee farmers in Brazil, Guatemala, Honduras and Colombia to build sustainable coffee communities through improved farming practices and the more efficient production of higher quality coffee. The partnership is a company-led model with the private sector serving as resource provider and reformer.
Turning avocado waste into green energy	France, debt instrument, loan (credit line)	$1.3m	2015 - ?	Sunref is supporting Olivado Biogas, a large Swiss firm, with a credit line to turn avocado pulp into biogas through the establishment of a biogas power plant. The partnership will cut energy costs as well as make use of the methane emitted from avocado waste and addresses the challenge of sustainable energy supply. The partnership is a donor-led private sector model with the private sector serving as beneficiary and reformer.

Name	Donor, instrument and programme	Public contribution	Duration	Description
Zinc Alliance for Child Health	Canada, grant, ad hoc and other programmes	C$150m	2010-ongoing	This partnership involves Teck, a mining company, and non-profit partners UNICEF-Canada and the Micronutrient Initiative. It aims to improve new-born and child health in Africa, Asia and the Americas by developing and scaling up zinc treatment programs for improving nutrition and saving children's lives. This project is a business-CSO alliance in which the private sector serves as a resource provider.

NOTES

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[55] These principles and voluntary standards include International Labour Organisation conventions; UN environmental conventions; the Universal Declaration of Human Rights; the International Covenant on Economic , Social and Cultural Rights; the International Covenant on Civil and Political Rights; the Convention on the Elimination of All Forms of Discrimination Against Women; the Convention on the Rights of the Child; the UN Global Compact principles; the OECD Guidelines on Multinational Enterprises; the OECD guiding principles on Public-Private Partnerships; the Extractive Industries Transparency Initiative (EITI); the UN Guiding Principles on Business and Human Rights; the IFC Performance Standards on Environmental and Social Sustainability; and the principles of aid and development effectiveness agreed 2003 - 2011.

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[100] These include the Universal Declaration of Human Rights; ILO conventions; UN environmental conventions; the International Covenant on Economic, Social and Cultural Rights; the Convention on the Elimination of All Forms of Discrimination Against Women; the Convention on the Rights of the Child; the Declaration on the Rights of Indigenous Peoples (including compliance with Free, Prior and Informed Consent); UN conventions related to corruption and money laundering; the International Covenant on Civil and Political Rights; the UN Guiding Principles on Business and Human Rights; the OECD Guidelines on multinational enterprises; the OECD Guidelines on public-private partnerships; UN Global Compact Principles; EITI; and the IFC Performance Standards on Environmental and Social Sustainability.

[101] Social licence to operate (SLO) refers to the level of acceptance or approval by local communities and stakeholders of mining companies and their operations. See N.L. Hall and T. Jeanneret. (2015). *Social Licences to Operate: An Opportunity to Enhance CSR for Deeper Communication and Engagement. Corporate Communications: An International Journal*, 20(2), 213-227. Retrieved 22 May 2019, from <https://doi.org/10.1108/CCIJ-01-2014-0005>

[102] For a more in-depth analysis, partnerships could be examined vis-à-vis national strategies and plans to assess the extent to which they support country ownership. This depth of analysis however, is outside the scope of this study but should be considered for in-depth case study analyses.

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