

## Evaluation Synthesis - Private Sector Engagement

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# EVALUATION SYNTHESIS – PRIVATE SECTOR ENGAGEMENT

*2021*

Cooperation between development policy actors and the private sector is becoming increasingly important, among other reasons because the development community anticipates that it will mobilise additional resources for achieving the Sustainable Development Goals (SDGs). Until now, however, the only research on whether the goals of such cooperation have been achieved has taken the form of evaluations and academic studies on individual projects and instruments. This evaluation synthesis attempts to fill this gap by systematically analysing the available evidence on private sector engagement within German and international development cooperation.

Overall, the evaluations and studies included in the analysis report mainly positive effects on investors and donors, intermediaries, partner countries and target groups. However, various analyses, including an assessment of the quality of the evaluations, suggest that a positive-results bias is present.

The evaluation synthesis puts forward recommendations on defining indicators, on measuring and assessing impacts and additionality, on knowledge management, and on considering the transaction costs involved in cooperating with private sector actors.

# EVALUATION SYNTHESIS – PRIVATE SECTOR ENGAGEMENT

*2021*

# IMPRINT

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## EXECUTIVE SUMMARY

Private sector engagement is becoming increasingly important in German and international development cooperation. The development community's main expectation is that such cooperation will mobilise additional resources to finance the Sustainable Development Goals (SDGs). It also views the private sector as an engine for economic growth, which – by driving entrepreneurial creativity and innovation – promotes new investment, boosts the efficiency of markets and creates new and better jobs (Bilal et al., 2014).

Whether these expectations are actually being met, however, has not yet been investigated by other means than evaluations and academic studies on individual projects and instruments. No significant evidence base exists on the wider effects of private sector engagement across projects, sectors and instruments. The present evaluation synthesis attempts to fill this gap by systematically analysing the available evidence on private sector engagement within German and international development cooperation.

### Subject of the evaluation and evaluation questions

Private sector engagement (PSE) – sometimes also referred to as “private sector for development” (PS4D) – is the subject of this evaluation synthesis. It encompasses a range of development cooperation activities (PSE projects and instruments) which deliberately engage German, European or international companies and investors for the purpose of pursuing development goals in partner countries. PSE is thus distinct from the term “private sector development” (PSD), which refers to more general support of private sector business and related institutions in partner countries.

The underlying PSE projects and instruments included in this evaluation synthesis are structured according to three main approaches:

- financing *of* companies; for example, public-private partnerships and development partnerships with the private sector
- financing *with* companies; for example, structured funds and co-financing arrangements
- preparing for financing, by means of advisory and matchmaking activities, among others

The evaluation synthesis seeks to identify available evidence on the wider effects of PSE, such as outcomes and impacts, and to analyse the conditions under which these occur. Another aim is to identify the added value that this kind of cooperation with private companies is expected to yield. In all, seven evaluation questions have been defined in total and grouped into four areas of interest:

Area of interest	Evaluation question
I. Quality of evaluations	1. What methodological approach do the evaluations use to assess the contribution of private sector engagement? What conclusions can be drawn concerning the methodological quality of evaluations in the thematic area?
II. Effectiveness and impact	2. To what extent is it possible to identify outcomes and development impacts which were intended contributions of private sector engagement?
	3. To what extent can unintended (positive/negative) outcomes and development impacts be identified?
	4. What framework conditions were crucial for the achievement or non-achievement of the outcomes and development impacts?
III. Sustainability	5. What internal conditions of the instruments were crucial for the achievement or non-achievement of the outcomes and impacts?
	6. To what extent can the effects of private sector engagement be considered sustainable?

Area of interest	Evaluation question
IV. Coherence of the German portfolio	7. To what extent is there useful integration between instruments of German development cooperation in the area of private sector engagement, and how far are synergies utilised?

### Methodological approach and portfolio

The evaluation team defined a number of inclusion criteria, grouped them into five research categories and developed an explicit search strategy in order to organise the available evidence on PSE activities in a comprehensive and transparent manner. In total, 1,534 potentially relevant sources were either identified in databases or supplied by relevant governmental implementing organisations of German development cooperation. To ascertain the actual relevance of the evaluations and studies, the team then appraised them both manually and by means of an automated text mining procedure.

Given the high number of evaluations and studies identified, a stratified proportional sample was drawn, adequately reflecting the different (groups of) actors represented in both the population and the selected sample. The procedure makes it possible to synthesise the evidence taken from German and international development cooperation as well as related research, and to draw conclusions on the ways in which PSE activities work.

Next, the team assessed the quality of the evaluations and studies in the sample. A standardised grid consisting of nine indicators based on internationally recognised quality standards for evaluation was applied for this purpose. It was decided that at least 60 per cent of the maximum quality points should be scored for an evaluation or study to qualify as reliable. It should be noted that certain biases cannot be excluded (see question 1, “Quality of evaluations and studies”).

As a result, 51 evaluations and studies remained in the sample and reflect the evaluation practice of a variety of German development cooperation’s implementing organisations (DEG [Deutsche Investitions- und Entwicklungsgesellschaft], GIZ [Deutsche Gesellschaft für Internationale Zusammenarbeit] and KfW [KfW Development Bank]) and international (bilateral and multilateral) actors. The evaluations and studies examine a multitude of different activities involving PSE projects and instruments.

With the help of a matching scheme that was previously developed for the purpose, the team matched the evidence in the evaluations and studies with the corresponding effects and effect sizes, as well as the external and internal conditions. It then proceeded to carry out descriptive and content analysis. The analysis scheme was based partly on a theory of change for PSE that the team had reconstructed beforehand. Finally, and with a view to answering the seventh evaluation question on coherence, the team conducted a number of semi-structured interviews.

### Findings

#### *Quality of the evaluations and studies (evaluation question 1)*

The quality of the analysed evidence on PSE is mixed. In general, (academic) studies scored better in terms of higher average points than (project or programme related) evaluations. The gap was most striking with regard to descriptions of causal pathways and rationales for the appropriateness of the selected methods. The latter were missing from the majority of evaluations with negative effects on the transparency and clarity of the deduced findings. One reason for the lower quality of evaluations compared to academic studies could be the lower funding available for the evaluations of individual projects. Moreover, all studies included in this synthesis had already been published and hence quality-assured by independent peer reviewers; this had not necessarily been the case for the evaluations.

The analysis revealed that effects at the “outputs” level are measured or operationalised by indicators in almost all cases. At the level of “outcomes” and especially “impact”, however, effects are either not examined at all or tend to be roughly estimated rather than measured. Moreover, in many cases, the indicators or methods applied for the estimations are not described.



One reason why impacts are rarely measured is that many PSE projects and instruments rely on rather long and complex pathways to impact, which makes it harder to quantify results. As an example from the “financing *with* companies” approach, the mobilisation of private capital is a defined effect – but as an additional and later step on the causal pathway. It is generally known to be a challenge to attribute occurring effects to a given project or instrument. Another weakness identified in many of the underlying evaluations and studies is the absence of the *additionality* concept in PSE evaluations (see Box 1).

### Box 1      **Additionality**

The Organisation for Economic Co-operation and Development (OECD) makes a distinction between financial and development additionality. An official investment is defined as financially additional when it supports a company that is unable, without public support, to obtain financing of a similar amount or on similar terms from local or international private capital markets; or when it mobilises investments from the private sector which would not otherwise have been invested (OECD, 2016). Development additionality, on the other hand, is defined as the development impact resulting from the investments which would not otherwise have occurred (OECD, 2016). Especially in relation to private sector engagement, the review of additionality is of key importance when drawing conclusions about the efficiency or cost-effectiveness of projects and instruments, since there is a risk that public funding might finance activities that the private sector would have financed anyway, even without the subsidy component.

Given the mixed quality of the evaluations and studies analysed for the synthesis, the low number of cases in which negative effects were identified (see next paragraph) and the fact that unintended effects were hardly ever examined, there is likely to be a positively distorted picture overall. The phenomenon is also known as publication bias: studies which identify (positive) effects are more likely to be published than those which identify negative or no effects. Research findings in development cooperation are no exception to this pattern; on the contrary, these are at times described as especially susceptible to systematic positive biases (Duvendack et al., 2012).

### ***Intended effects: outcomes and development impacts (evaluation question 2)***

For the purposes of this synthesis, a theory of change for PSE was reconstructed by the evaluation team, visualising the intended pathways to impact across different instruments. A theory of change is typically structured according to the different levels of expected results – from inputs via outputs and (direct) outcomes to (broader) development impacts. Effects are assumed pertaining to various stakeholder groups: investors and donors, financial intermediaries, partner countries and target groups.

With regard to investors and donors, private capital mobilisation (output level) is the expected core effect in the theory of change. More specifically, the “financing *with* companies” approach provides for public donor agents to assume part of the investment risk in order to help mobilise additional (private) capital for the achievement of development goals.

It is assumed that intermediaries, which may be either companies or financial institutions, will employ the additional capital (mobilised by “financing *of*” as well as “financing *with* companies”) for SDG-related investments in partner countries. These could consist in expanding business activities, introducing new technologies and standards, or providing training and further education for employees. At outcome level, these activities are expected to result in improved standards for production, education, environmental social governance (ESG), and to increase productivity, competitiveness, profits and production.

In respect of target groups in the partner country, it is assumed that they will benefit from effects at the intermediary level, such as the creation of new and improved employment opportunities which generate higher or more secure income. Another assumption is that introducing new technologies promotes technology transfer, which in turn improves basic infrastructure in areas such as sanitation, water and health. These outcomes are expected to contribute to improved livelihoods for the given target groups and partner country.

Investments in the partner country are further assumed to have various demonstration effects, notably on other foreign investors who have not previously invested in the partner country due to the perception that investment risks would be too high. Other demonstration effects could relate to the introduction and application of ESG standards in corporate business models (in partner countries). Finally, economic growth per se is seen to lead to higher tax revenues, which in turn increase the funding available for state social benefits.

Figure 1 shows a summary of the number of effects identified (length of bars) and the nature of the evidence (see shading of bars: green = positive effect and red = negative/no effect) in the underlying evaluations and studies. Within each of the respective groups (investors and donors, intermediaries, partner country and target groups), the identified effects were structured according to the relevant OECD-DAC criteria (effectiveness, impact and efficiency). As the figure illustrates, the total number of effects reported as pertaining to effectiveness (429) is higher than of those pertaining to development impact (196). The evaluations and studies further report an especially high number of effects pertaining to increased or secured employment among target groups, and to knowledge building at the intermediary level. Overall, there are markedly more positive than negative effects reported, the only exception being the coordination of investors and donors.

**Figure 1** Overview of the number and direction of the identified effects, by levels and OECD-DAC criteria



Source: DEval, own presentation. Green bars indicate positive and slightly positive effects; red bars, negative and zero effects. The bars show the number of effects proportionally to the category with the highest number of effects (employment).

At the level of investors and donors the evidence shows a mixed picture: while the underlying studies and evaluations report numerous positive effects on the mobilisation of private capital and on cost savings, negative effects occur, for example, in respect of the coordination of private and public actors. The level of transaction costs was found to be rather high, especially in the concept phase of PSE projects and instruments.

At the intermediaries level, and with particular regard to the criterion of “effectiveness”, a large number of results are reported. Positive effects are most frequently described as knowledge and technology transfer, knowledge building, and training activities. Other effects such as increased target group orientation of intermediaries were also identified in some sources but not in others.

At partner country level also, many positive effects are stated in the underlying evaluations and studies, although only some would account for actual impacts at a higher level. Positive environmental effects are very often reported – for example, the reduction of greenhouse gas and other pollutant emissions. Demonstration effects, such as on the mobilisation of private capital and the piloting of new projects, are often noted as well. On the other hand, macroeconomic effects in the partner country were mentioned only in a few cases. Given the often low volumes of funding and small scale of activities, however, such macroeconomic effects tend not to be expected anyway. It goes without saying that the attribution of higher-level macroeconomic effects to individual PSE activities is extremely difficult in any case.

At the level of target groups, numerous medium- and long-term effects are identified. These pertain primarily to positive employment and income effects. It must be noted, however, that the underlying evaluations and studies rarely consider whether new employment opportunities have merely been displaced from elsewhere, or whether indeed new and additional jobs have resulted from PSE. Moreover, some of the evaluations and studies describe new jobs as short term or poorly paid. At impact level the evidence points to mainly positive effects on target groups pertaining to poverty reduction, gender equality and improved living conditions.

### ***Unintended effects (evaluation question 3)***

Where the evaluations and studies refer to unintended effects, these are all described as negative. Such effects most frequently concern the target groups in the partner countries – for example, when the PSE projects and instruments led to price increases and/or created dependencies. Other unintended effects arise when the microeconomic added value (e.g. entrepreneurial profit) comes at the expense of the developmental outcome. This sometimes raises the question of whether the private sector actors would have engaged in the same investment even without state support (deadweight effects). In addition, the underlying evaluations and studies report that non-transparent initiation and cooperation processes between private and public sector actors resulted in negative unintended effects.

### ***External factors and internal conditions (evaluation questions 4 and 5)***

Various external factors (framework conditions) were identified to be favourable for the achievement or non-achievement of the intended effects. These are, for instance: the alignment of the objectives of the activities with goals of donors and partner countries; macroeconomic, political and environmental conditions in the partner country; and the business administration and financial management skills of the actors involved. Likewise, a number of internal conditions were identified as being crucial for overarching effects, even if often specifically related to an individual project or instrument. Among the key factors for success, the underlying evaluations and studies point to a high degree of flexibility in the implementation of activities, as well as the implementation of accompanying measures per se. Specific financing conditions of PSE instruments do also play a decisive role, as these can influence the degree to which target groups are reached.

### ***Sustainability (evaluation question 6)***

The evaluation synthesis does not apply its own definition of sustainability, but rather accepts the inherent understanding of the term as applied within each of the underlying evaluations and studies. Only in a few cases was the criterion of “sustainability” explicitly defined, operationalised or measured. It was further

noticed that the rating awarded for sustainability referred to individual aspects of the projects only. The meta-evaluation of sustainability in German development cooperation by DEval (Noltze et al., 2018)<sup>1</sup> came to a similar conclusion and recommended examining how the interactions between the dimensions of sustainability might be identified and assessed in the course of evaluations. This recommendation was implemented in the BMZ's latest orientation guidelines on the evaluation criteria for German bilateral development cooperation (valid since September 2020) by formulating appropriate review questions (BMZ, 2021b).<sup>2</sup> The evaluations considered in the synthesis do not yet reflect these guidelines, as they had all been published at earlier dates. For this reason, the evaluation synthesis abstained from giving any recommendation on the evaluation of sustainability.

Given the noted disparities in the examination of sustainability, no clear picture emerges from the assessments reviewed. Overall, roughly as many positive as negative statements on the sustainability of PSE projects and instruments are found in the underlying evaluations and studies.

### ***Coherence (evaluation question 7)***

Evaluation question 7 addresses the (internal) coherence of PSE within German development cooperation. For this reason it does not include any evidence on international actors in this particular field. Because DEval's mandate is to evaluate the development cooperation portfolio financed by the BMZ only, the analysis of coherence is limited to the same. In contrast to the other evaluation questions, the assessment of coherence is solely based on interviews with various German stakeholders. Two priorities regarding coherence in PSE were identified in the interviews. Firstly, it is desirable to create a coherent contact and liaison structure for German and European companies wishing to engage in development cooperation. Secondly, it is desirable to achieve better integration between instruments and projects in the BMZ portfolio addressing PSE.

One step towards the creation of a coherent contact and liaison structure for private sector actors/businesses within German development cooperation has been the merging of various projects into the "Business Scouts for Development" programme and the founding of the Agency for Business & Economic Development (AWE). Nonetheless, the interviewees critically remarked that the actual collaboration between the two projects needs to be defined and planned more rigorously. Stronger linkages are already being forged between different projects and instruments in the BMZ portfolio in some cases; in others, there is room for further improvement.

### **Conclusions and recommendations**

The conclusions and recommendations of this evaluation synthesis are based on the outlined findings and are addressed to the BMZ, GIZ and KfW Development Bank as the relevant implementing organisations in Germany, but might also be found to be relevant for other bilateral and multilateral actors working in the area of PSE.

### ***Quality of the evaluations on private sector engagement***

It is important to have high-quality evaluations of PSE in order to improve the evidence base in this particular thematic area. Improved evidence serves to increase the effectiveness of future projects and instruments. Particularly in light of the long and complex pathways to impact, there is a need for evaluations and studies designed to trace and attribute effects at higher levels to individual PSE activities.

<sup>1</sup> "The findings also show that the evaluation and assessment of sustainability has been unsystematic and inconsistent in practice so far due to the lack of a conceptual framework for a comprehensive understanding of sustainability" (Noltze et al., 2018, p. viii).

<sup>2</sup> For example, via the review question "To what extent are the participating and affected individuals, groups and organisations, partners and agencies able and willing (ownership) in institutional, personnel and financial respects to sustain the positive effects of the intervention over time (after financial support has ended)?" (BMZ, 2021b).

**Recommendation 1: Measurement of impacts**

GIZ, KfW and other bilateral and multilateral actors involved in private sector engagement should improve their assessment of development impacts. Especially in evaluations of high relevance, impacts should be measured and reported explicitly.<sup>3</sup> Other evaluations may rely on theory-based approaches or estimation models, provided that these are presented transparently with a plausible, evidence-based impact hypothesis and relevant proxy indicators.

***Conception of projects and instruments to enhance their evaluability***

The concept phase of projects and instruments plays a major role for the quality of the subsequent evaluation. The definition of objectives, pathways to impact and monitoring indicators establishes the key parameters for the evaluability of activities and their subsequent monitoring. This applies especially to the assessment of additionality and related risks, as those need to be properly assessed over time (comparing the status ex-ante and ex-post). For cross-instrument evaluations on PSE and for effective portfolio management, it is also necessary that PSE projects and instruments can be identified unmistakably. Within the German development cooperation landscape this is currently hampered by the fact that the BMZ and the implementing organisations do not apply a uniform identifier or policy marker for this type of cooperation.<sup>4</sup>

The fact that additionality is only rarely considered in the underlying studies and evaluations, added to the deficits found in the assessment of development impacts. In other words, and on the basis of the available evidence, no robust conclusions can be drawn about the efficiency of public expenditures on PSE activities. Neither is it possible to confirm the actual value added (e.g. economic or developmental outcome) of such activities. Another question arises with regard to the activities' additionality: did the PSE indeed mobilise additional capital, or would such an investment have been made anyway without state support? There is a need for further and more robust analyses to investigate whether the given PSE investments might have achieved a greater impact somewhere else.

**Recommendation 2: Differentiation between levels of results**

When defining the indicators of projects and instruments for private sector engagement, GIZ, KfW and other relevant bilateral and multilateral actors should differentiate more precisely and explicitly between the different levels of results (outputs, outcomes and impacts).

**Recommendation 3: Identification of private sector engagement**

The BMZ should explore possibilities for unmistakably identifying projects and instruments for private sector engagement in German development cooperation, – for instance by using a uniform policy marker. This aims to increase transparency about the scale and role of private sector engagement and to simplify portfolio management and analysis on the part of the BMZ.

<sup>3</sup> In implementing this recommendation, the standard indicators for impact measurement from the 2030 reform process (BMZ, 2021a) should be referred to.

<sup>4</sup> Inconsistent identifiers used for PSE interventions imposed constraints on the mapping exercise (see Box 2) and hampered the identification of relevant evaluations for the evaluation synthesis (see also Section 2.2.2). A previous DEval evaluation on Cooperation with the Private Sector in Agriculture (Kaplan et al., 2018) arrived at a similar finding and recommended introducing a code for programmes involving cooperation with the private sector.

**Recommendation 4: Examination of additionality and risks**

During the conception, implementation and evaluation of projects and instruments for private sector engagement, GIZ, KfW and other relevant bilateral and multilateral actors should systematically examine (financial and development) additionality as well as related assumptions and risks, since the evidence base is not sufficient as yet.

**Implementation notes on Recommendation 4:**

- Financial and development additionality should be examined explicitly and according to clearly defined criteria during the initial planning of projects and instruments. In addition, risks and assumptions should be incorporated with a view to securing the additionality of activities over the course of the project and to detecting potential deadweight effects.
- Data on the additionality of projects and instruments and on related risks could be collected and tracked by means of a project monitoring system on the companies' activities and outputs. The monitoring should be carried out by the implementing organisations according to set milestones.

***Implementation of projects and instruments for private sector engagement***

The evaluation synthesis' findings on efficiency suggest that the collaboration between public and private actors in development cooperation entails relatively high coordination efforts and related transaction costs. These often pose a challenge and could at times reduce the added value of the cooperation.

**Recommendation 5: Conception and implementation**

In the conception and implementation phases of projects and instruments for private sector engagement, BMZ, GIZ, KfW and other relevant bilateral and multilateral actors should ensure that private and public actors develop a reasonable joint understanding of objectives and continuously review related progress. The high transaction costs, which are incurred mainly during the initiation phase but also in the course of implementation, should be considered when conceptualising projects – for example, by striving for longer-term cooperation schemes between public and private sector actors.

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# ABBREVIATIONS AND ACRONYMS

AA	Auswärtiges Amt (German Federal Foreign Office)
ADA	Austrian Development Agency
ADB	Asian Development Bank
AWE	Agentur für Wirtschaft und Entwicklung (Agency for Business & Economic Development)
BMWi	Bundesministerium für Wirtschaft und Energie (Federal Ministry for Economic Affairs and Energy)
BMZ	Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung (German Federal Ministry for Economic Cooperation and Development)
CPE	Central project evaluation
DANIDA	Danish International Development Agency
DC	Development cooperation
DEG	Deutsche Investitions- und Entwicklungsgesellschaft (German development finance institutions for private companies/ Member of KfW Banking Group)
DeGEval	Gesellschaft für Evaluation (German Evaluation Society)
DEval	Deutsches Evaluierungsinstitut der Entwicklungszusammenarbeit (German Institute for Development Evaluation)
DPP	Development Partnerships with the Private Sector
E4D	Employment for Sustainable Development in Africa
EC	European Commission
ESG	Environmental Social Governance
FASEP	Fonds d'études et d'aide au secteur privé (Private Sector Study and Aid Fund)
FI	Financial intermediary
GFA	GFA Consulting Group GmbH
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit (German governmental implementing organisation for Technical Cooperation)
IEG	Independent Evaluation Group of the World Bank Group
IFC	International Finance Corporation
IOB	Policy and Operations Evaluation Department of the Ministry of Foreign Affairs of the Netherlands
KfW	Kreditanstalt für Wiederaufbau (German governmental implementing organisation for Financial Cooperation)
KOICA	Korea International Cooperation Agency
MSME	Micro, small and medium-sized enterprise
MEP	Multi-year evaluation programme
MIGA	Multilateral Investment Guarantee Agency
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
OECD DAC	The Organisation for Economic Co-operation and Development's Development Assistance Committee

PEV	Project evaluation
PPP	Public-private partnership
PS4D	Private sector for development
PSD	Private sector development
PSE	Private sector engagement
SDG	Sustainable Development Goal(s)
SECO	Swiss State Secretariat for Economic Affairs
SIDA	Swedish International Development Cooperation Agency
SME	Small and medium-sized enterprise
USAID	United States Agency for International Development

# 1. INTRODUCTION

## 1.1 Context

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**Global challenges like poverty, climate change or migration can only be overcome if state, civil society and economic actors each play their part in addressing them.** Awareness of this fact is becoming increasingly established both in German and in international development cooperation. Accordingly, cooperation between development cooperation and the private sector has gained substantially in significance over the last two decades. Goal 17 of the 2030 Agenda for Sustainable Development stresses the importance of global development partnerships involving the private sector. Many other international agreements and declarations, such as the Busan High Level Forum on Aid Effectiveness (2011) or the Third International Conference on Financing for Development in Ethiopia (UN, 2015), also call for greater involvement of the private sector in development cooperation. For its part, the private sector is increasingly seen to be integrating environmental and social aspects into corporate business models (UN Global Compact, 2015; Vaes and Huyse, 2015).

**The development community's main expectation of private sector engagement is that it will mobilise the necessary additional resources to finance the Sustainable Development Goals (SDGs).** According to estimates, it will take annual global investments of up to 4.5 trillion US dollars to achieve these goals (UNCDF, 2018). Even a substantial boost to the public funding allocated to and recognised as development cooperation expenditure (Official Development Assistance, ODA) would not be anywhere near enough to meet the need for finance. For example, if all the donor countries of the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD) increased their ODA funding to 0.7 per cent of their gross national income in accordance with the so-called 0.7 per cent target, this would mobilise an additional 175 billion US dollars, only a fraction of the amount needed (Sachs et al., 2018). Against this backdrop, particular hopes are vested in foreign direct investment and the use of innovative financing approaches to help channel private capital to developing countries (UN, 2015; UNCTAD, 2020).

**It is not only to increase financial resources that development cooperation cooperates with private sector actors, but also to pursue economic goals in partner countries.** The private sector is viewed as the engine for economic growth, since its entrepreneurial creativity and innovation encourages new investment, boosts the efficiency of markets and creates better jobs (Bilal et al., 2014). Improvements to the income situation and training conditions are expected to make positive contributions to the living conditions of the target group. A further aim is for private companies to support the establishment of sustainable economic structures in developing and emerging countries (BMZ, 2016; Byiers and Rosengren, 2012).

**To successfully involve private sector actors in the financing and implementation of projects relevant to development, efficiently functioning and competitive markets are required.** Yet many economies in developing and emerging countries are characterised by market failure of various kinds, which result in inefficient and poorly performing markets (IEG, 2019). Apart from directly improving income and employment conditions, the aim of many projects and instruments for cooperation with private companies is therefore to remedy these market failures. They seek to strengthen poorly performing markets by means of demonstration effects and measures to promote competition and innovation (IEG, 2019).

**In Germany, too, private sector engagement has become an important thematic area in development cooperation.** Since the mid-1990s – with the growing liberalisation of markets – German development cooperation has increasingly worked with private companies. In 2009, the goal of strengthened private sector engagement in development cooperation was incorporated into a coalition agreement for the first time (Bundesregierung, 2009). It focused especially on closer integration of development cooperation and foreign trade promotion and emphasised the necessity of an interministerial approach. Targeted support for engagement with private companies in the partner countries of German development cooperation (BMZ, 2017, 2018) is currently reflected in the relevant strategies and plans of the Federal Ministry for Economic Cooperation and Development (BMZ) (Marshall Plan with Africa, Compact with Africa, Development policy 2030 – New challenges, new solutions).

**While some consider private sector engagement to be an appropriate way forward towards achieving the SDGs in the partner countries of development cooperation, there are also critical voices in politics and civil society.** Morazán and Knoke (2016), for example, point out that in some circumstances the goals of private sector engagement in development cooperation conflict with those of promoting German companies under foreign trade policy. The said authors argue for the importance of regulating private actors in a way which ensures that the goals of the 2030 Agenda are actually achieved. From an economic perspective, there is also a risk that public funding might finance activities which the private sector would have financed anyway (so-called deadweight effects). In that case, public funding would be a de facto subsidy for the private sector, crowding out private investment. This is considered an inefficient use of public resources (Carter et al., 2018).

**So far, it has only been in evaluations of individual projects or instruments that German and international development cooperation actors have examined the extent to which private sector engagement actually contributes to the specified development policy objectives or causes possible negative effects.** No significant evidence base exists as yet on the effects of private sector engagement across projects and instruments. Against this backdrop, DEval carried out an evaluation synthesis of the evaluations and studies available in this thematic area, undertaking the work between October 2020 and December 2021 as part of its multi-year evaluation programme (MEP).

## 1.2 Subject of the evaluation

**The subject of this evaluation synthesis is private sector engagement (PSE) – sometimes also referred to as “private sector for development” (PS4D) – in German and international development cooperation.** It is defined in the following as “cooperation between government/public agencies of development cooperation and private sector partners for the achievement of development policy goals” (Kaplan et al., 2018). PSE is thus distinct from the term “private sector development” (PSD), which refers to more general support of private sector business and related institutions in partner countries. The evaluation synthesis deliberately only includes evaluations and studies which meet this narrower definition of PSE, because this thematic area accounts for the main gaps in the evidence base. For the same reason, DEval is carrying out a mapping of PSE to accompany the evaluation synthesis (see Box 2). The thematic area of PSD, on the other hand, has been addressed by several evaluations and syntheses in recent years (DFID, 2014; EC, 2013; IDEV, 2016; Liu and Harwit, 2016).

### Box 2 Mapping of private sector engagement

Parallel to the evaluation synthesis, DEval is compiling a conceptual overview of PSE in German development cooperation. This mapping systematically records BMZ-financed projects and instruments used for PSE since 2010 and exceeding a certain volume, and breaks them down according to various criteria. The fact that BMZ’s implementing organisations do not systematically use identifiers for PSE was a limitation when it came to identifying relevant instruments and projects. For example, GIZ does not currently use a uniform identifier for these projects, while KfW uses the PSP (Private sector participation) identifier.



**The subject matter of the underlying studies and evaluations comprises projects and instruments which involve German, European or international companies and investors in development cooperation in order to achieve development policy goals in partner countries.** The synthesis deals exclusively with cooperation with companies established under private law but not cooperation with business organisations, which include chambers of commerce and industry associations. The term “companies” refers to small, medium-sized or large enterprises established under private law which have ideas for projects with development outcomes or which contribute financially towards achieving the SDGs<sup>5</sup>. The aim of this form of cooperation is to support the development policy engagement of German and European companies – for example, by means of direct investment, supporting projects relevant to development, or ensuring fair and sustainable supply and value chains.

**Cooperation with the private sector can be subdivided into three different cooperation formats: (1) “financing of companies”, (2) “financing with companies” and (3) “preparing for financing” by providing support and advisory input** (see Table 1). These cooperation formats each have different objectives, which form the basis for the analysis of different impact pathways in PSE (see Section 3.1). Since the three cooperation formats are based on the mapping of PSE, they do not coincide with the BMZ’s segmentation of its portfolio. This subdivides the projects and instruments for private sector engagement (or “PSE projects and instruments”) into the following five components: advisory input, project initiation, project development, project implementation, and financing (Doc. 1, 3)<sup>6</sup>.

**Table 1 Categories of private sector engagement**

<b>Financing of companies</b>	<b>Financing with companies</b>	<b>Preparing for financing by providing support and advisory input</b>
consists of the provision of financing to companies – for example, through project or business financing	consists of the use of ODA funding to mobilise private capital for the joint financing of development projects	consists of forms of support that result in the financing of companies – for example, offers of advisory or technical support

Source: DEval, own presentation

### 1.2.1 Financing of companies

**The category “financing of companies” comprises a large number of financing instruments that are made available to companies directly or via projects.** These include equity and debt financing, particularly loans and guarantees, as well as technical support services. The financing instruments address companies that are active in developing or emerging countries or interested in investing in them. The aim of these instruments is to give German and international companies an incentive to contribute to sustainable development in the countries – for example, through foreign direct investment, international trade and supply chains and value chains, and responsible corporate conduct. Alongside these primarily development policy objectives, these approaches also pursue the goal of supporting private companies in the donor countries in opening up markets and in technology and knowledge transfer (BMZ, 2016, 2017; Roloff and Finkel, 2013).

**In German and international development cooperation, the instruments made available for the “financing of companies” are very diverse.** In Germany, for example, this category includes the “Africa Connect” component of the recently launched development investment fund, the “develoPPP” support programme, and equity financing from the DEG (Deutsche Investitions- und Entwicklungsgesellschaft). The DEG instruments used consist principally of loans, grants and equity financing for companies.

<sup>5</sup> As distinct from public or municipal corporations (institutions under public law), which are deemed to belong to the public sector.

<sup>6</sup> To ensure the confidentiality of the unpublished documents shared with DEval, these are referenced in the form “Doc.” plus a sequential number when cited in the text, and do not appear in the bibliography.

**These instruments are also frequently used for the “financing of companies” at the international level.** Bilateral donors such as France, the United Kingdom, Finland or Norway make use of specific funding programmes (including Finnpartnership) or provide financing via their national development finance institutions (including Proparco, Finnfund and Norfund). Other projects and instruments in use are guarantees (see for example the Multilateral Investment Guarantee Agency (MIGA) and the guarantees of the Swedish International Development Cooperation Agency (SIDA)) and challenge funds<sup>7</sup> (see for example the Dutch Good Growth Fund in the Netherlands).

### 1.2.2 Financing *with* companies

**The category “financing *with* companies” consists of projects and instruments that are used for the joint financing of development projects.** This generally involves bilateral and multilateral donors spending ODA funding to mobilise additional private capital for development purposes. The private company acts as a financing partner and not as an implementation partner for development actors.

**In German development cooperation, examples under this heading include the structured funds financing approach managed by KfW Development Bank, the “Employment for Sustainable Development in Africa (E4D)” programme implemented by GIZ and the “Fragile States of West Africa” public-private partnership fund.** In the international context, this category encompasses the European Union's blending facilities (for example, the Asia, Latin America, and Caribbean Investment Facilities) or co-financing by private sector partners as part of development policy initiatives.

### 1.2.3 Preparing for financing: Forms of support

**The category “preparing for financing” includes projects and instruments that are used for advisory support, initiating and facilitating possible financing *of* or *with* companies.** This is done by offering advisory input on existing financing options, their prerequisites and terms and conditions, and by providing specialist support or facilitating market entry – for example, by financing feasibility studies to identifying suitable business partners in the partner countries (known as matchmaking activities). The aim is to communicate the important information and prepare companies for financing as efficiently as possible.

**In German and international development cooperation, numerous different forms of provision exist for initiating and preparing for financing.** In the German context, for example, there is the Agency for Business & Economic Development (AWE) which was conceived as a central point of contact for German companies, and the “Business Scouts for Development” support programme implemented by GIZ. DEG offers to finance market and feasibility studies for German companies. The BMZ's special initiative “Training and Employment” makes various forms of support available to German and European companies for the purpose of creating jobs and training places. These include the “Investing for Employment” facility and the “Global Programme on Training and Job Creation”. At the international level, advisory services, matchmaking activities and the financing of feasibility studies likewise come under the heading of “preparing for financing”. Bilateral and multilateral donors such as France, the Netherlands, Norway, the United Kingdom and the World Bank Group have a portfolio of support offerings including the Fonds d'études et d'aide au secteur privé (Private Sector Study and Aid Fund, FASEP) (France), Business Support Offices (Netherlands) and the Matchmaking Programme (Norway).

<sup>7</sup> Challenge funds aim to provide support, in the form of grants, to innovative and potentially transformative business plans from private companies which contribute to achieving development goals. The companies to be supported are selected competitively on the basis of the business plans submitted.

### 1.3 Objectives and questions of the evaluation synthesis

**The overall objective of the evaluation synthesis is to systematically synthesise available evidence on PSE within German and international development cooperation.** This serves to identify the wider effects of PSE, to analyse the conditions under which these occur, and to determine the added value that this kind of cooperation with private companies is expected to yield. Such systematic overview studies and meta-analyses are used particularly often to provide aggregated information for policy decisions beyond results from individual case studies (Borenstein et al., 2010).

**In all, seven questions were defined for the evaluation synthesis.** These are grouped into four areas of interest (see Table 2). Area of interest I deals with the quality of the evaluations and studies, since the quality assessment determines whether the evidence from these evaluations and studies is included in the further process. Area of interest II deals with the effectiveness and impact of PSE in German and international development cooperation. In addition, this area of interest investigates under which conditions the instruments and projects are effective and have a demonstrable impact. These include external factors like the framework conditions in the investment countries and internal factors like the terms and conditions of the instruments (for example, interest rates and financing periods). Area of interest III deals with sustainability, in the sense of the durability of the outcomes and impacts which were identified in area of interest II. Area of interest IV deals with the coherence of the PSE portfolio, focusing on German development cooperation. It aims to identify possible duplications or synergies between existing instruments in the German portfolio.

**Thus, the evaluation questions cover the OECD-DAC criteria of “effectiveness” (question 2-3), “impact” (question 2-3), “efficiency” (question 2-3), “relevance” (question 4-5), “sustainability” (question 6) and “coherence” (question 7).** More detailed explanations regarding the evaluation questions can be found in Annex 7.1.

**Table 2 Evaluation questions**

Area of interest	Evaluation question
I. Quality of the evaluations	1. What methodological approach do the evaluations use to assess the contribution of private sector engagement? What conclusions can be drawn concerning the methodological quality of evaluations in the thematic area?
II. Effectiveness and impact	2. To what extent is it possible to identify outcomes and development impacts which were intended contributions of private sector engagement?
	3. To what extent can unintended (positive/negative) outcomes and impacts be identified?
	4. What framework conditions were crucial for the achievement or non-achievement of the outcomes and development impacts?
III. Sustainability	5. What internal conditions of the instruments were crucial for the achievement or non-achievement of the outcomes and impacts?
	6. To what extent can the effects of private sector engagement be considered sustainable?
IV. Coherence of the German portfolio	7. To what extent is there useful integration between instruments of German development cooperation in the area of private sector engagement, and how far are synergies utilised?

## 2. METHODS

**This chapter describes the methodological procedure used for the evaluation synthesis.** It begins with a presentation of the evaluation design used to answer the questions, which consists of an evaluation synthesis and expert interviews. The sub-chapters thereafter follow the sequence of steps taken during the evaluation synthesis. They cover, among other things, the inclusion criteria used to decide which evaluations and studies to include in the synthesis, and descriptions of the procedures for sampling, for assessing the quality of the evaluations and studies, and for analysing and interpreting the data. Subsequently, the chapter presents the interviews conducted in order to assess coherence, and concludes by addressing the limitations of the methodological approach.

## 2.1 Evaluation design

**To address areas of interest I (quality of evaluations), II (effectiveness and impact) and III (sustainability), a synthesis was carried out.** A synthesis is a systematic summary of the findings from various evaluations and studies on a thematic area – in this case, PSE (Caspari, 2012; Scriven, 1991). Two key quality criteria of evaluation syntheses are completeness and transparency. They meet these criteria by various means such as following detailed plans that indicate which evaluations and studies will be included and how they will be assessed (Littell und Corcoran, 2010). Drawing on the procedure for systematic reviews, the main steps consist of developing inclusion criteria, formulating an explicit search strategy, selecting the evaluations and studies, and analysing and interpreting the data (Uman, 2011). The process of selecting the evaluations and studies includes an assessment of the quality of the sources, to ensure that only reliable evidence is included in the evaluation synthesis.

**To address area of interest IV (coherence of the portfolio), semi-structured interviews were conducted with a variety of actors** (see section 2.4).

## 2.2 Selection and assessments of the evaluations and studies

### 2.2.1 Development of inclusion criteria

**For the selection of the evaluations and studies, five categories of inclusion criteria were defined** (see Table 3). The evaluation synthesis is thus oriented to the guidelines for systematic reviews published by the internationally recognised Campbell Collaboration (Kugley et al., 2017). The inclusion criteria aim to ensure that the identified sources are relevant to the subject of the evaluation. On the one hand, the criteria are made up of aspects relating to the evaluations and studies themselves (methodological design, effects and other criteria), and on the other hand, aspects relating to the underlying projects and instruments in the sources (target groups and type of intervention).

**Table 3 Inclusion criteria**

Category	Inclusion criteria
Methodological design	Evaluations/studies that contain their own empirical analyses (quantitative and/or qualitative)
Target groups	German, European or international companies that invest or carry out activities in low- or middle-income countries (according to the World Bank classification) Individuals, groups, institutions, systems and/or economic sectors in low- or middle-income countries that are directly or indirectly influenced by the investments/activities of German, European or international companies

<b>Type of intervention</b>	Financing for companies (with/without budgetary funding) for projects in low- or middle-income countries Financing in order to mobilise private capital for investment in low- and middle-income countries Preparing for financing <i>of</i> and <i>with</i> companies in low- or middle-income countries
<b>Effects</b>	Economic and social effects at output, outcome and impact levels as well as other unexpected effects and unintended effects
<b>Other criteria</b>	Publication date between 2010 and 2020 Languages: German, English, Spanish, French, Portuguese

Source: DEval, own presentation

### 2.2.2 Formulation of an explicit search strategy

**Altogether 24 databases, such as Taylor & Francis and the World Bank eLibrary, were searched for evaluations and academic studies** (see Annex 7.2). The team made use of various search protocols in order to identify all relevant evaluations. The search protocols consist of keywords based on the inclusion criteria specified above, and were written in five languages (German, English, Spanish, French and Portuguese). Depending on the specifications of each particular database, either the complete search protocol or a reduced version of it was used.

**In addition, the evaluation synthesis includes evaluations that were made available by the German governmental implementing organisations and by DEG.** GIZ provided the evaluation team with all the evaluations it had undertaken in the period under review (2010-2020) because its evaluation system does not make use of established identifiers for PSE. KfW made available all its evaluations relating to projects that mobilise private capital. All DEG evaluations are publicly available and were downloaded from its website.

**Additional evaluations and studies were identified manually.** To find evaluations of international DC actors, the team manually browsed the websites of bilateral and multilateral donors such as the European Commission. Further evaluations and studies were identified in an overview of evidence on PSE by the United States Agency for International Development (USAID).

### 2.2.3 Selection of the evaluations and studies

**A two-stage process was followed to filter out the relevant evaluations and studies from the 1,534 sources originally identified.** The aim was to determine which evaluations and studies fulfilled the inclusion criteria and were thus relevant for the synthesis. Automated methods were used for parts of this process. All evaluations and studies (including those selected by automated methods) were also reviewed manually to ascertain their relevance. This was left until the quality assessment phase in the case of the KfW and DEG evaluations, whose significance for the analysis was assumed during the sampling phase.

**Publicly available evaluations and studies were first reviewed manually to get a rough idea of their relevance.** This was done by screening the titles and the abstracts to see if they contained at least one of the inclusion criteria from the categories “target groups” or “interventions”.

**Next, in order to reduce the number of candidate publications, the algorithm-based analysis method known as text mining was used.** To this end, the team created various lexicons of keywords on concepts such as the private sector in general or private sector engagement. The documents were searched for these keywords using the software R, and documents containing a defined minimum number of hits from the respective keyword libraries were rated as probably relevant (see Annex 7.3 for more details). Text mining was used both on publicly available evaluations and studies and on GIZ evaluations.

### 2.2.4 Sampling

**Based on the procedure described in Section 2.2.3, a total of 308 evaluations and studies were identified as relevant or probably relevant.** These represent the sampling population, of which evaluations by GIZ and KfW account for the largest shares (see Table 4).

**Because resources were limited, the team did not proceed to examine the total number of evaluations and studies but selected a sample for further analysis.** To be more precise, a stratified proportional sample was drawn, such that the proportions of different actors or actor groups in the sampling population roughly corresponded to the proportions in the sample. This was to ensure that all actors or actor groups, and hence also different types of cooperation, are represented in the sample. The sample included a total of 71 evaluations and studies.

**Evaluations and studies were selected either randomly or according to relevance, depending on the actor or actor group.** Evaluations by KfW, DEG and multilateral donors were picked by simple random selection, since the relevance of the evaluations to PSE was deemed to be similar within each of these actor groups. For example, mobilising private capital is a core aspect of all DEG evaluations. However, the evaluations and studies drawn from GIZ, academia and bilateral donors show strong variations in relevance: while some take PSE as a focus, for others it is only a side issue. The team therefore selected the evaluation and studies within each of these actor groups according to their relevance. As a proxy for relevance, the team took the number of hits in the text-mining libraries referring specifically to private sector engagement (see Annex 7.3).

**Table 4 Overview of distribution, by actors/actor groups**

	GIZ	KfW	DEG	Academia	bilateral donors	multilateral donors	Total
Total of evaluations/studies identified	778 (50.7 %)	162 (10.6 %)	40 (2.6 %)	334 (21.8 %)	186 (12.1 %)	34 (2.2 %)	1.534 (100 %)
Relevant evaluations/studies (according to inclusion criteria)	85 (27.6 %)	80 (26 %)	9 (2.9 %)	65 (21.1 %)	55 (17.9 %)	14 (4.5 %)	308 (100 %)
Sample from relevant evaluations/studies	19 (26.8 %)	18 (25.4 %)	3 (4.2 %)	15 (21.1 %)	13 (18.3 %)	3 (4.2 %)	71 (100 %)
Evaluations/studies included after quality assessment	10 (19.6 %)	9 (17.6 %)	2 (3.9 %)	14 (27.5 %)	13 (25.5 %)	3 (5.9 %)	51 (100 %)

Source: DEval, own presentation

### 2.2.5 Assessment of the quality of the evaluations and studies

**A quality assessment was carried out as a further filter in the selection and evaluated using a standardised grid.** The quality assessment was carried out after the drawing of the sample, since assessing the quality of all 308 sources would not have been possible in the time available. One aim of the assessment was only to admit evidence to the synthesis from evaluations and studies that met recognised evaluation standards and was therefore considered as reliable as possible, even if certain biases could not be avoided in all cases (see Section 4.1). Its other purpose was to answer evaluation question 1. To this end, a standardised evaluation grid was created (see Table 5), which is based on the standards of the OECD-DAC and the German Evaluation Society (DeGEval) but only covers the aspect of methodological rigour (referred to in the DeGEval standards as “*Genauigkeit*”, meaning accuracy).

**Methodological rigour was assessed purely based on the information contained in the evaluation reports and studies, and operationalised through indicators that were identified in the literature (for example, in other meta-evaluations).** Because there were differences between the content of some indicators and others, and in order to ensure coherence with other meta-evaluations,<sup>8</sup> indicators 2 and 3 were rated ordinally (on a scale of 1 to 4) and the other indicators were rated binarily (1 or 4). Another possible rating was “not relevant”. The same indicators – in a slightly modified form – were used for assessing academic studies (see Annex 7.4).

**Table 5** Quality assessment grid

Assessment criterion	The indicator is fulfilled if ...
Subject of the evaluation	1. ... 1) the objectives, 2) the target group and 3) relevant organisations (political partners and/or implementing organisations) of the development intervention are presented, and hence the object has been delimited. <sup>1</sup>
Context of the development intervention	2. ... the context of the development intervention is described. <sup>2</sup>
	3. ... the context of the development intervention is considered or assessed with regard to its influence on the results of the development intervention. <sup>2</sup>
Causal pathways	4. ... the description of the intended results of the development intervention differentiates between different levels of results (input-output-outcome-impact), and these build logically on each other (and/or result hypotheses are formulated, as the case may be). <sup>1</sup>
Area of inquiry	5. ... the area of inquiry and/or evaluation questions are specified or concretised. <sup>1</sup>
Information sources	6. ... the sources on which information is based (documents, interviews, written questionnaires, etc.) are made transparent throughout. <sup>1</sup>
	7. ... there is a description of the different procedural steps taken in the evaluation for data collection. <sup>1</sup>
Appropriateness of methods	8. ...a rationale is in place to explain why the methods applied are appropriate to the object of the evaluation. Advantages and limitations of the methodology are discussed. <sup>1</sup>
Interpretation and conclusions	9. ... the predominant share of findings and conclusions are related to the underlying data and the data analysis in the majority of conclusions. <sup>1</sup>

<sup>1</sup> binary rating (1 or 4); <sup>2</sup> ordinal rating on a scale of 1–4

Source: DEval, own presentation

**A discursive approach ensured that the coding of different coders was as consistent as possible.** In order to ensure the highest possible intercoder reliability – that is to say, consistency of rating, – the team developed a coding guide which gives pointers on the correct coding for each indicator (see Annex 7.4). This is based partly on an in-depth discussion of an evaluation that was quality-assessed by all members of the team. In the course of the remaining assessments, there were also regular consultations to discuss questions or unclear cases. A numerical value for intercoder reliability was not calculated because the foremost priority was practical improvement of the quality of the coding.

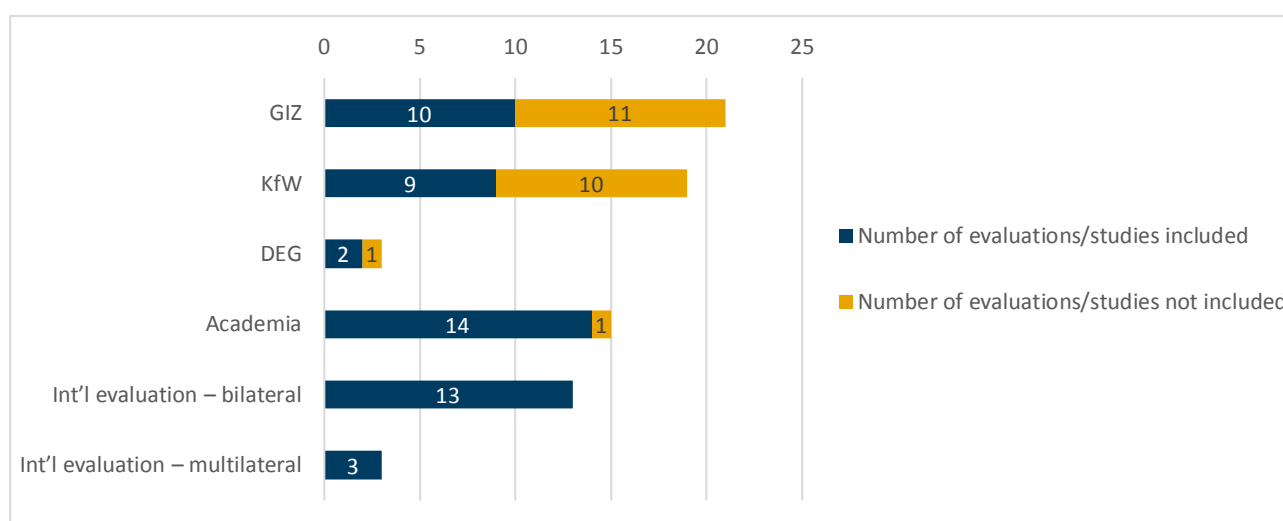
<sup>8</sup> The evaluation grid is largely based on the grid used for DEval's meta-evaluation on the quality of (project) evaluations in German development cooperation. The meta-evaluation is scheduled for publication in 2022.



**Evaluations and studies that obtained at least 60 per cent of the maximum achievable points score were included in the synthesis.** The evaluation team set this threshold because evaluations and studies rated above this value were regarded as good enough methodologically to be included in the evaluation synthesis. The minimum rating is based on the maximum achievable points score on all indicators, not on a single indicator. This procedure was chosen because the OECD-DAC and DeGEval standards on which the indicators are based are maximum rather than minimum standards. This means that an evaluation can be of high quality even if it does not fully meet some of the standards.

**Fifty-one of the evaluated evaluations and studies achieved the threshold rating of 60 per cent.** The proportion of evaluations and studies included varies greatly across the different actors or actor groups (see Figure 2). Almost all academic studies and international evaluations, but only about half of the KfW and GIZ evaluations, were included in the evaluation synthesis. One possible reason for this marked discrepancy is that the German implementing organisations provided both internally and externally accessible evaluations, whereas only publicly available evaluations by the international donors could be used. The latter are presumed to undergo more stringent quality assurance and are therefore likely to be of higher quality. There has been a steady rise in the methodological quality of evaluations and studies since 2010 (see Annex 7.9)<sup>9</sup>

<sup>9</sup> This trend is particularly noticeable in GIZ evaluations, which rose from 57 to 84 per cent of the maximum score between 2010 and 2020. This marked change can be assumed to correlate with the changeover of the GIZ evaluation system from decentrally managed project evaluations (PEV) to centrally managed project evaluations (CPEs), since CPEs have to meet methodologically higher standards (GIZ, 2019).

**Figure 2** Number of evaluations/studies included and not included

Source: DEval, own presentation

**Evaluations and studies with ratings below the threshold were redrawn until the synthesis included over 50 sources.** Evaluations and studies which gained less than 60 per cent of the maximum points or turned out not to be relevant for the evaluation synthesis during the quality assessment<sup>10</sup> were redrawn from the residual evaluations and studies of the same actor or actor group and reassessed. If this evaluation or study likewise failed to meet the minimum rating or the relevance criteria, another was redrawn. As this was a time-consuming process, it was only continued until a final sample of 51 sources had been obtained (see Annex, Sections 7.5 and 7.6 and Table 4 for the final distribution).

### 2.3 Analysis and interpretation of the data

**The evidence from the evaluation synthesis was evaluated using the framework synthesis method.** This method (applied by Brunton et al., 2006; Oliver et al., 2008, among others) is a largely deductive approach; that is to say, it classifies findings into predefined categories in order to systematise and synthesise evidence. The categories were developed on the basis of relevant literature in the field, background materials, and particularly the theory of change illustrated in Section 3.1 (see for example Waddington et al., 2019). The comprehensive code tree<sup>11</sup> contains not only the inputs, outputs, outcomes and impacts specified in the theory of change, but also unintended effects and factors that might contribute to the occurrence or non-occurrence of the effects. It was created before commencing coding and expanded during the course of coding as further categories were added. The complete code tree can be found in Annex 7.7.

**The evaluation team coded both effects and effect sizes.** The MAXQDA software program was used to match items of text from the included evaluations and studies to the corresponding codes. When a text passage was coded with an effect, the categories “no effect” and “small effect” were also recorded if relevant. “No effect” was coded where the project had intended to achieve a certain effect, but this did not occur. Similarly, effects were coded as “small” if the effect was smaller than targeted. The coding did not differentiate between moderate and high effects because this distinction was scarcely made in the sources. Nor did the present evaluation synthesis apply DEval's evaluation standards and rating scale, because the assessment of effect sizes was guided by the assessments made in the respective evaluations or studies – the team did not

<sup>10</sup>Prior to this, the relevance of some of the evaluations and studies – those from KfW, for example – had been assumed, and was therefore only checked at this stage as part of the quality assessment.

<sup>11</sup>A code tree is a hierarchical arrangement of codes, to which relevant text passages are matched. This makes subsequent evaluation easier since all text passages given a particular code can be displayed and analysed using the MAXQDA software. The code tree is compiled as comprehensively as possible before coding begins.

carry out its own assessment. Furthermore, where sources contained statements on sustainability, on additionality, and on relevant internal and external conditions in relation to the coded effects, these were also recorded.

**The evidence obtained was interpreted descriptively according to its quantitative distribution as well as qualitatively using content analysis.** The first step was to examine the distribution of evidence on PSE with regard to regions and cooperation formats in order to determine where plenty of evidence already exists and where there are evidence gaps. The second step was to carry out a descriptive analysis (known as vote counting) of the frequencies of the various effects as well as the different effect sizes. Furthermore, a content analysis (see for example Flick et al., 1995; Kuckartz, 2014) was performed for each effect. This involved systematic analysis, by cooperation formats and conditions, to identify the mechanisms that lead to the (non-) occurrence of a certain effect. A further analysis examined which effects are rated as especially (or barely) sustainable or additional.

## 2.4 Conduct of interviews

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**To answer the seventh evaluation question on coherence, the team also conducted semi-structured interviews.** Representatives of a variety of actors involved in PSE were interviewed to cover different perspectives. A semi-structured interview guide served as the basis and was adapted for each actor group (see Annex 7.8). This approach ensured a certain comparability between the interviews whilst allowing the possibility of adapting questions in the course of the interview if necessary. The interviews were transcribed manually and then subjected to content analysis.

**In all, 13 interviews were conducted,** three of them with BMZ sector divisions, five with GIZ and one each with KfW, DEG, the German-African Business Association (*Afrika-Verein*), the LAV – Association for Latin America (*Lateinamerika-Verein*) and civil society. The representatives of the various organisations were selected on the basis of recommendations from experts and our own research.

**The interviews highlighted various aspects of coherence.** The following themes were addressed with reference to PSE projects and instruments: portfolio overview, coordination and alignment with other implementing organisations in development cooperation and/or with international donors, steering opportunities, flexibility, needs-based and demand-driven approaches, and the role and contribution of the private sector.

## 2.5 Limitations of the methodological approach

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**The 51 evaluations and studies analysed cover the evaluation practice of the most relevant German and international actors involved in PSE. However, the size of this sample means that it is not possible to draw conclusions about individual actors or instruments.** When drawing the sample, the priority was to achieve broad coverage of the actors involved in bilateral and multilateral cooperation so that the presentation of existing evidence would not be confined to German development evaluation practice only. The aim was rather that the synthesis should take account of international evaluations as well as academic studies in order to cover the widest possible variety of perspectives on the theme. In this way, conclusions can be drawn about the overall approach of PSE. This disadvantage of this procedure is that it reduced the number of evaluations that could be analysed per individual actor.

**The evaluation synthesis used vote counting – i.e. the counting of effects – as a method because the heterogeneity and the mainly qualitative approaches of the underlying evaluations and studies made statistical procedures such as meta-analyses impossible.** Vote counting is criticised in the literature primarily for not taking account of the variance between the studies. For example, the effects from small case studies that are lower in methodological quality are counted as often as the effects from large randomised studies that are higher in quality (Petticrew and Roberts, 2008). To reduce any bias that might arise from this, firstly the evaluation synthesis only included evaluations and studies that met defined quality standards as a means of lessening the variance in methodological quality. Secondly, the pure counting of effects was underpinned by qualitative content analysis, which also examines the strength of the evidence.

**In systematic reviews such as evaluation syntheses, there is a risk that various forms of bias are built into the underlying evidence and may be replicated as a result of the research** (Littell and Maynard, 2014). For example, studies with positive significant findings are published more frequently than those with negative or non-significant effects (Sutton, 2009). Likewise, the (development) impacts reported in the analysed evaluations may be affected by positive bias. They are often based on assumptions and estimations and are rarely verified by conducting randomised experiments which would permit the observed outcomes and impacts to be attributed more definitely to the respective project (see Section 4.1). The likelihood of positive bias was reduced by deliberately also including unpublished evaluations from the German implementing organisations in the synthesis. Nevertheless, the deficits of the underlying evaluations and studies with regard to the assessment of impacts and additionality still limit the significance of the synthesis to some extent, since they make it impossible to draw robust conclusions about the cost-effectiveness of expenditure on PSE.

**Because DEval's mandate is to evaluate German development cooperation, it was only possible to include publicly available evaluations from international donors in the synthesis.** In contrast, internal as well as published evaluations by German implementing organisations were taken into account. It is conceivable that in some organisations, publicly available evaluations undergo more quality checks than purely internal documents, and hence that statements about the quality of evaluations by international actors may be positively biased. Due to the disparity affecting the selection of German versus international evaluations, it is also likely that in comparison to German evaluations, the number of international evaluations is underrepresented in the sampling population, and hence also in the sample. Finally, and also as a consequence DEval's mandate, it was not possible to include evaluations of projects and instruments conducted by other ministries. In particular, evaluations by the Federal Ministry for Economic Affairs and Energy (BMWi) would be relevant in this thematic area.

### 3. THEORY OF CHANGE AND PORTFOLIO

### 3.1 Theory of change

**For the purposes of this evaluation synthesis, a theory of change for PSE was reconstructed by the evaluation team.** Based on theories from economic and development policy, it shows the effects and causal pathways that are expected to ensue from PSE. Figure 3 visualises the expected effects along the causal chain of outputs, outcomes and impacts. Since the evaluation synthesis examines a broad portfolio of different projects and instruments, the present theory of change summarises the expected effects across instruments. It followed the example of the theory of change developed by the International Finance Corporation (IFC) on PSE in the area of market development (IEG, 2019).

**The resources and activities provided by development cooperation as inputs to its PSE serve the purposes of “financing of companies”, financing to mobilise private capital (or “financing with companies”), and “preparing for financing”.** For the forms of financing and support provision considered, eligible applicants may be German, European or, depending on the donor, international companies.<sup>12</sup> It is assumed that companies will have more capital at their disposal due to the financing provided, and be better able to calculate potential risks because of the needs-oriented terms and conditions of financing. As a result, it is assumed that companies will embark on investments or activities relevant to the SDGs in the partner country which would not have been realised if the financing had not been provided. This assumption is most commonly made when financing is prepared or facilitated with offers of advisory support. It is further assumed that the capital will be used for a variety of purposes (outputs), including expanding the core business in the partner country, founding new businesses, piloting a new technology or introducing improved standards. In the case of “financing with companies”, the public funding offsets part of the risk. This is assumed to help mobilise a higher total amount of capital, which is then combined with public funding and used for investments and activities relevant to the SDGs in the partner countries.

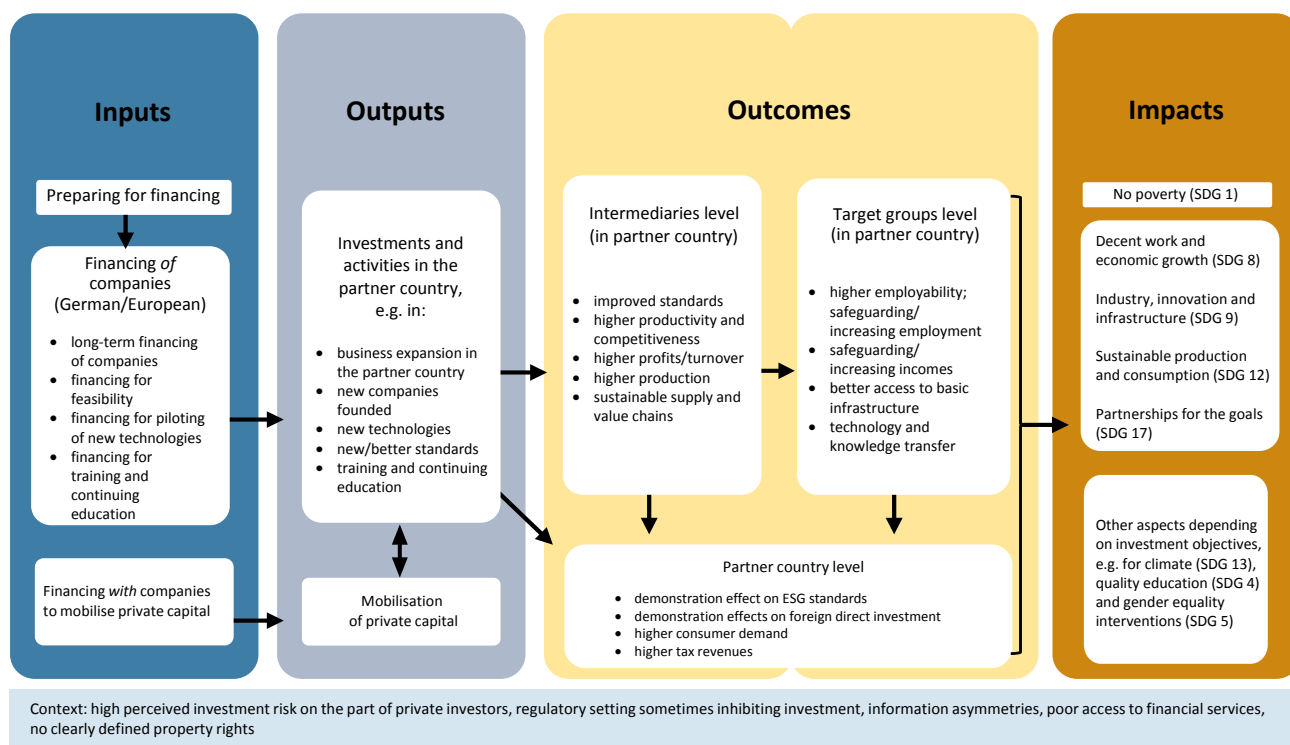
**At outcome level, it is assumed that the investments or activities give rise to positive effects through various channels** (IEG, 2019). Private companies – be they local or international – are expected to improve their capacity and innovativeness in the partner country as a result of the investments or activities. Consequently they are likely to increase their productivity and competitiveness, which would open up new market segments. The resulting higher profits, it is assumed, would be invested in new production processes, which for their part would boost production and thus contribute to the companies’ economic growth. In agriculture, for example, financing could enable companies to introduce new technologies, leading to higher productivity, lower adverse effects on the environment and hence more sustainable value chains. Meanwhile, target groups in the partner country are assumed to benefit from newly created jobs or improved employment opportunities and from higher or more secure incomes (Bilal et al., 2014). A further assumption is that introducing new technologies promotes technology transfer, which in turn improves basic infrastructure in areas such as sanitation, water and health. Overall, this is thought to lead to improved livelihoods for the target groups in the partner country. Added to that, investments in the partner country have various demonstration effects, such as on other foreign investors who have not yet invested in the partner country due to the perception of high risks, or on the introduction and appropriate use of environmental social governance (ESG) standards in corporate business models. Finally, economic growth is assumed to lead to higher tax revenues, as a result of which more funding is available for state social benefits (Di Bella et al., 2013; Kindornay et al., 2014; Miyamoto and Chiofalo, 2016).

**At impact level, it is assumed that the development impacts will make a long-term contribution to sustainable development in the partner country.** Private sector engagement is then said to result in cross-sectoral effects including poverty reduction (SDG 1), broad-scale economic growth and increased employment (SDG 8), the promotion of innovation (SDG 9), sustainable production and consumption (SDG

<sup>12</sup>An exception here are instruments and projects which accept applications from both German and European companies as well as local companies in the partner country, one example being develoPPP. In this case, the support and financing instruments examined may also address local companies.

12) and the achievement of global development partnerships (SDG 17). Depending on the objectives of the given PSE, long-term impacts are also expected in other areas such as climate change (SDG 13), education (SDG 4) and water and sanitation (SDG 6).

**Figure 3** Theory of change



Source: DEval, own presentation on the basis of IEG (2019)

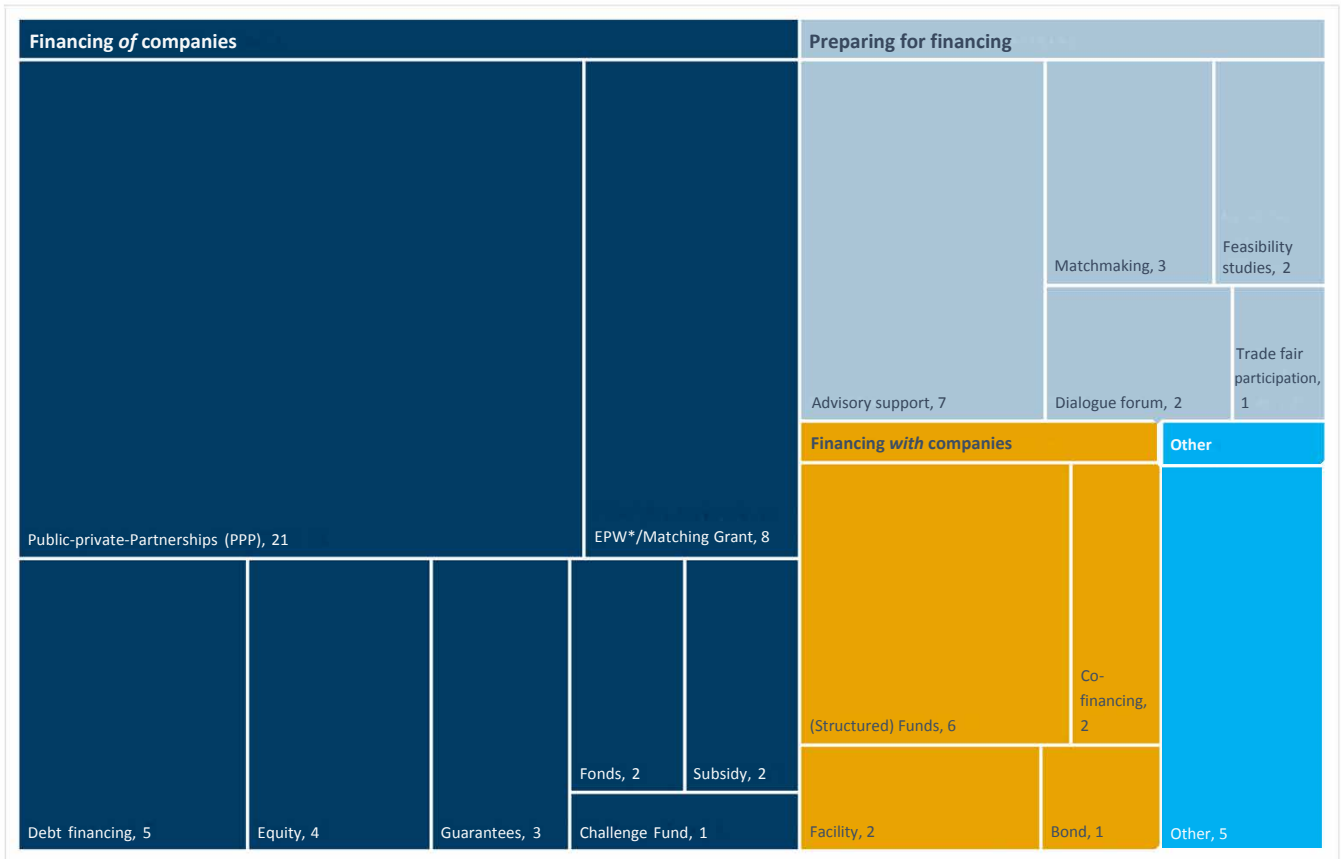
## 3.2 The analysed portfolio

The underlying material subjected to analysis for the evaluation synthesis consists of 51 evaluations and studies from the field of German and international development cooperation addressing PSE. The portfolio considered for the purposes of the evaluation synthesis reflects the instruments and projects examined in the selected 51 evaluations and studies. Breakdowns by sector and geographical region are based on the statements made in the evaluations and studies.

### 3.2.1 Cooperation formats and sectors

The selected evaluations and studies consider a multitude of different PSE projects and instruments (see Figure 4). The majority of them can be assigned to the “financing of companies” category. Examples of these are public-private partnerships (PPPs), matching grant approaches such as the develoPPP programme (also: Development Partnerships with the Private Sector, DPP), and debt and equity financing. The instrument most often examined in this category was PPPs, which featured in 21 different studies and evaluations. Eleven evaluations and studies dealt with the cooperation format “financing with companies”, where (structured) funds accounted for the majority of the underlying instruments and projects (six instances). Fifteen evaluations and studies examined projects and instruments in the “preparing for financing” category. These most commonly dealt with advisory projects (seven instances) and matchmaking approaches (three instances).

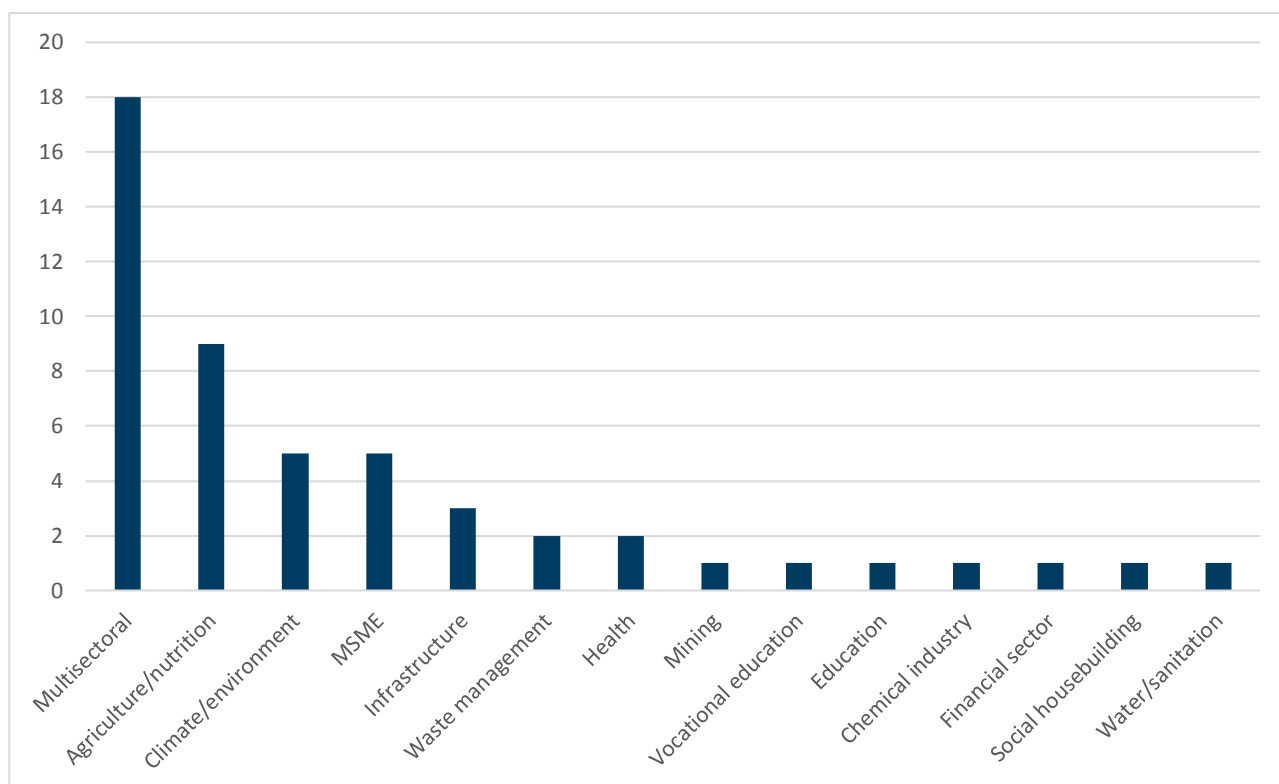
**Figure 4** Number of evaluations and studies by instrument/project



Source: DEval, own presentation; \*Development Partnerships with the Private Sector

**The sectoral focus of the underlying projects and instruments is widely diffused** (see Figure 5). Instruments and projects are most frequently situated in the following sectors: agriculture/food/nutrition, climate/environment, financing of micro-, small and medium-sized enterprises (MSMEs) and infrastructure. Around one third of projects and instruments have a multisectoral emphasis and are therefore used in several sectors.



**Figure 5** Sectoral focus of the underlying instruments and projects

Source: DEval, own presentation

### 3.2.2 Geographical distribution

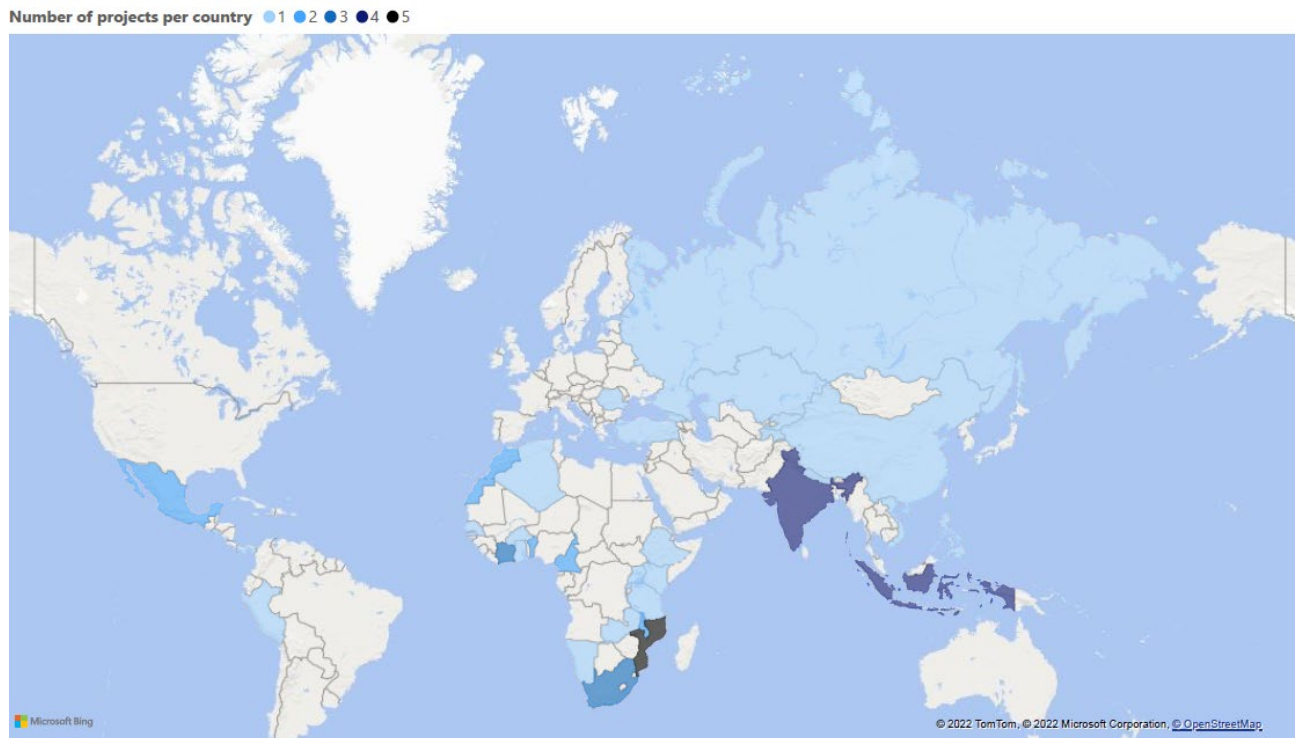
**The underlying projects and instruments are in use worldwide.** About 35 per cent of the projects and instruments have a global or regional focus (see Table 6). These are most frequently concentrated on the African continent. Around 65 per cent operate in individual countries and not on a regional basis (see Figure 6). Of these, the highest number are active in Mozambique (five), followed by India and Indonesia (four each).

**Table 6** Geographical distribution of regional/global projects and instruments

Region	Share
Global (all developing and emerging countries)	35.5 %
Africa	32.3 %
Asia	16.1 %
Europe	9.7 %

Source: DEval, own presentation

**Figure 6** Geographical distribution of the projects and instruments operating in individual countries



Source: DEval, own presentation. The map only shows the projects and instruments which have a country-specific rather than a regional focus.

## 4. FINDINGS

**This chapter focuses on answering the seven evaluation questions of the evaluation synthesis.** It begins by describing the quality of the evaluations and studies, thereby answering evaluation question 1. In the main body of the chapter, there follow descriptions of the intended effects that were identified in the underlying evaluations and studies selected for the synthesis (evaluation question 2). These are structured in accordance with the levels they are applicable to: investors and donors, intermediaries, partner countries and target groups. Intermediaries in this context may refer either to companies in the partner countries or to German, European or international companies, depending on the project or instrument. Within each level, findings are broken down into the relevant OECD-DAC criteria (effectiveness, impact and efficiency).

**Identified outputs and (short- and medium-term) outcomes are associated with the criterion of “effectiveness”, and the identified development impacts with the criterion of “impact”.** In some cases these may overlap because there is not always a clear-cut transition between direct outcomes and overarching development impacts. The findings on unintended effects are structured according to the same model (evaluation question 3). The term “effects” is used generically for outputs, outcomes and impacts. The external and internal conditions that influence these effects are described in the subsequent section (evaluation questions 4 and 5), before proceeding to discuss sustainability (evaluation question 6) and additionality. The chapter concludes with the section on coherence, which was analysed on the basis of interviews (evaluation question 7).

## 4.1 Quality of the evaluations and studies

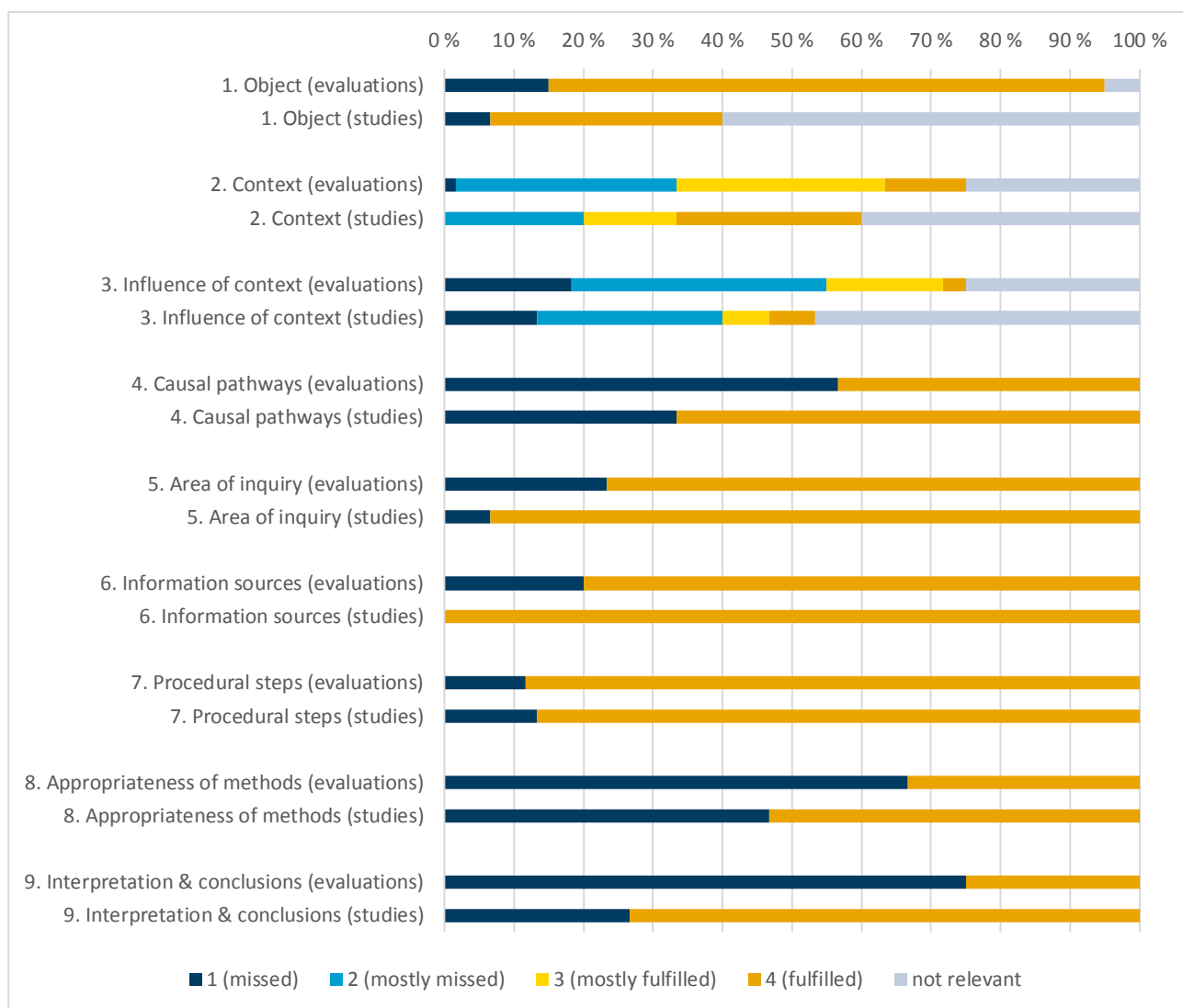
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**This section seeks to answer evaluation question 1 on the quality of the evaluations and studies.** It begins by describing the findings of the quality assessment that was carried out to ensure that the evaluation synthesis was based on reliable evidence only (see Section 2.2.5). It then examines additional methodological aspects of the underlying evaluations which were not part of the quality assessment itself but which have a bearing on the interpretation of the findings and on the conclusions. These concern the quality of the indicators reported in the evaluations and the measurement of effects.

### 4.1.1 Average quality ratings of the evaluations and studies

**The evaluations and studies score well when reporting on descriptive aspects in particular.** As explained in Section 2.2.5, the quality of the evaluations and studies was assessed with reference to a matrix of nine indicators based on OECD-DAC and DeGEval standards. Figure 7 shows that the evaluations and studies score well on indicators 1, 5, 6 and 7 in particular. This means that in the majority of cases they contain a description of the subject of the evaluation, its area of inquiry, sources of information, and the procedural steps specified for carrying out the evaluation or study. Restricting the analysis only to the evaluations and studies included in the synthesis results in better ratings, notably for the description of causal pathways, description of the area of inquiry and description of information sources (see Annex 7.9).

**The quality ratings of the evaluations differ from those of the (academic) studies, in some cases markedly.** Overall the academic studies achieve better ratings than the evaluations – for example, for their coverage of causal pathways, information sources, and rationales for appropriate methods (indicators 4, 6 and 8). The difference is especially noticeable for indicator 9: over 70 per cent of the academic studies, as opposed to only 25 per cent of the evaluations, relate their findings and conclusions to the underlying data and data analysis. One explanation for the higher methodological quality of studies is that they were sourced from academic journals, which quality-assure their articles by operating an independent peer review process.

**Figure 7** Ratings of evaluations and studies on the quality indicators

Source: DEval, own analysis

#### 4.1.2 Additional analyses on the quality of the evaluations and studies

**In addition to the quality assessment described above, the evaluations and studies were analysed with regard to further methodological aspects.** These aspects do not inform the quality assessment for the selection of documents because they do not appear in the OECD-DAC and DeGEval evaluation standards on which the quality assessment grid is based. Nevertheless, they were analysed because they are relevant when it comes to interpreting the findings and making possible recommendations. The first such analysis examined the target indicators used in the underlying evaluations themselves for their assessments of the respective projects and instruments. Because DEval's mandate is to issue recommendations to German implementing organisations, this analysis only took account of evaluations by GIZ and KfW. The operationalisation and the measurement of effects in all the evaluations and studies included in the synthesis were examined in a separate analysis.

#### 4.1.3 Analysis of the underlying indicators

**The quality of an evaluation also depends on the underlying indicators of the given project, which are put in place at the planning stage and tracked by the monitoring system.** Many evaluations by KfW and GIZ use the indicators that were previously defined – in project proposals, for example – to make statements about effectiveness. Therefore, by analysing the indicators used in an evaluation, it is also possible to draw

conclusions about the quality of the design of the project or instrument. With reference to the quality of the evaluation, the better the indicators, the more accurate the statements they permit about the effectiveness and impact of the underlying projects and instruments. For the purposes of the analysis, the indicators were always associated with the same results-chain level (outputs or outcomes) that they had been assigned to in the reports. Where the reports did not mention this information, the evaluation team made its own assessment of the indicator's level.

**Some evaluations report solely on indicators at output level.** The majority of the analysed evaluations refer to indicators which had previously been defined at outputs and outcomes levels as a basis for drawing conclusions about the effectiveness and impact of projects and instruments. However, eight out of 19 evaluations by GIZ and KfW report solely on indicators at output level – on a fund's financial performance indicators, for instance. Furthermore, the indicators in the majority of evaluations relate to investors or donors (eleven evaluations) and/or intermediaries (twelve evaluations), whereas indicators relating to target groups or partner countries are used in only six and seven evaluations respectively.

**Some indicators are designated as outcome objective or module objective indicators, but more properly relate to the outputs level.** For example, the use of improved propagating material to replace or improve plantations (GIZ, 2015b) and the positive rating of companies in the raw materials sector for intensifying the training of skilled workers (GIZ, 2014a) are described as outcome indicators. In both cases, the respective evaluations themselves comment critically on the use of these as outcome-level indicators since they are more characteristic of effects at output level. While this critical discussion in the evaluations is to be commended, in most cases the given evaluations do not follow through the implications when making their assessments. For example, they cite the fulfilment of an indicator to support the assessment that outcomes have been achieved even though the assignment of the indicator to that level of the causal pathway is questionable. Added to that, some of the indicators are not specific or realistic – for example, they do not specify exactly how an increase in production and productivity is to be measured (KfW 7).

#### 4.1.4 Analysis of the measurement of effects

**Whereas effects at output level are operationalised by indicators in almost all cases, effects at outcome and, especially, impact level often tend to be roughly estimated rather than measured.** Employment effects are an example of this. Although these are very often reported and operationalised as an indicator, a distinction is seldom made between the creation of *new* jobs without regard for the potential displacement or substitution of existing jobs (gross effects) and the creation of *more* jobs in the labour market as a whole (net effects). This makes it impossible to say with certainty whether the new jobs have not come about as a result of displacement effects elsewhere. Another example – at the level of the partner country – is when effects are reported in the areas of “economic growth” or “sustainable economic development” even though no evidence exists as to their durability and scale. One reason why impacts are rarely measured is that many PSE projects and instruments have long causal pathways, which make it harder to quantify impacts rigorously. This is especially true of the “financing *with* companies” format, where the mobilisation of private capital amounts to an additional step in the causal pathway. Generally speaking, it is extremely difficult to trace observed effects back to the given project or instrument. To establish a definite causal attribution of this kind, it would be necessary to use an experimental or quasi-experimental design, which was not done in any of the underlying evaluations and studies.

**Few reports consider the additionality<sup>13</sup> of the underlying projects and instruments, although this might be seen as crucially important in the context of PSE,** because of the risk that public funding might finance activities which the private sector would have financed anyway. However, the majority of the evaluations

<sup>13</sup>The OECD (2016) differentiates between financial and development additionality. An official investment is said to be financially additional when it is granted to a company which, without public support, is unable to obtain financing of a similar amount or on similar terms, or when it mobilises investments from the private sector which would not otherwise have been invested. Development additionality, on the other hand, is defined as the development impact resulting from the investments which would not otherwise have occurred.

and studies (35 out of 51) do not explicitly examine the additionality of PSE (see also Section 4.9). One reason for this is that additionality does not number among the OECD-DAC evaluation criteria, which are the reference standard for the vast majority of the evaluations. Where additionality is discussed at all, it is mainly from an ex-post perspective. This makes it problematic to assess the degree of additionality that existed at the beginning of the project or instrument, and how this might have changed during project implementation. Some evaluations and studies also report having no suitable evidence base on which to assess the additionality of the respective project or instrument (DANIDA, 2016; EC, 2020; KfW 5).

**Almost all the evaluations assess sustainability, but often not in a holistic way or based on a systematic assessment grid** (see also Section 4.10). Often the term “sustainability” is not defined, but when it is, it refers to the durability of projects and instruments and thus reflects the OECD-DAC criterion of “sustainability”<sup>14</sup>. Assessments of sustainability are often based on approximations in relation to particular aspects of interventions, such as the contribution of the private sector partner or that of high demand (EC, 2020; GIZ, 2010; KfW 6). In one case, an assessment of interventions as sustainable was supported by the rationale that no indications of unsustainability were found (KfW 5). The evaluations and studies do not make use of a systematic assessment grid to ensure that the assessment is informed by different aspects of sustainability (for example financial, environmental, social). Many of them do not therefore give a rounded picture of the sustainability of the intervention.

**The evaluation practice in the evaluations included in the analysis does not yet reflect the current BMZ guidelines on the multidimensional assessment of sustainability.** The BMZ’s latest orientation guidelines on the evaluation criteria for use in German bilateral development cooperation have been in force since September 2020. They include a series of review questions for assessing sustainability which cover the different dimensions to be examined (BMZ, 2021b)<sup>15</sup>. In this respect, the orientation guidelines implement recommendations formulated by DEval in its meta-evaluation of sustainability in German development cooperation (Noltze et al., 2018), which recommended investigating how the interactions between the dimensions of sustainability might be identified and assessed in future evaluations. None of the evaluations considered in the synthesis reflect these guidelines, having been completed before they came into force.

### Box 3 Summary: Quality

The quality of the evaluations analysed for the synthesis is generally lower than that of the academic studies. While both the evaluations and the studies achieve good coverage of descriptive aspects such as the evaluation questions and the description of procedural steps, the evaluations especially display weaknesses in respect of more demanding aspects such as discussing the appropriateness of the methods used and linking the conclusions to the underlying data.

Moreover, the assessments in many evaluations refer to monitoring indicators, which primarily measure outputs rather than outcomes or impacts. For the latter, they often make assumptions or estimations instead. An important caveat when considering the effects identified in the evaluation synthesis, especially at impact level, is that none of the evaluations made use of experimental or quasi-experimental designs. Admittedly, these are often not possible or worthwhile for various reasons. Nevertheless, when interpreting the identified effects, the near-impossibility of establishing a definite causal attribution to a particular project or instrument should be borne in mind.

At the same time, the analysis of the evaluations and studies shows the importance of project design, because defining precise indicators at the beginning of the project can lay the foundation for a high-quality evaluation later on. This is especially applicable to additionality, which most evaluations do not consider,

<sup>14</sup>The OECD defines sustainability as “[t]he extent to which the net benefits of the intervention continue, or are likely to continue” (OECD, 2019).

<sup>15</sup>For instance, this is accomplished by the review question “To what extent are the participating and affected individuals, groups and organisations, partners and agencies able and willing (ownership) in institutional, personnel and financial respects to sustain the positive effects of the intervention over time (after financial support has ended)?” (BMZ, 2021b).

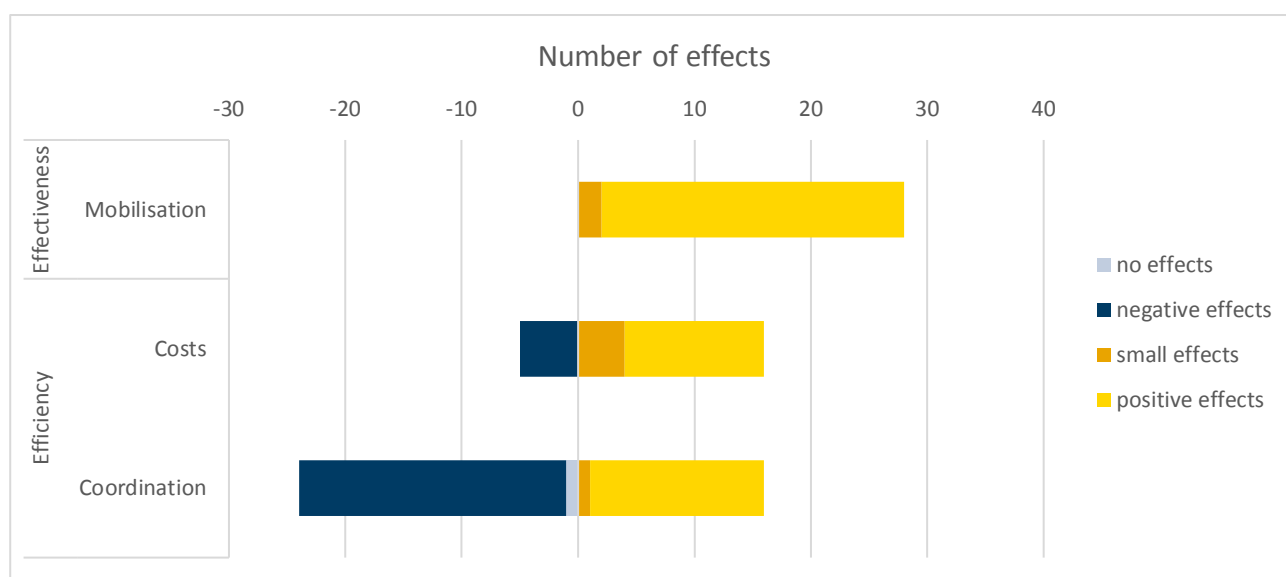
partly because they lack the necessary evidence base on account of the failure to assess the criterion at the beginning of the project.

Although most evaluations and studies consider the sustainability of the outcomes and impacts, they seldom do so comprehensively and systematically. The BMZ's current orientation guidelines already prescribe review questions of greater methodological rigour on this criterion.

## 4.2 Intended effects: Investors and donors

This section presents the intended effects of PSE projects and instruments at the level of investors and donors (see Figure 8). It makes reference to the inputs level of the theory of change and to the outputs level with regard to the mobilisation of private capital. At the level of investors and donors, the effects actually observed in the evaluations and studies on PSE are outputs and efficiency effects, as will be shown in the following section.

**Figure 8** Effects at the level of investors and donors



Source: DEval, own presentation

### 4.2.1 Effectiveness

**Positive effects of PSE projects and instruments are observed especially with regard to the mobilisation of financial resources.** The mobilisation of additional financial resources is one of the most frequently recorded outputs of all the projects and instruments examined (26 positive effects in 26 evaluations and studies) (ADB, 2013; DANIDA, 2016; DEG, 2017; EC, 2016, 2020; GIZ, 2012, 2015b, 2016a, 2016b; Hartmann et al., 2017; KfW 4, 5, 6, 7, 8, 9; KOICA, 2014; McNicoll et al., 2017; Norad, 2010; Orth et al., 2020; Sida, 2016; Unterhalter, 2017; USAID, 2015a, 2016, 2019, 2020). The volume of capital mobilised varies substantially, ranging from a few thousand to several million US dollars. Although the vast majority of this is private capital, in isolated cases it is also provided by development banks. By its very nature, mobilisation is most frequently reported in the context of “financing *with* companies”, thus fulfilling its stated objective as a cooperation format. Only in two cases were mobilisation targets not achieved (two small effects in two evaluations and studies) (ADB, 2013; KfW 5).

### 4.2.2 Efficiency

**Under the efficiency criterion, a sizeable number of both positive and negative effects on the costs of PSE projects and instruments can be observed.** For example, the underlying evaluations and studies report cost savings and increases in cost-effectiveness in many instances (twelve positive effects in ten evaluations and



studies) (EC, 2020; GIZ, 2016b, undated; IEG, 2014; KfW 5; Norad, 2010; Sida, 2016; USAID, 2019, 2020). Better resourcing and the relief of public budgets are also cited as evidence of positive effects.

**Cooperation with private sector actors often causes high transaction costs to begin with, due to complex negotiation structures and an increased need for coordination.** In the long run, some costs may be reduced as a result of learning curves, building trust, common goals and cost sharing (four small effects in four evaluations and studies) (EC, 2016; IOB, 2013; USAID, 2020; Whyle and Olivier, 2016). Furthermore, some evaluations and studies report that projects and instruments were more cost-intensive than planned – for example, due to high contract negotiation costs or high opportunity costs (five negative effects in five evaluations and studies) (Bertrand et al., 2015; KfW 2, 7; Norad, 2010; Sida, 2016).

**Reported effects of PSE projects and instruments on investor and donor coordination and the use of possible synergies show a mixed picture.** Alongside many positive effects, there are numerous negative and small effects. The high numbers of positive observed effects are found in all three cooperation formats (15 positive effects in seven evaluations and studies) (EC, 2016, 2020; GIZ, 2010, 2016b, undated; Norad, 2010; SECO, 2019). At the same time, positive coordination effects occur on several levels: in multi-donor approaches (GIZ, 2016b) and in implementation (SECO, 2019). A positive example which was reported in three evaluations or studies is the creation of a steering committee with broad participation from all donors, investors, intermediaries, companies and partner entities: in the long term this might even indirectly improve inter-actor relationships which have been rather conflict-ridden hitherto (EC, 2016, 2020; GIZ, undated).

**However, the underlying evaluations and studies show that effective cooperation between state and private sector actors requires a high level of coordination.** Cooperation between private sector and development cooperation actors, whose operative processes radically differ, poses a host of challenges for both sets of parties (23 negative effects in twelve evaluations and studies) (ADA, 2013; DEG, 2014; EC, 2016; GIZ, 2010, 2014a, 2020a; IEG, 2014; IOB, 2013; KfW 1, 7; Norad, 2010; Whyle and Olivier, 2016). The evaluations and studies report a dearth of common strategies and mention fragmented portfolios and the risk of duplicated efforts (ADA, 2013; EC, 2020). Also, in one case, national policy strategies of the partner country were ignored (Whyle and Olivier, 2016). In another case, coordination with the same public donor's other projects proved unsatisfactory: coordination, exchange of experience and knowledge transfer were all limited (Norad, 2010). Cooperation needs some time before the need for coordination can be reduced, as is shown by another case where cooperation gradually improved (one small and one no effect in one evaluation) (Bertrand et al., 2015).

**The analysis shows that particularly the beginning of cooperation gives rise to a large number of challenges.** These include signing financing agreements with different lengths of term (EC, 2016), inadequate or no joint efforts by development cooperation implementing organisations (GIZ, 2014a; Norad, 2010), and an unsatisfactory cost-benefit ratio which was foreseeable from the very outset of the project or instrument (GIZ, 2020a; KfW 1; Norad, 2010). For example, Norwegian development cooperation and the Norwegian employers' confederation launched a joint programme in Uganda, although its ultimate failure due to a half-baked business strategy – according to the evaluation – had been foreseeable beforehand (Norad, 2010). There are also isolated cases where private sector partners who are struggling economically are unable to make any notable contribution to the cooperation (IOB, 2013; KfW 7).

#### Box 4 Summary: Investors and donors

At the input level, positive effects of PSE at the level of investors and donors can be observed particularly in the area of costs. Often the high coordination effort and associated transaction costs pose a major challenge here, but can be reduced over time as the duration of the cooperation between the development cooperation actor and the private sector partner lengthens. These efficiency aspects did not feature in the reconstructed theory of change, since the majority of the theories and impact matrices from which it was reconstructed were focused on effects on intermediaries, target groups and partner countries.

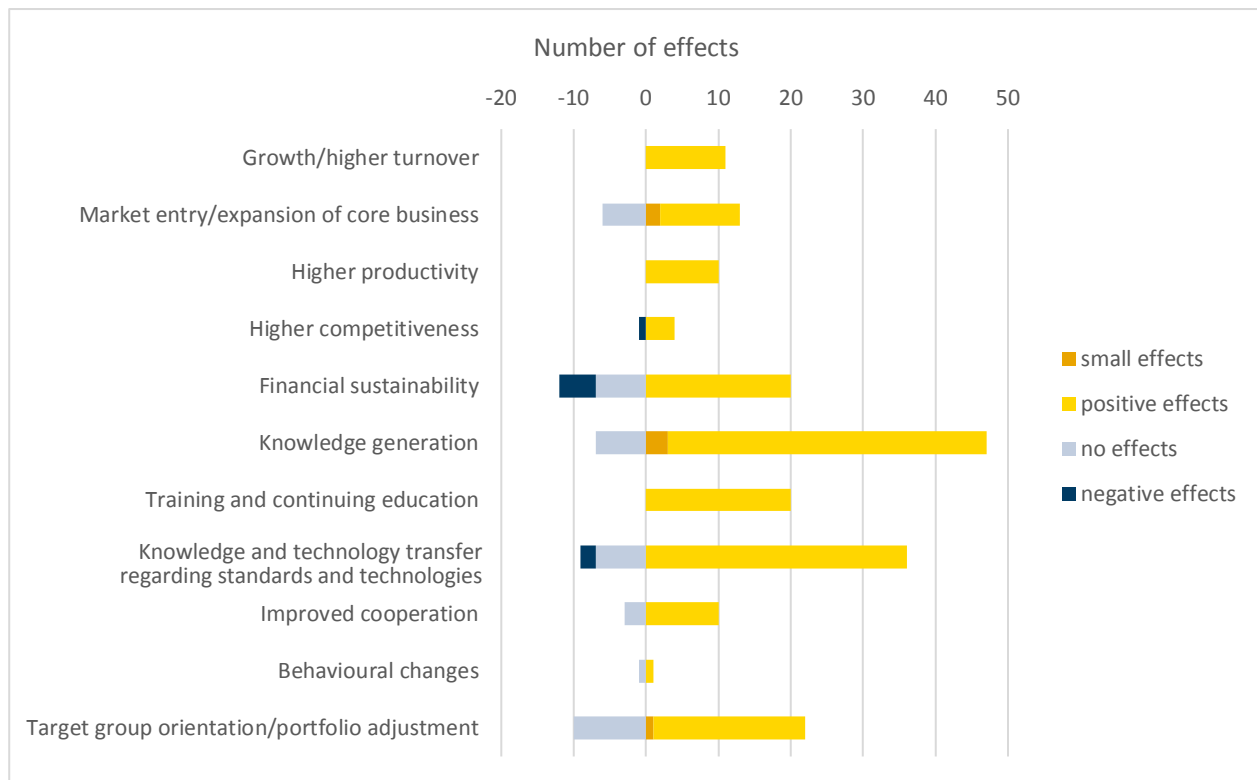
Furthermore, numerous mobilisation outputs are evident at the level of donors and investors, mainly resulting from “financing *with* companies”. The mobilised funding contributes to financing a wide range of outputs – for example, at the levels of intermediaries and of partner countries. These are described in the following sections.

### 4.3 Intended effects: Intermediaries

**This section discusses the reported effects of PSE projects and instruments on the intermediaries involved.**

The intermediaries are the primary target group of the projects and instruments, and receive the financing and/or other types of support. Depending on the project or instrument, they may be financial intermediaries, firms in the partner countries, or German, European or international companies. According to the theory of change, a large number of effects on intermediaries are expected at output and outcome levels. Examples include the expansion of business, the founding of new companies, the implementation of standards, and increased revenues. Since intermediaries only contribute indirectly to impacts via the level of the target group and partner country, this assessment is confined to effectiveness.

**In order to assess the effectiveness of PSE projects and instruments at the level of intermediaries, eleven different effects will be dealt with separately below** (see Figure 9). For the most part, these involve economic aspects like increasing turnover, productivity and competitiveness, but also such matters as knowledge and technology transfer between intermediaries, as well as target group orientation.

**Figure 9** Outputs and outcomes at the level of intermediaries

Source: DEval, own presentation

### Effects on market entry, growth and productivity

**The analysis of the underlying evaluations and studies reveals predominantly positive effects on the growth of intermediaries.** This applies both to German and European companies entering markets in developing countries, and to financial intermediaries (FIs) entering new market segments such as MSMEs and agriculture. In other cases, sustainable green-field projects were set up (eleven positive effects in seven evaluations and studies) (DEG, 2014; EC, 2016; KfW 3, 9; Norad, 2010; SECO, 2019; USAID, 2019).

**Some evaluations and studies describe positive effects on the growth of intermediaries and the expansion of their core business.** When increased growth is reported, it applies to both companies and the intermediary (six positive effects in six evaluations and studies) (GIZ, 2010; KfW 4, 6, 7; Orth et al., 2020; Pusok, 2016). An expansion of core business is reported mainly for companies. It arises when companies receive a greater number of loans as a result of the private sector's contribution, for example, or due to the introduction of new production technologies (five positive effects in five evaluations and studies) (EC, 2016; IOB, 2013; KfW 8; Norad, 2010; SECO, 2019).

**However, there are also reports of unsuccessful or only modestly successful market entry by intermediaries.** Cases of unsuccessful market entry are ascribed partly to a mismatch between the objectives of the local private sector and the German and/or European companies, and partly to the target group's lack of liquidity (six instances of no effects in six evaluations and studies) (ADA, 2013; ADB, 2013; Kaplan et al., 2018; Norad, 2010; USAID, 2019; KfW 7). In two cases, only small effects on the market entry of intermediaries could be observed (two small effects in two evaluations and studies) (DEG, 2014; KfW 9). The reported effects all come from evaluations and studies on the "financing of companies" cooperation format.

**Regarding increased productivity, the effects reported are almost exclusively positive.** For example, productivity was successfully increased by more efficient handling of financial resources or a better understanding of the market (ten positive effects in eight evaluations and studies) (DEG, 2017; GIZ, 2016b; IOB, 2013; KfW 4, 7; Lee, 2018; SECO, 2019; Spielman et al., 2010). These effects are

reported mainly in evaluations and studies on the “financing *with* companies” and “financing *of* companies” formats.

**The evidence with regard to improving the competitiveness of intermediaries is also mainly positive** (three positive effects in three evaluations and studies) (GIZ, 2010; Lee, 2018; SECO, 2019). For example, one company boosted its image when the project led to its being included in a magazine’s ranking of companies that are changing the world. With regard to the competitiveness of FIs, the evidence is confined to one evaluation, which shows both positive and negative effects. While some FIs see higher environmental and social standards of financing as an advantage which enables them to differentiate themselves from other financial intermediaries in the market, other FIs perceive them as a competitive disadvantage (one positive and one negative effect in one evaluation) (DEG, 2017). The evidence on competitiveness comes from evaluations and studies on all three cooperation formats.

### Effects on financial viability

**Concerning the financial viability of intermediaries, the evaluations and studies report predominantly positive effects of PSE.** These are especially clear at the level of financial intermediaries (13 positive effects in eight evaluations and studies) and relate predominantly to the “financing *with* companies” cooperation format (DEG, 2014; KfW 1, 3, 4, 6; Lee, 2018; Norad, 2010; Orth et al., 2020). Examples include better management of local currency risks or a reduction in delinquent payments to the fund (Orth et al., 2020). Negative effects are only described in isolated cases. They encompass financial difficulties of the supported companies – for example, due to harvest failures, management errors or pandemics (four negative effects in one evaluation) (KfW 7) – and are reported in relation to the cooperation format “financing *with* companies”. It is striking, considering that deadweight effects are possible negative effects of PSE projects and instruments, that the sources either do not analyse them or only do so in exceptional cases (see also Kaplan et al., 2018).

**Effects on financial viability at the level of companies are also predominantly positive, albeit slightly weaker than those observed for financial intermediaries** (seven positive effects in six evaluations and studies), and are more frequently reported for the “financing *of* companies” cooperation format (GIZ, 2020a; Kaplan et al., 2018; KfW 4; Lee, 2018; Norad, 2010; SECO, 2019). Also documented are a few projects and instruments at the companies level which had no effects on the financial viability of companies (four instances of no effects in three evaluations and studies) (DANIDA, 2016; GIZ, 2010; USAID, 2015b). This is sometimes ascribed to the fact that the intermediaries receiving financing are not equipped with the necessary management skills and capacities (DANIDA, 2016). At the level of financial intermediaries also, a few cases are described in which the intended effects of projects and instruments did not occur (three instances of no effects in three evaluations and studies) (DEG, 2014; KfW 6; Norad, 2010). These were evaluations and studies dealing with the “financing *with* companies” and “financing *of* companies” cooperation formats.

### Effects on knowledge building

**Positive effects of projects and instruments in relation to knowledge building are especially evident for intermediaries.** The sources report a large number of positive effects as a result of advisory inputs, capacity development, feasibility studies and exchange of expertise, as well as conferences and roadshows (44 positive effects in 25 evaluations and studies) (ADA, 2013; Bertrand et al., 2015; DANIDA, 2016; EC, 2016, 2020; GIZ, 2010, 2015a, 2015b, 2016b, 2020a, 2020b, undated; Lee, 2018; Norad, 2010; Saadeh et al., 2019; SECO, 2019; Sida, 2016; Spielman et al., 2010; USAID, 2015b, 2016, 2019, 2020). These effects are mentioned in evaluations and studies on all three cooperation formats, with a distinct majority in the “financing *of* companies” category.

**Specifically for the delivery of training activities, effects reported at the level of financial intermediaries and companies are almost exclusively positive.** This applies to training courses on new technologies in the area of “environment and climate”, new production methods, and environmental and social standards (20 positive effects in 14 evaluations and studies) (Butler et al., 2013; GIZ, 2010, 2012, 2015a, 2015b, 2016b,

2020a; Hartmann et al., 2017; IEG, 2014; KfW 2; Lee, 2018; Sida, 2016; USAID, 2015b, 2016). However, only a few evaluations document the actual effects on the dissemination of successful models. Effects under the heading of “training activities” are reported in evaluations and studies on all three cooperation formats, although the majority of evidence comes from the “financing of companies” format.

**In individual cases, evaluations and studies report small or no effects on knowledge building.** In some cases, advisory inputs or feasibility studies could not be carried out to the extent planned, or the objectives were only just achieved (small effects in three cases in three evaluations) (GIZ, 2015a, 2020b; KfW 8). Examples of the no-effects coding were when a training-needs assessment was not followed up by delivering training, when feasibility studies did not take account of important project specificities, or when knowledge management was inadequate (seven instances of no effects in six evaluations and studies) (Bertrand et al., 2015; EC, 2020; GIZ, 2010, 2014a; Hartmann et al., 2017; USAID, 2020).

### Effects on knowledge and technology transfer regarding standards and technologies

**Effects under the heading of “knowledge transfer” relate firstly to knowledge sharing and the generation of synergies.** These predominantly positive effects occur mainly in cooperation formats involving the “financing of companies” (six positive effects in six evaluations and studies) (GIZ, 2010, 2015b; KfW 2; SECO, 2019; Spielman et al., 2010; USAID, 2019). Examples include the exchange of knowledge with local producers, research cooperations, and the use of multiplier effects in the partner country. In two cases, the evaluations and studies report the non-occurrence of expected effects in the area of “knowledge transfer” (Norad, 2010; Whyte and Olivier, 2016). This is ascribed to delayed project interventions, among other issues.

**Secondly, in many cases knowledge transfer leads to the introduction or improvement of standards or certifications.** The positive effects involve the introduction of various standards (for example labour and safety standards, environmental and sustainability standards) or certifications. Other examples concern making the award of loans to companies conditional on compliance with social, governance and environmental standards (19 positive effects in eleven evaluations and studies) (DANIDA, 2016; DEG, 2017; EC, 2016; GIZ, 2016b; IOB, 2013; KfW 4, 7; Norad, 2010; Saadeh et al., 2019; SECO, 2019; Sida, 2016). The effects are reported in evaluations and studies on all three cooperation formats, with the majority of evidence coming from the “financing *with* companies” format.

**The sources on which the synthesis is based report only positive effects on the introduction or improvement of technologies at the level of intermediaries.** This encompasses technologies for the introduction of new products, but also for the generation of existing services or the development of innovative services (eleven positive effects in nine evaluations and studies) (GIZ, 2010, 2016b, 2020a, 2020b; Hartmann et al., 2017; IOB, 2013; KfW 2; Norad, 2010; USAID, 2015b). The effects in this category can vary, sometimes greatly, in magnitude. In some cases they are isolated and small (Norad, 2010). Evaluations and studies on all three cooperation formats report positive effects on the introduction and/or improvement of technologies. The majority of effects are documented for the “financing of companies” cooperation format.

**However, there are also sources that report no or negative effects on the introduction or improvement of standards at the level of intermediaries.** No effects relate to such findings as not checking compliance with ESG standards that have been introduced, or not implementing such standards at all. In another case, the dissemination of standards in the partner country which was anticipated as a result of cooperation with German and European companies did not occur (seven instances of no effects in five evaluations and studies) (Hartmann et al., 2017; Kaplan et al., 2018; KfW 4, 5; Norad, 2010). The reported effects come predominantly from evaluations and studies on the cooperation format “financing *with* companies”. One study describes negative effects on technologies and standards at the level of intermediaries. These arose when European companies outsourced production to partner countries and did not adequately monitor compliance with standards (two negative effects) (Norad, 2010).

### Effects on cooperation

**In ten cases, there are reports of improved cooperation between different groups in the partner country at the level of intermediaries.** These effects relate mainly to an improved culture of cooperation and

strengthened processes for exchange and dialogue between state and private sector actors (eight effects in seven evaluations and studies) (GIZ, 2016a, 2016b, 2020b; Hartmann et al., 2017; Spielman et al., 2010; USAID, 2016). One further evaluation describes improved coordination between companies operating in the partner country – for example, jointly organised marketing campaigns and trade fairs (two positive effects) (SECO, 2019). In some cases, cooperation between implementing organisations and European companies and/or FIs also improves (three effects in three evaluations) (EC, 2020; GIZ, 2010; Sida, 2016). Three evaluations and studies mention greater cooperation between companies in the partner countries and European companies (GIZ, 2020b; Norad, 2010) or international buyers (SECO, 2019). Reports of improved cooperation are found in evaluations and studies on all three cooperation formats, but most commonly in relation to “financing of companies”.

**In three cases, however, it is reported that cooperation did not improve** (GIZ, 2015a, 2020b; Spielman et al., 2010). In concrete terms, this means that the potential for regional knowledge transfer was not used (GIZ, 2015a) or that the participation of German companies in joint activities with companies in the partner countries was only minimal (GIZ, 2020b). A further evaluation notes that only one in ten cooperation ventures between European companies and companies in partner countries continued on a lasting basis (Norad, 2010). This evidence again relates mainly to “financing of companies”.

### Effects on attitudinal and behavioural changes

**With regard to possible behavioural changes resulting from the instruments and projects for PSE, a mixed picture emerges.** It can be anticipated that as a result of cooperating with development actors, as well as engaging in short-term development activities, in the long term companies might also gain a stronger awareness of development issues – such as the consequences of their activities on the population and the environment, for example. One such positive effect is confirmed by an evaluation on the “financing of companies” format (USAID, 2016). However, another evaluation – likewise on “financing of companies” - observes that most of the companies financed did not critically reflect on the intended and unintended effects of their investments; nor did most of the projects result in greater sensitisation to development issues (Hartmann et al., 2017). One reason for the non-occurrence of change in some companies was that they were practising a strong culture of social responsibility even prior to the project (Hartmann et al., 2017).

### Effects on increased target group orientation and portfolio adjustment

**Many evaluations and studies report that intermediaries make portfolio adjustments.** Often these are financial intermediaries which have expanded their target group-oriented portfolios (ten positive effects in eight evaluations). One example of this is the provision of loans for small projects in the “renewable energies and energy efficiency” sector (EC, 2016). These effects are described in evaluations and studies on the forms of financing *of* and *with* companies (ADA, 2013; DEG, 2014; EC, 2016; KfW 1, 6; Norad, 2010; Sida, 2016; USAID, 2016). Subordinated loans<sup>16</sup> in particular strengthen the capital base and thus enable more dependable and/or wider lending to target groups (KfW 4, 5, 6, 7). Portfolios can also be adjusted in other ways, however. For example, one evaluation reported that the project under review influenced the lending decisions of partner FIs to the effect that they granted higher-risk loans, which they would have refused before the project began (five positive effects in five evaluations) (DEG, 2017; EC, 2020; GIZ, 2015a, 2016b; Hartmann et al., 2017).

**In many other cases there is no resultant portfolio adjustment, however.** In the portfolios of some FIs, for example, the proportion of sub-borrowers, small and medium-sized enterprises (SMEs), micro-enterprises in the agricultural sector and sub-borrowers without collateral has not changed significantly as a result of the fund financing. Some reasons for this are the financing of FIs which were not focused on the particular target

<sup>16</sup>Subordinated loans are loans which, in the event of losses, are only serviced after all other creditors, thereby safeguarding the capital base of the FIs and hence also their lending to final beneficiaries.

groups, or a lack of incentives for them to increase their lending to target groups (no effects in ten cases in five evaluations) (DEG, 2014; KfW 6, 7, 9; Orth et al., 2020).

**Besides portfolio adjustments, changes in general terms and conditions can also improve target group orientation.** For example, one FI in Moldova reduced the minimum down payment for the leasing of transportation from 40 to 10–20 per cent, which made it easier for target groups to obtain loans (three positive effects in three evaluations) (EC, 2016; GIZ, 2016b; KfW 3). Evaluations and studies reported that in some cases the intermediaries simultaneously improved relations with the local population or local companies. This happens for example when companies carry out capacity building measures such as farmer business schools (three positive effects in three evaluations) (DEG, 2017; GIZ, 2020a; Kaplan et al., 2018).

#### Box 5 Summary: Intermediaries

At the intermediaries level, many different effects were identified which correspond to the examples of outputs and outcomes specified in the theory of change. The sole exception was the founding of new businesses, for which no evidence could be identified. Whereas the theory of change associates effects on sustainable supply and value chains with intermediaries, the evaluations and studies mainly report these effects at the partner country level (see Section 4.4.2).

Positive effects are very frequently reported on knowledge and technology transfer between intermediaries and on knowledge building and training activities. In the area of knowledge building, however, these effects are almost exclusively associated with the easily measurable outputs level (for example, number of workshops carried out), while only a few further-reaching effects are documented at outcome level (for example, implementation of lessons learned in the respective organisation).

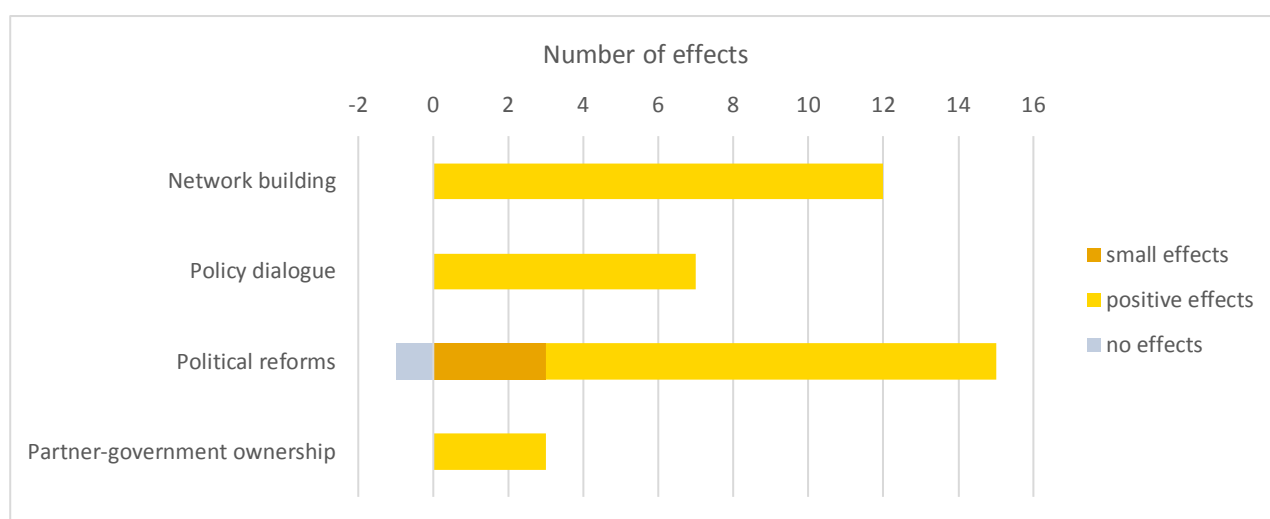
Many evaluations and studies also consider effects on the target group orientation of intermediaries. These documents report many positive effects as well as numerous instances when effects did not materialise. Increasing the target group orientation of intermediaries can contribute to such outcomes as better access to finance for target groups (see Section 4.5.1), and hence to a variety of SDGs such as SDG 1 (No Poverty) and SDG 8 (Decent Work and Economic Growth).

## 4.4 Intended effects: Partner country

**This section discusses the reported effects of PSE projects and instruments at the level of the partner country.** The starting point for the analysis is the theory of change presented in Section 3.1. This assumes that the effects at partner-country level mainly relate to economic growth, higher tax revenues, higher consumer demand, the level of foreign direct investment and the application of environmental and social standards. Against this backdrop, the analysis at this level refers to political, institutional, macroeconomic and socioeconomic aspects. Compared to the two previous levels, the expected effects on the partner country are mainly situated at outcome and impact levels. The identified effects are presented below, broken down under the headings of effectiveness and impact.

### 4.4.1 Effectiveness

**This section gives an account of the effectiveness at partner-country level of the underlying projects and instruments.** Four areas of significance for this criterion were identified in the course of the analysis (see Figure 10), namely partner-government ownership, network building, political reform and policy dialogue.

**Figure 10** Outputs and outcomes at the level of the partner country

Source: DEval, own presentation

### Effects on network building among private sector actors

**With regard to network building in the partner country, the reported effects of the projects and instruments examined are positive without exception.** The majority of the identified effects relate to the building and maintenance of business relationships in the partner country (ten positive effects in seven evaluations and studies) (GIZ, 2014a, 2015b, 2020b, undated; IEG, 2014; IOB, 2013; USAID, 2020). The main cooperation formats concerned are “financing of companies” and “preparing for financing”. Examples of effects include more intense exchange between German and local companies (GIZ, 2015b), organisation of and participation in trade fairs in the partner country (GIZ, 2014a) or the forging of business relationships between producers, suppliers and buyers (GIZ, 2015b). In one case, a project on “preparing for financing” was able to develop a network of international firms that invest in development projects (USAID, 2020). Two more effects relate to the establishment and development of cooperation platforms, one aim of which was to improve exchange between German companies and their local suppliers (two positive effects in one evaluation) (GIZ, 2015a).

### Effects on policy dialogue and political reforms

**In the area of “policy dialogue”, positive effects were identified in seven evaluations and studies.** First and foremost, these involve exchange and cooperation with ministries and other state authorities in the partner countries (EC, 2020; GIZ, 2015b, 2016b, 2020b; SECO, 2019). Other effects relate to the political dialogue between public and private sector actors (GIZ, 2014a; Sida, 2016). The effects can be observed for all three cooperation formats.

**The effects of PSE projects and instruments on political reforms are presented positively without exception.** In all, 16 effects of varying magnitudes were identified in this area (twelve positive and three small effects as well as one instance of no effect in 13 evaluations and studies) (ADB, 2013; EC, 2016, 2020; GIZ, 2012, 2014a, 2015a, 2015b, 2016a, 2016b, 2020a, 2020b; KfW 2; USAID, 2020). The reforms carried out address various regulatory frameworks which differ considerably in terms of their reach and political influence. The range of frameworks encompasses national laws, strategies for individual sectors, and guidelines for certification and standardisation in environmental management. Sizeable differences in the strength of effects can be observed. In some cases the underlying framework has been reformed completely and on schedule, while other evaluations and studies mention reforms being delayed and only partially implemented (GIZ, 2016a, 2020a). One evaluation states that no effects on the regulatory environment can be reported because the draft law developed as a project output was never adopted (KfW 2). The effects can be attributed to all three cooperation formats.



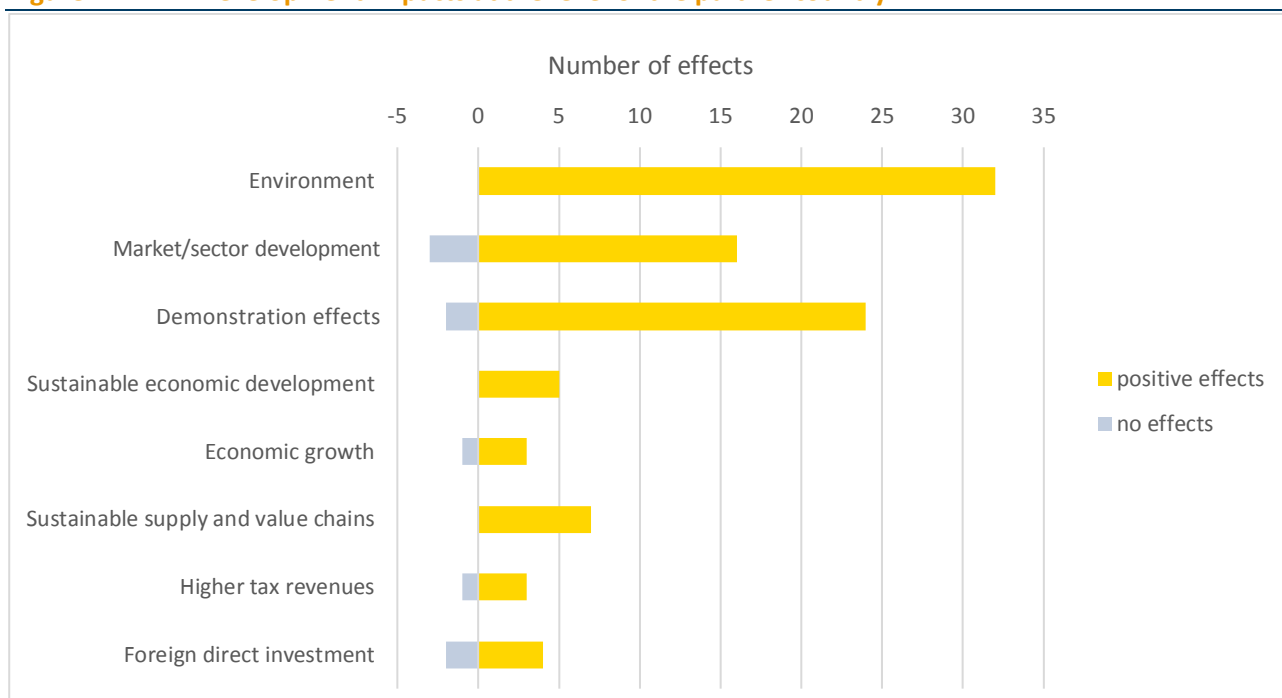
### Effects on partner-government ownership

With regard to partner-government ownership, three effects of the PSE projects and instruments were identified. These positive effects included the partner governments themselves investing in a structured fund or taking responsibility for implementing advisory projects for the development project (three positive effects in three evaluations and studies). In this way, they increased their ownership of the projects implemented (GIZ, 2015a, 2016b; KfW 6). The effects can be observed in connection with all three cooperation formats.

#### 4.4.2 Impact

This section presents the impacts of the examined projects and instruments at the level of the partner country. The aim is to identify those reported economic, social and environmental effects of PSE projects and instruments which are longer-term and more broadly diffused than the effects previously identified under effectiveness. The analysis uncovered eight different areas of significance when considering impacts at the partner-country level (see Figure 11). These include sustainable economic development, sustainable supply and value chains, market and sector development, demonstration effects, economic growth, foreign direct investment, increased tax revenues and the environment.

**Figure 11** Development impacts at the level of the partner country



Source: DEval, own presentation

### Effects on the environment

Environmental effects are by far the most commonly reported positive effects on the partner country in the evaluations and studies. In all, 32 positive effects were identified in this area. One reason for this is that a high proportion of the underlying projects and instruments are used in the climate and environment sector (see Section 3.2.1).

The effects pertain to a large number of different environmental and climate aspects. Most commonly mentioned are reduced emissions of greenhouse gases and other pollutants (nine effects in five evaluations and studies) (EC, 2016; GIZ, 2015a; KfW 1, 2; SECO, 2019), followed by the promotion of energy savings (four effects in two evaluations and studies) (EC, 2016; GIZ, 2016a). Other environmental and climate aspects reported include the use of environmentally benign farming methods, the reduction of deforestation and the expansion of renewable energies (16 positive effects in eight evaluations and studies) (EC, 2016; GIZ, 2016a, 2016b, 2020a; KfW 1, 4; SECO, 2019). In three cases, evaluations report positive effects on the environment

without being any more specific (DEG, 2017; GIZ, 2016b; Norad, 2010). The majority of the reported effects occur in instruments and projects geared towards financing *of* and *with* companies.

### **Effects on market and sector development**

**The effects in the area of “market and sector development” are presented positively, bar a few exceptions.**

This area shows comparatively high evidence coverage, with 19 effects identified in 15 evaluations and studies. Nine of the described effects are situated in the “renewable energies”, “agriculture”, “infrastructure” and “telecommunications” sectors, and encompass the development of new business models and products, the introduction and establishment of certification schemes, and the entry of new actors to the market (nine positive effects in seven evaluations and studies) (GIZ, 2015b; IOB, 2013; KfW 1, 4; Norad, 2010; Orth et al., 2020; Sida, 2016). Although the effects occur in connection with all three cooperation formats, instruments and projects geared towards “financing *of* companies” account for the majority. The other seven identified effects relate to the development of capital markets in partner countries and include the provision of local currency financing, the stabilisation and consolidation of existing capital markets, and the generation of demonstration effects – by means of anchor investments, for example (seven positive effects in five evaluations and studies) (KfW 2, 4, 9; Norad, 2010; Orth et al., 2020). The majority of such effects occur in connection with instruments and projects aimed at “financing *with* companies”. Just two of the 16 identified effects are described as enduring and of systemic importance (Norad, 2010; Sida, 2016). In all the other cases, the durability and scale of the effects remain unclear.

**In addition to direct effects on market and sector development at the level of the partner country, there are also reports of positive effects on the framework conditions of the markets and companies.** The underlying evaluations and studies report three such effects (in three evaluations and studies). These involve the introduction and application of ESG standards (Sida, 2016), support for corporate governance (Norad, 2010), and the implementation of financial market reforms (ADB, 2013). In three other cases, evaluations and studies mention that the examined PSE projects and instruments achieved no effects on market and sector development in the partner countries (KfW 2, 8; Norad, 2010). The majority of such effects occur in connection with instruments and projects aimed at “financing *of* companies”.

### **Demonstration effects**

**Successful cooperation between development cooperation and private sector actors can have spillover effects onto other private companies and investors and can also lead to additional financing outside of the instruments and projects being implemented in the partner country.** Signalling effects operate at both the individual and the macroeconomic level. The underlying evaluations and studies identify three areas in which PSE gives rise to demonstration effects: (i) mobilisation of private capital, (ii) piloting of new projects and instruments in a new market or sector, and (iii) further development and consolidation of sectors. A comparatively high total of 14 identified effects were observed, the great majority of which are positive.

**Positive demonstration effects can be identified on mobilisation, piloting of new projects and instruments, and further development and consolidation of sectors.** By mobilising private investors, the examined projects and instruments succeed in exerting demonstration effects on other private investors and mobilising additional capital (six effects in three evaluations and studies) (DANIDA, 2016; Norad, 2010; Orth et al., 2020). Projects and instruments like structured funds provide opportunities whereby risk-averse private investors with no experience in developing and emerging markets can be introduced to new markets (Orth et al., 2020). Fourteen more of the reported effects (in seven evaluations and studies) result from piloting new projects and instruments in new markets or sectors. “Financing *with* companies” formats/arrangements can perform a demonstration function in the partner country due to their innovative character (EC, 2020; KfW 2, 7; Norad, 2010). The underlying projects and instruments are described as model projects and set a good example for continuing financing operations in the partner country (KfW 1, 2, 4). In one case they demonstrate a successful transition to market-based financing in traditionally grant-financed sectors (EC, 2016). Demonstration effects on the further development and consolidation of certain sectors are also reported – in the area of transitioning towards climate-friendly and environmentally sound energy production, for

example (four positive effects in four evaluations and studies) (EC, 2016; GIZ, 2015b; KfW 1; SECO, 2019). The identified effects are distributed just about evenly across the three cooperation formats.

**Occasionally the expected demonstration effects fail to occur.** In two cases, no demonstration effects from the PSE projects and instruments are observed, although these had been intended (Hartmann et al., 2017; KfW 2). In two further evaluations and/or studies, while demonstration effects are observed, the available data provides no concrete evidence that these demonstrably led to further cooperations (EC, 2020; Norad, 2010).

**In addition, some small positive effects could be observed which resulted from the relationship between the donor and/or investor and the partner country** (four positive and two small effects and one negative effect in four evaluations and studies) (EC, 2020; Norad, 2010; Spielman et al., 2010; Whyte and Olivier, 2016). In one example, however, the partner country became dependent on the donor's funding (Whyte and Olivier, 2016). Elsewhere it is pointed out by way of qualification that at the high strategic level, more precise and complex consideration of impacts must be undertaken (Spielman et al., 2010).

### *Effects on stronger economic growth and sustainable economic development*

**In the course of the analysis, only isolated evidence could be identified on the effects of the examined projects and instruments on economic growth in the partner country.** In all, three positive effects were observed. These consist of increases in production, investments and exports by individual companies (three effects in three evaluations and studies) (EC, 2016; Sida, 2016; USAID, 2015a). However, it remains unclear whether the effects were achieved at the expense of other companies, in which case they might be displacement effects. Hence, such growth effects can only be located at the individual level, not at the macroeconomic level. One evaluation reports that the increased private sector investment makes up too small a share to have any significant effect on economic growth (Norad, 2010). The majority of such effects occur in connection with instruments and projects aimed at "financing of companies".

**In the area of "sustainable economic development", the studies and evaluations report five positive effects of the PSE projects and instruments at the level of the partner country.** These effects relate to development of the private sector in the partner countries, promotion of environmentally sound infrastructure, and rural development (five positive effects in five evaluations and studies) (DEG, 2014, 2017; GIZ, 2016b; KfW 8; Spielman et al., 2010). The effects are distributed across all three cooperation formats. Similarly as for economic growth, only in a few cases is anything said about the durability and scale of the described effects. Some of the evaluations also assume a causal attribution between the examined projects and instruments and sustainable economic development in the partner country without measuring the latter (DEG, 2014; KfW 8).

### *Effects on sustainable supply and value chains*

**Under the heading of "sustainable supply and value chains", the identified effects are once again positive without exception** (seven positive effects in seven evaluations and studies). Among other things, these relate to stronger cooperation between European companies and local producers, the introduction of new standards or the improvement of local producers' competitiveness (ADA, 2013; GIZ, 2016b; SECO, 2019; Sida, 2016; Spielman et al., 2010; USAID, 2015a, 2016). The majority of such effects occurred in connection with instruments and projects aimed at "financing of companies". In one case, local producers' export capability into European markets was successfully strengthened (USAID, 2015a). As before, there are considerable differences in the strength and sustainability of the effects. In the majority of cases, temporary, geographically bounded effects are reported or broad-scale impacts are assumed without these having been measured.

### *Effects on higher tax revenues and foreign direct investment*

**The areas of "higher tax revenues" and "foreign direct investment", with four and six identified effects respectively, have comparatively low coverage in terms of evidence.** Three evaluations and studies report positive effects on higher tax revenues in the partner country. These occurred in connection with "financing

of companies” in two cases (Norad, 2010; Spielman et al., 2010) and “financing *with* companies” in one case (KfW 7). Boosting private sector activities and taxing them generates increased tax revenues for the partner country. In all the cases observed, however, these were assumed or presupposed without any verifiable attribution or quantification of the increased tax revenues. In one evaluation, no effects of the examined projects and instruments could be observed (Norad, 2010).

**The majority of the identified effects of projects and instruments on foreign direct investment in the partner country are positive.** In total, six effects were recorded in this area (in one evaluation). Four are positive and relate to the increase in foreign direct investment which can be attributed to PSE projects and instruments (Norad, 2010) and belong in the “financing *of* companies” category. In the evaluation in question, nothing is said about the quantity and reach of the effects. To that extent both their scale and their durability remain unclear. In two cases, no effects on foreign direct investment could be reported, in part because the supported investments from foreign companies were too small to give rise to significant effects (Norad, 2010).

#### Box 6 Summary: Partner country

The findings of the evaluation synthesis only partly reflect the assumptions of the theory of change at the level of the partner country. The synthesis identified the highest numbers of effects with regard to the environment (for example, the reduction of greenhouse gas emissions), demonstration effects on other investors (for example, the mobilisation of additional capital), and market and sector development (for example, the application of environmental and social standards) (more than ten effects for each). The numbers of identified effects on economic growth, sustainable economic development, higher tax revenues and the level of foreign direct investment are low by comparison (fewer than five effects for each). Effects pertaining to higher consumer demand were not reported.

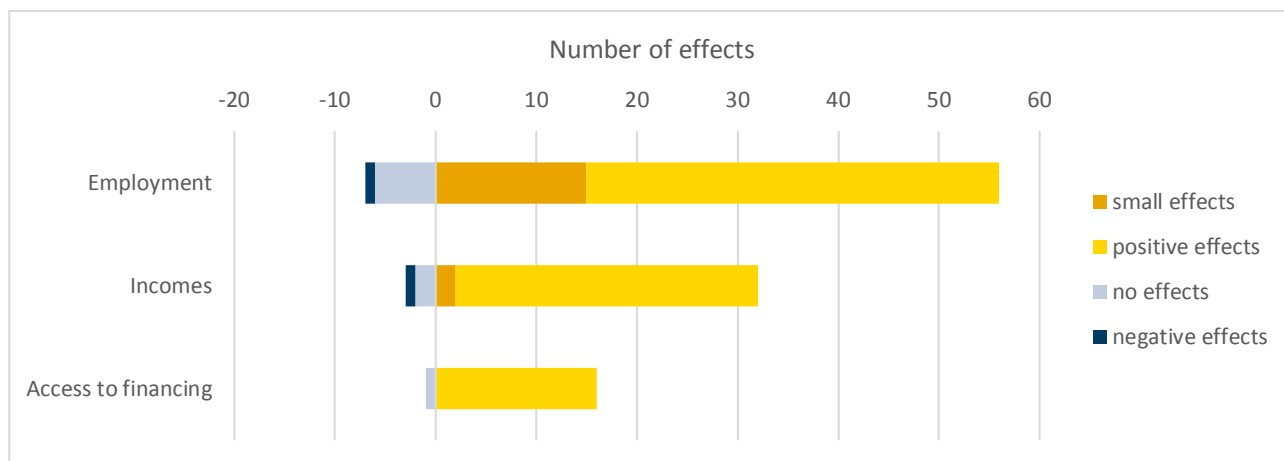
The findings can be ascribed to bias in the reporting and evaluation of PSE instruments and projects. The effects most commonly reported are those which are comparatively easy to measure and to operationalise with indicators – for example, the reduction of pollutant emissions, the mobilisation of additional capital, or the number of newly introduced standards. By contrast, the contribution to macroeconomic impacts, such as economic growth, higher tax revenues or higher consumer demand, can only be measured with difficulty because they can only rarely be attributed to particular PSE instruments and projects. This being the case, the effects reported in these areas remain predominantly at the level of individual companies, whereas the impacts on the macroeconomic level in the partner country are unclear.

## 4.5 Intended effects: Target groups

**This section presents the intended effects of PSE projects and instruments at the level of target groups in the partner countries.** In the theory of change, these are located at outcome level. Effects are assumed pertaining to higher employability, secured or even increased employment, secured or increased incomes, better access to infrastructure, and knowledge and technology transfer.

### 4.5.1 Effectiveness

The effectiveness of the projects and instruments at the level of target groups consists mainly of outcomes which occur in the three categories “employment”, “incomes” and “access to financing” (see Figure 12).

**Figure 12 Outcomes at the level of target groups**

Source: DEval, own presentation

### Effects on employment in the target group

**The employment situation of the target group is one of the areas of PSE in which evaluations and studies most commonly report effects.** In comparison to other areas, the number of positive effects in this area is especially high, a finding supported by many different evaluations and studies (41 positive effects in 24 evaluations and studies) (ADA, 2013; DANIDA, 2016; DEG, 2014, 2017; Diop, 2017; EC, 2016; GIZ, 2014a, 2015b, 2016a, 2016b; Hartmann et al., 2017; IOB, 2013; KfW 3, 5, 6, 7, 8; KOICA, 2014; Lee, 2018; Norad, 2010; SECO, 2019; Spielman et al., 2010; USAID, 2015a, 2016). However, numerous cases are also known in which effects were small, or anticipated effects did not occur (15 small effects and six instances of no effects in 11 evaluations and studies) (ADA, 2013; Diop, 2017; EC, 2016; Hartmann et al., 2017; KfW 3, 5, 6, 7, 8; Norad, 2010; Sida, 2016). Despite the high density of data, just one solitary negative effect is reported (Diop, 2017). To qualify this, it should be borne in mind that neither experimental nor quasi-experimental methods were used for the evaluations and studies and their findings are not rigorous, despite the solid evidence coverage.

**The positive employment effects involve the creation and securing of employment.** In especially positive cases, several thousand jobs could be created, mainly in the “financing *with* companies” format (eight positive effects in eight evaluations and studies) (DANIDA, 2016; EC, 2016; GIZ, 2015b; KfW 6; Norad, 2010; SECO, 2019; USAID, 2015a, 2016). Other evaluations and studies report new employment opportunities ranging from a few dozen to several hundred jobs (ADA, 2013; IOB, 2013; Norad, 2010). Instances of securing existing jobs occurred in both “financing *of*” and “financing *with* companies” formats, and included the prevention of dismissals (Hartmann et al., 2017; KfW 5, 6; KOICA, 2014; Norad, 2010).

**When reporting employment effects, sources seldom differentiate between the creation of new employment opportunities and the creation of additional employment opportunities at the level of the labour market as a whole.** Generally speaking, obtaining empirical evidence of net employment effects is highly research-intensive (Kluve and Stöterau, 2014). On the basis of the underlying evaluations and studies, it cannot be said with certainty whether, on aggregate, additional jobs have indeed been created or whether substitution or displacement effects have merely shifted employment and eliminated employment opportunities elsewhere.

**In isolated cases the underlying evaluations and studies report indirect positive effects on employability.** Improved employability includes the effects of advisory formats in initial, further and continuing vocational education and training activities, work placements, and measures for capacity development in vocational training centres (five positive effects in five evaluations and studies) (GIZ, 2010, 2014a; Hartmann et al., 2017; KOICA, 2014; Sida, 2016).

**Nevertheless, intended employment effects, especially job creation, are often only small or not in evidence.** Frequently the only jobs created are short-term and poorly paid (Diop, 2017; GIZ, 2016; KfW 3, 7,

8), or intended employment effects turn out to be far smaller than expected (ADA, 2013; EC, 2016; KfW 3, 5; Norad, 2010; Sida, 2016). Almost all the observed instances of employment effects occur in the financing *with* and *of* companies formats.

### **Effects on incomes in the target group**

**As for employment, evaluations and studies on PSE observe a large number of positive effects on target groups' incomes.** The high evidence coverage paints a picture that is significantly positive (30 positive effects in 15 evaluations and studies) (DEG, 2017; EC, 2016; GIZ, 2015b, 2016a, 2016b; IEG, 2014; KfW 7, 8; KOICA, 2014; Lee, 2018; SECO, 2019; Sida, 2016; USAID, 2015a, 2015b, 2016, 2020). This not only includes cases where beneficiaries take on new jobs, where they earn higher incomes than in their previous work (IEG, 2014; KfW 8; KOICA, 2014; Lee, 2018; USAID, 2015a), but also cases in which the project or the instrument demonstrably secures their current incomes (DEG, 2017; GIZ, 2016b; KOICA, 2014). The majority of effects occur in the “financing *with* companies” format, although some appear in the contexts of “financing *of* companies” and “preparing for financing”.

**Positive income effects of PSE projects and instruments can be identified especially frequently in agriculture** (17 of the 30 positive effects in nine evaluations and studies) (EC, 2016; GIZ, 2015b, 2016a, 2016b; KfW 7; Lee, 2018; Sida, 2016; USAID, 2015a, 2016). Switching to higher yielding crops (EC, 2016; GIZ, 2016b; USAID, 2015a) and increasing sales (Sida, 2016; USAID, 2016) most commonly resulted in higher incomes.

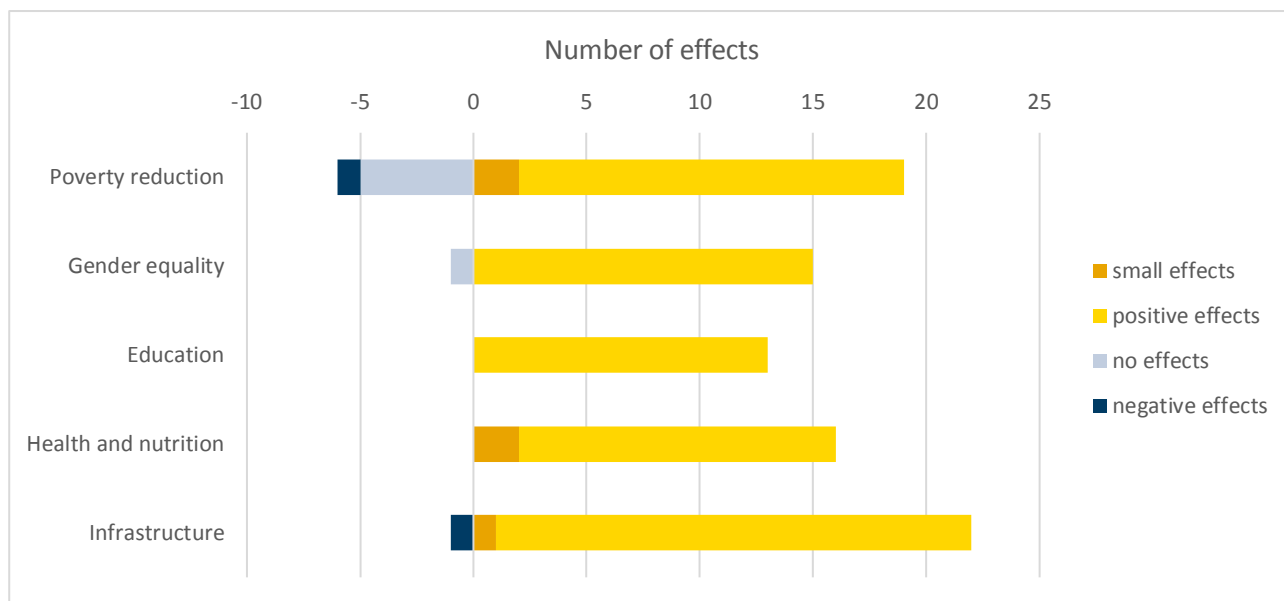
**The balance of evidence on income effects is not exclusively positive, however.** Suboptimal effects are pointed out in individual cases (two small effects, two instances of no effects and one of negative effects in three evaluations) (GIZ, 2016a; Hartmann et al., 2017; USAID, 2015a, 2015b). In one case of “financing *with* companies”, although small farmers were enabled to produce certified primary agricultural products, it made them more vulnerable to price fluctuations, while they also incurred high certification costs (USAID, 2015a).

### **Effects on financing for the target group**

**Positive intended effects on the target groups are also found in the context of “financing *with* companies” and occasionally “financing *of* companies”** (16 positive effects and one instance of no effect in eight evaluations and studies) (DEG, 2014; EC, 2016; KfW 3, 4, 8, 9; Orth et al., 2020; Sida, 2016). Flanking the instrument with a complementary advisory format is another important factor for its effectiveness in many cases (EC, 2016; Orth et al., 2020; Sida, 2016). Above all, higher loan volumes to smaller financial intermediaries often have a positive influence on access to financing for target groups (EC, 2016; GIZ, 2016b; KfW 3, 4; Orth et al., 2020).

#### **4.5.2 Impact**

In order to analyse the impacts of PSE, effects at the level of target groups are differentiated into the five categories “poverty reduction”, “gender equality”, “education”, “health and nutrition” and “infrastructure” (see Figure 13).

**Figure 13** Development impacts at the level of target groups

Source: DEval, own presentation

### Effects on poverty and gender equality in the target group

The predominantly positive picture for target groups continues at impact level, one example being poverty-reducing effects of PSE projects and instruments. Poverty reduction exhibits an especially large overlap with effects on employment and incomes, since these effects directly influence the poverty status of vulnerable and poor final beneficiaries. Hence, the number of positive effects pertaining to poverty reduction identified in the evaluations and studies is once again high (17 positive effects in eleven evaluations and studies) (GIZ, 2016a, 2016b; KfW 3, 4, 8; Lee, 2018; Norad, 2010; Sida, 2016; Spielman et al., 2010; USAID, 2015a, 2016). The effects often occur in the “financing of” and “financing with companies” formats. Once again, effects are most frequently reported in relation to the agricultural sector (eleven out of 17 positive effects in seven evaluations and studies) (GIZ, 2016a, 2016b; Lee, 2018; Norad, 2010; Sida, 2016; Spielman et al., 2010; USAID, 2015a).

In some cases, however, projects which had poverty reduction as a dedicated objective only gave rise to small effects or, in one case, negative effects on poverty. The reported effects are very heterogeneous (two small five instances of no effects and one negative effect in seven evaluations and studies) (DANIDA, 2016; GIZ, 2016b; KfW 3, 7; Norad, 2010; Sida, 2016; USAID, 2015a). For example, income effects were small when the workers employed were low qualified and thus join the ranks of the working poor (USAID, 2015a), or when smallholders were made dependent on individual buyers (Sida, 2016).

Also within the complex of employment, incomes and poverty reduction, the evaluations and studies report several positive effects of PSE projects and instruments on gender equality. The reports feature both outcomes of activities aimed particularly at women and girls, and overarching positive impacts on equality of opportunity between the genders (15 positive effects and one instance of no effect in ten evaluations and studies) (ADA, 2013; DANIDA, 2016; GIZ, 2015b, 2016b; KfW 3, 4, 6; KOICA, 2014; Norad, 2010; Unterhalter, 2017). In the underlying projects and instruments, it proved especially effective to create jobs specifically for women (GIZ, 2015b; Norad, 2010), to raise their incomes in a targeted manner (GIZ, 2015b, 2016b) and to sensitise managers and employees in businesses in male-dominated sectors (ADA, 2013; GIZ, 2016b).

### Effects on the living conditions of target groups

The underlying evaluations and studies also report various positive effects on the living conditions of target groups in areas other than employment and incomes. For the purposes of this evaluation synthesis, living conditions are represented by education, health and nutrition, and access to high quality infrastructure.

**The evaluations and studies identify consistently positive effects on the education of the target group.**

Effects in this area are varied, and include improved access to education, a reduction in the number of school dropouts, and an increase in literacy (13 positive effects in seven evaluations and studies) (GIZ, 2016b; IOB, 2013; KOICA, 2014; Sida, 2016; USAID, 2019). “Financing *with* companies” accounts for the majority of these educational effects.

**Likewise, positive effects on health are identified.** These include effects pertaining to food security and improving the nutrition of the target group (14 positive and two small effects in eight evaluations and studies) (DEG, 2017; GIZ, 2016b; IOB, 2013; KfW 7; Sida, 2016; Spielman et al., 2010; USAID, 2019; Whyte and Olivier, 2016). Positive effects of PSE projects and instruments are most frequently reported in relation to the improvement of health care in and by companies (DEG, 2017; IOB, 2013; Sida, 2016; USAID, 2019).

**Finally, the underlying evaluations and studies show that improvements to infrastructure can be of particular benefit to target groups.** These infrastructural effects consist of effects pertaining to improved mobility, mobile telephony, sanitation plants, and the electricity and water supply (21 positive effects, one small and one negative effect in nine evaluations and studies) (Bertrand et al., 2015; Diop, 2017; EC, 2016; KfW 4, 5, 8; Lee, 2018; Norad, 2010; Pusok, 2016). Here once again, effects interlink with the socio-economic status of the target group: for example, improving road infrastructure led to greater mobility, and hence better employment and educational opportunities (KfW 8). In two cases, however, negative effects are reported: as a result of creating infrastructural dependencies (EC, 2016) and supporting corruption, which ensued from private investment in sanitation plants (Pusok, 2016). Moreover, living conditions of the target group is an area that is generally higher in unintended negative effects, as will be shown in the following section.

#### Box 7 Summary: Target groups

At the level of target groups, which is at outcome level in the theory of change, the evaluations and studies describe mainly positive effects on employment and incomes. This means that the theory of change is largely confirmed. That said, effects on technology transfer and knowledge transfer are reported mainly at the level of intermediaries rather than target groups (see Section 4.3). Particularly for employment and income effects on the target groups, the evidence coverage in the underlying evaluations and studies is high. However, the reports seldom make a distinction between the creation of new jobs (with possible displacement of existing employment) and the creation of additional employment opportunities. This is partly due to the fact that net employment effects can only be measured by conducting elaborate research, or can only be estimated with difficulty within the bounds of individual evaluations and studies. Nevertheless, this caveat limits the significance of the available data.

Many development impacts are reported, most commonly on poverty reduction and improved living conditions, including the areas of education, health and nutrition. These contribute principally to the achievement of SDGs 1 (No poverty), 8 (Decent work and economic growth) and 9 (Industry, innovation and infrastructure), and to a lesser extent SDGs 3 (Health and wellbeing), 4 (Quality education) and 5 (Gender equality).

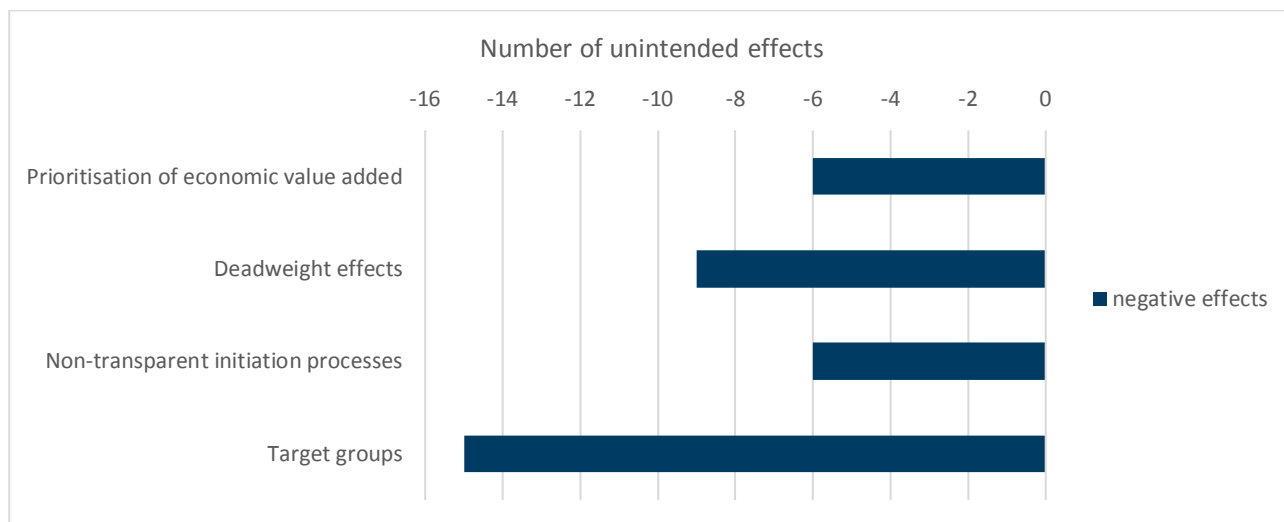
## 4.6 Unintended effects

**The following section focuses on the unintended effects of PSE observed in the underlying evaluations and studies.** For the purposes of this synthesis, unintended effects are taken to mean effects that occurred which were either not specified as objectives in the design and implementation of the instruments and projects or were not occurrences of the opposite of an intended effect. The latter have already been presented as negative effects in Sections 4.2 to 4.5. Unintended effects are both positive and negative effects which were not part of the original intervention logic. It is especially relevant to identify these because they can bring to light previously unknown causal mechanisms of projects and instruments. That said, unintended negative effects can counteract the intended positive effects of an intervention and,



in extreme cases, jeopardise the project objective (Oliver et al., 2020).

**Figure 14** Unintended effects



Source: DEval, own presentation

**In the underlying evaluations and studies on PSE projects and instruments, the unintended effects on effectiveness reported are exclusively negative.** They can be subdivided into the following areas; prioritisation of economic value added, deadweight effects, non-transparent processes for initiating projects and instruments, and target groups.

**In some of the evaluations and studies analysed for the synthesis, cases are reported in which economic value added has been prioritised above all else, and no positive development effects are observed.** Evidence of this occurs in all three cooperation formats. In effect, the interests of the private partner are prioritised over those of the development cooperation actor (six negative effects in five evaluations and studies) (DANIDA, 2016; Hartmann et al., 2017; Norad, 2010; USAID, 2020; Whyte and Olivier, 2016). This is the case if target groups of lesser commercial interest are not reached even though these are the groups which would benefit most from the intervention in terms of improved socio-economic status (DANIDA, 2016), for example; or if project steering is chiefly entrusted to the private partner (USAID, 2020). Likewise, cases are described in which development interests were overridden by business interests during the implementation of the intervention so that potential synergies were not fully realised (Hartmann et al., 2017).

**In some cases, companies and other private sector actors are involved in projects and instruments even if they would have committed to the activity in question – for example, an investment – anyway.** These reported deadweight effects are exclusively negative in nature, because in these circumstances, financing *of* and *with* companies generate little or no financial or development value added (nine negative effects in three evaluations and studies) (Brogaard and Petersen, 2017; KfW 2; Norad, 2010). In one illustrative case, representatives of the company confirmed that they would have made the investments supported by the project or instrument anyway; the support merely expedited the process (KfW 2). In these isolated cases, the observed deadweight effects occur precisely when the criteria for PSE are weak, or when strict criteria are not fully adhered to in practice (Brogaard and Petersen, 2017; Norad, 2010).

**Furthermore, non-transparency in the cooperation between the development cooperation actor and the private sector partner leads to preferential treatment of individual companies.** According to the underlying evaluations and studies, often the public is not transparently informed as to how the cooperation for the purposes of “financing *with* companies” was originally set up or specifically structured (six negative effects in four evaluations and studies) (Diop, 2017; KfW 7; Norad, 2010; USAID, 2020). In one case, this had indirect negative effects on further cooperation ventures with the private sector, since non-transparent reasons for

rejection during the tendering process led to fewer subsequent offers from the rejected private sector actors (USAID, 2020).

**In some cases, price increases and dependencies occur and affect the target group.** Here once again, the effects are exclusively negative in nature (15 negative effects in eight evaluations and studies) (Diop, 2017; GIZ, 2014a; IOB, 2013; KfW 1, 7; Saadeh et al., 2019; USAID, 2015a; Whyte and Olivier, 2016). In one case, the project objective of raising the quality of a service could be achieved, but only at the cost of a price increase. Although this was absorbed by external donors, the quality of the service dropped off again after development cooperation pulled out, thus reversing the success of the project (Saadeh et al., 2019). In the same way, the construction of a motorway under public-private partnership led to the introduction of a motorway toll, which the majority of the target group could not afford. Moreover, although the construction scheme was heavily subsidised with public funding, the toll revenues were not shared with the public sector (Diop, 2017). The stretched state budget reduced expenditure elsewhere to compensate for this; similar forms of this effect were also observed in other areas (Diop, 2017; Whyte and Olivier, 2016).

**Particularly in the agricultural sector, evaluations and studies report that advisory inputs on PSE occasionally create new dependencies.** Smallholders are integrated into value chains in which they only receive delayed supplies and are disadvantaged by the development cooperation actors' lengthy search for investors (GIZ, 2014a; KfW 5). This deprives smallholders of their capacity to act autonomously. In one extreme case, the implemented intervention ignored key actors in the value chain and ended up making the smallholders dependent on large firms of buyers with whom they had no prior supply relationships (USAID, 2015a).

#### Box 8 Summary: Unintended effects

Studying unintended effects can shed light on hitherto unknown causal mechanisms. In the underlying projects and instruments, these are exclusively negative in nature and occur as a result of deadweight effects or the prioritisation of economic value added, among other factors. At the level of target groups, a number of different unintended effects arise – for example, due to price rises or the creation of dependencies. These can thus be assigned to both the outputs and the outcomes levels. A further explanation for the exclusively negative nature of the unintended effects is that, in development cooperation in general and PSE in particular, a large number of positive effects are assumed when designing instruments and projects, which the theory of change naturally reflects.

## 4.7 Framework conditions

**This section considers the framework conditions in which the outcomes and impacts listed above have been achieved.** Framework conditions are circumstances which either cannot be influenced or where no influence is intended, but which have a crucial influence on development interventions. At the same time, changing framework conditions can require interventions to be adaptable. During the evaluation synthesis, both favourable and unfavourable external factors influencing the achievement or non-achievement of the identified effects were identified in the underlying evaluations and studies. In this section they are presented in terms of the four analytical levels – donors and investors, intermediaries, target groups and partner countries – and with reference to the OECD-DAC evaluation criterion of “relevance”, which examines how well an intervention is aligned with the strategies and priorities of the partner country, the needs of the target group, and global priorities. The basis for this section is evaluation question 4.

#### 4.7.1 Donors, investors and intermediaries

**At the level of donors and investors the analysis shows that above all else, the strategic goals of both the donor country and the partner country are crucial for successful cooperation with the private sector.**

Many of the underlying evaluations and studies show it to be a decisive success factor when instruments and projects are a good fit with the development policy strategies of partner governments (ADA, 2013; ADB, 2013; EC, 2020; GIZ, 2016a, 2016b; IEG, 2014; KfW 5, 8; KOICA, 2014; Norad, 2010; SECO, 2019). At the same time, the embedding of the instruments and projects into the given donor's strategy is highly significant for their effectiveness (GIZ, 2016b, 2020b, undated; Norad, 2010; SECO, 2019). Especially when it comes to the implementation of reform projects, it is evident that these are more successful if they match the reform priorities of the given donor (EC, 2016).

**The market environment in the partner country is another decisive factor for the success of the instruments and projects.** The analysis makes it clear that, especially when opening up new markets using PSE instruments and projects, their effectiveness depends crucially on accurate assumptions about the development of the relevant markets (EC, 2016; GIZ, 2010, 2016a; Hartmann et al., 2017; KfW 1; SECO, 2019; USAID, 2015b). If the development of demand and supply in the partner-country market deviates from the trajectory assumed, in many cases this adversely affects the achievement of the objectives. Feasibility studies are mentioned in many cases as an appropriate means of making the most accurate possible market assumptions in advance of the given intervention.

**Many evaluations and studies identify a lack of business administration and financial management skills on the part of development cooperation actors as an unfavourable framework condition for the effectiveness of PSE.** Alongside development policy expertise, skills in business administration and financial management are an important prerequisite for PSE. There is often a lack of this interdisciplinary knowledge at the level of both donors and investors, according to the underlying evaluations and studies (DEG, 2017; EC, 2020; Norad, 2010; USAID, 2020, 2015b). In some cases a capacity deficit is identified with regard to market-oriented financing and funds-based solutions in particular. Some evaluations and studies therefore raise the issue of capacity building at the level of both donors and investors so that they are equipped to perform all aspects of their development policy steering function (Hartmann et al., 2017; Orth et al., 2020; Sida, 2016).

**Further framework conditions that can be unfavourable for the achievement of the targeted effects are mainly related to the processes and the stakeholders involved in PSE.** In some cases, there were delays and inefficiencies due to complex and laborious processes on the part of the donors and investors as well as a large number of stakeholders with divergent interests (DEG, 2017; EC, 2016, 2020; GIZ, 2015a, 2020b). Some of the underlying evaluations and studies showed that cooperation with other projects in development cooperation often only happened on an ad hoc basis rather than systematically. This, too, resulted in inefficiencies and unutilised synergies (GIZ, 2012, 2015a, undated; KfW 5).

**At the level of intermediaries, the analysis identified only a few framework conditions – all of which were specific to individual cases – which influenced the achievement of the intended effects.** For example, one evaluation reports that the PSE instruments and projects were unable to achieve the desired effects due to a lack of appropriate projects and intermediaries in the partner country (KfW 8).

#### 4.7.2 Partner country and target groups

**At the partner country level, different macroeconomic, political and environmental framework conditions are key factors influencing the achievement of goals.** Pandemics, droughts, inflation or currency fluctuations can result in the delayed occurrence or non-occurrence of effects generated by the instruments and projects examined (KfW 4, 7). An evaluation published only recently also states that planned events could not be carried out due to the COVID-19 pandemic (USAID, 2020).

**The institutional setting and the partner government's interest in cooperation with the private sector also have a decisive influence on the achievement or non-achievement of the targeted effects.** The partner government's ownership of and interest in the projects implemented and the instruments used are described in numerous evaluations and studies as decisive factors for the success of PSE (DEG, 2017; GIZ, 2015a, 2016a, 2016b, 2020b; IOB, 2013; SECO, 2019). Furthermore, the analysis shows that both the capacities of the partner country and the institutional setting play an important part in the success of interventions. For instance, one study reports that due to a lack of financial and personnel capacities in the partner country, it proved impossible either to secure or to develop the desired effects (Whyle and Olivier, 2016).

#### Box 9 Summary: Framework conditions

The evaluation synthesis succeeded in identifying many different external factors which were crucial for the achievement or non-achievement of the identified effects. Examples of such factors are the strategic goals of the donors and the partner countries, the macroeconomic, political and environmental conditions in the partner country, and the business administration and financial management skills of the actors involved.

#### 4.8 Internal conditions

**This section considers the internal conditions of PSE instruments and projects which were crucial for the achievement or non-achievement of the effects listed in this chapter.** Internal conditions are understood to mean factors internal to the underlying instruments and projects, particularly their flexibility and their financing conditions – for example, the length of term, interest rate, or provision of flanking advisory services. The evaluation synthesis identified both favourable and unfavourable factors in the underlying evaluations and studies. This section refers to the OECD-DAC evaluation criterion of “relevance”, and its purpose is to answer evaluation question 5.

**Many sources view the degree of flexibility of the PSE instruments and projects and their synergy with other development cooperation projects as an important factor for the success of interventions.** Numerous evaluations and studies report, for example, that the underlying instruments and projects were able to achieve their objectives despite having adapted the project design to a different context or to a variety of actor groups with different processes and interests (GIZ, 2010, 2015a, 2016b, 2020a; Norad, 2010; SECO, 2019; Sida, 2016; USAID, 2020).

**The analysis shows that the financial terms and conditions of the PSE instruments and projects can have a decisive influence on the extent to which target groups are reached.** Some evaluations and studies report that market-oriented instruments and projects were often focused on the financial success of investments, making them less appropriate for reaching poor target groups which are reputedly associated with a higher risk of default and hence possible losses (ADB, 2013; DEG, 2017; EC, 2016; GIZ, 2016a, 2020b; Hartmann et al., 2017; Norad, 2010; Orth et al., 2020; USAID, 2020). The analysis also shows that the sizes of loans and their length of term have a considerable influence on the development effectiveness of the instruments and projects at the level of both intermediaries and target groups. Some evaluations and studies report that offering longer loan terms and adapting loan sizes to the needs of target groups were crucial for the effectiveness of the underlying instruments and projects (DEG, 2014; EC, 2016; Orth et al., 2020). One

evaluation concludes that availability, easy access and transparent information are the main factors influencing the take-up of loans by poor target groups (KfW 3).

**Especially when instruments and projects are market-oriented, financial sustainability plays an important role.** In the context of financing *of* and *with* companies, temporary losses commonly occur but can usually be made good by generating long-term profits and good returns on equity (GIZ, 2010; KfW 6, 8, 9; Norad, 2010). High write-downs ensued in two cases of “financing *with* companies” due to a high proportion of defaulted loans and borrower fraud, among other reasons (Norad, 2010; KfW 5).

**Furthermore, the underlying evaluations and studies indicate that the implementation of flanking measures and the use of evaluations are important success factors for the effectiveness and impact of the instruments and projects.** Flanking measures going beyond the pure financing *of* or *with* companies (for example, capacity development), tend to have a favourable influence on achievement of the targeted effects (DANIDA, 2016; EC, 2016; GIZ, 2014a; Kaplan et al., 2018; Orth et al., 2020; Sida, 2016). In one case, the implemented flanking measures contributed substantially to enabling the project to be delivered on time and within the budgeted costs. Furthermore, one evaluation shows that close monitoring and the completion of evaluations create important prerequisites for learning, and hence for the effectiveness and impacts of the instruments and projects (EC, 2016).

**Network activity is described in the underlying evaluations and studies as a key success factor for PSE.** Some evaluations and studies show that cooperation works better where it is based on trust between private and public sector actors rather than on contracts alone (EC, 2020; Sida, 2016; Whyte and Olivier, 2016). In this context, networks and direct contact between the private sector partners of German development cooperation are described as favourable for the success of interventions (GIZ, 2015a; SECO, 2019). In cases where actors did not make use of the available networking opportunities, this limited the utilisation of synergies (Hartmann et al., 2017).

#### Box 10 Summary: Internal conditions

The evaluation synthesis succeeded in identifying numerous different internal conditions which influenced the achievement or non-achievement of the identified effects. These include a high degree of flexibility, the implementation of flanking measures, and the specific financing conditions of the PSE instruments and projects.

The internal conditions of the instruments and projects can influence their effectiveness, sometimes considerably. However, results at impact level are identified in a few cases only. In many instances, the evidence is case-specific and relates to the design and the internal conditions of the particular intervention.

## 4.9 Additionality

**This section considers the additionality of the PSE projects and instruments on the basis of the underlying evaluations and studies.** A general distinction is made between financial and development additionality. According to the OECD, an official investment is defined as financially additional when it is awarded to a company that is unable, without public support, to obtain financing of a similar amount or on similar terms from local or international private capital markets; or when it mobilises investments from the private sector which would not otherwise have been invested (OECD, 2016). Development additionality, on the other hand, is defined as the development impact which results from the investments and would not otherwise have occurred (OECD, 2016).

**Particularly when engaging with the private sector, additionality is of central importance but is not given any consideration in most cases.** When cooperating with private companies, there is a risk that public funding might finance activities which the private sector would have financed anyway. In these cases, not only would the projects not be additional, but they would also crowd out private investment and amount to an inefficient use of public resources (Carter et al., 2018). Nevertheless, 35 out of 51 evaluations and studies give no consideration to additionality. To some extent this is because many evaluations are structured

according to the OECD-DAC criteria, which do not include additionality.<sup>17</sup> Some evaluations and studies explicitly address the issue of not having adequate data as a basis for assessing additionality within the respective project or instrument (DANIDA, 2016; EC, 2020; KfW 5).

**In some evaluations and studies, the fact that investments were made which would not otherwise have occurred is cited as evidence of additionality.** In numerous cases it is reported that cooperation between development cooperation and the private sector facilitates the flow of private capital to countries, financial institutions or projects in which private sector investors would not otherwise have invested (18 effects in eleven evaluations and studies) (EC, 2016, 2020; GIZ, 2015a, 2020a; KfW 3, 4, 5; Norad, 2010; Orth et al., 2020; Sida, 2016; USAID, 2020). In other cases, the investments would still have been made irrespective of the given project or instrument but would not have been sufficiently high (KfW 4), or additional investment support was received thanks to the project (USAID, 2020). When making a positive assessment of additionality, some evaluations and studies refer to the conditions of the financing – for example, the currency made available and the term of the financing (six positive effects in five evaluations and studies) (KfW 1, 4, 5, 7; Norad, 2010). At the level of target groups, the analysis most commonly identifies factors for achieving effects in the area of MSME financing. In this regard, the analysis shows that PSE achieves development effects particularly when the target groups otherwise have limited access to financing products and services in the partner countries (EC, 2016; Orth et al., 2020). Positive effects pertaining to the additionality of investments are reported specifically by evaluations and studies on the “financing *with* companies” and “financing *of* companies” formats.

**However, a comparable number of evaluations and studies are critical of low additionality, often on the grounds that similar forms of investments would have been made without public funding.** For example, sometimes the financial sustainability of the instruments is ensured by providing financing mainly to financially stable FIs which could probably have accessed other forms of financing; or investments are made in regions and sectors that are already popular with other investors. Sometimes additionality is criticised on the grounds that loans turned out to be larger than planned, and thus failed to close the identified financing gap for smaller loans (in all, 14 negative effects in nine evaluations and studies) (DANIDA, 2016; Hartmann et al., 2017; KfW 1, 5; Norad, 2010; Orth et al., 2020; Sida, 2016; USAID, 2020). This evidence comes from all three cooperation formats.

#### Box 11 Summary: Additionality

Despite the fact that additionality is of central importance in private sector engagement, the majority of evaluations and studies do not contain any statements about the additionality of the projects and instruments. For that reason, it is also impossible to draw robust conclusions about the efficiency of the projects and instruments. When reports do include statements about additionality, the picture that emerges is rather mixed: some funding is channelled to countries, institutions and projects which the evaluations and studies consider to have few other financing options; this points towards a high level of additionality. In other cases, funding is invested in financial intermediaries, regions and sectors which are already popular with purely private sector investors. This is indicative of somewhat low value added, and the danger of deadweight effects.

#### 4.10 Sustainability

**This section considers the sustainability of the outcomes and impacts listed in Chapter 5.** The evaluation synthesis does not apply its own definition of sustainability, but rather, accepts the inherent understanding of sustainability applied in each of the underlying evaluations and studies. When it is defined at all, sustainability generally refers to the durability of the effects achieved, in keeping with the corresponding

<sup>17</sup>Additionality is implicitly an element of the impact criterion, since this considers to what extent the intervention makes a difference. In practice, however, when addressing the impact criterion, the evaluations only rarely discuss what might have happened without the intervention.

OECD-DAC evaluation criterion which assesses the extent to which the effects of the interventions under review continue, or are likely to continue (OECD, 2019). For critical reflection on the quality of evaluation practice, see Section 4.1.2.

**It is difficult to identify impact-level findings on the sustainability of PSE instruments and projects which are supported by broad evidence coverage.** Overall, the evidence on this criterion is mixed: the analysis identified both statements that sustainability was found (EC, 2020; GIZ, 2010, undated; KfW 3, 5, 6, 7; Lee, 2018; Whyte and Olivier, 2016) and not found (KfW 1, 2; Norad, 2010; Sida, 2016; Whyte and Olivier, 2016). It emerges equally clearly that the reasons for the sustainability of PSE instruments and projects or their lack of sustainability are mostly specific to individual cases. Based on the underlying literature, statements about effects at impact level are barely possible, which is why illustrative cases are presented below.

**In the underlying evaluations and studies, positive examples of sustainable effects of PSE can be identified at all levels – donors, investors, intermediaries, partner countries and target groups.** In some cases, the financial sustainability of the instruments and projects is described as an important prerequisite for creating and sustaining positive development impacts (KfW 6, 7; Norad, 2010; Orth et al., 2020). This is particularly the case for cooperation formats involving “financing *with* companies”. Furthermore, two evaluations and studies report that mobilising additional private capital can minimise the risk of temporary, unsustainable financing by public donors (Sida, 2016; Whyte and Olivier, 2016). Two evaluations and studies conclude that the generated effects persist even after the end of a project – for example, when the project was embedded in a long-term business relationship (Hartmann et al., 2017; Lee, 2018). One evaluation also reports that the reconfiguration of processes, standards, products and services is often sustainable, both at the level of companies and target groups (Hartmann et al., 2017).

**At the same time, there are findings diagnosing a lack of sustainability at all analytical levels of the evaluation synthesis.** In one case, a consequence of supporting predominantly small or new companies was that some of these did not manage to stay in business after the project ended (KfW 2; Sida, 2016). Another evaluation concluded that cooperation ventures between European companies and local companies in the partner countries only lasted in one in ten cases (Norad, 2010).

**The underlying evaluations and studies report sustainable as well as non-sustainable effects on employment promotion in the partner country.** Four evaluations characterise the realised effects on employment as sustainable, for example (DEG, 2014; Hartmann et al., 2017; KfW 1; Norad, 2010). While one evaluation shows that the effects on employability and associated qualifications often persist even after a project has ended, two evaluations and studies conclude that the realised employment effects in the partner countries were not sustainable – for example, because the jobs created were often of a temporary nature (Diop, 2017; GIZ, 2016b).

#### Box 12 Summary: Sustainability

On the basis of the underlying evaluations and studies, no clear picture emerges as to the sustainability of the PSE instruments and projects. Only in a few cases is the criterion of “sustainability” explicitly operationalised and measured. Often the evidence cited for sustainability is based on approximations concerning individual aspects.

On this basis, findings concerning the sustainability of PSE instruments and projects at impact level can only be identified with difficulty. It is clear from the analysis that in most cases, the reasons for the sustainability or non-sustainability of PSE instruments and projects in this area are specific to individual cases. Roughly the same number of statements referring to sustainable and to non-sustainable effects could be identified.

#### 4.11 Coherence

**This section focuses on evaluation question 7, which asks to what extent the instruments of German development cooperation for PSE can be integrated and generate synergies.** This section thus refers to the evaluation criterion of “coherence”, which was newly added to the canon of OECD-DAC criteria in 2019,

having been included in BMZ guidelines since 2006 as an additional evaluation criterion<sup>18</sup> for German development cooperation (BMZ, 2006). This section assesses how the underlying PSE projects and instruments in development cooperation fit with other projects and instruments in the sector or within German development cooperation. It also considers the extent to which the interventions complement one another within the field of PSE (OECD, 2019). Since the coherence between different PSE instruments and projects is barely addressed in the existing evaluations and studies, supplementary data on this question was collected specifically for the evaluation synthesis in the form of semi-structured interviews with stakeholders.

**The analysis concentrates on coherence within German development cooperation (internal coherence).**

Internal coherence examines both the synergies and interlinkages between interventions carried out by the same institution or government and also the consistency of interventions with international norms and standards. External coherence, on the other hand, examines the intervention's compatibility with the interventions of other actors in the same context. This analysis encompasses complementarity, harmonisation and coordination with other actors as well as the avoidance of duplicated efforts (OECD, 2019). Since the underlying interviews with stakeholders were conducted solely about instruments and projects of German development cooperation, only coherence within German development cooperation is considered in this section. Because DEval's mandate is to evaluate BMZ-financed projects and instruments, the focus is on coherence within the BMZ portfolio.

**Based on the interviews conducted, two priorities can be identified with regard to the coherence of PSE:**

(i) the creation of a coherent contact and liaison structure for German and European companies, and (ii) better integration between instruments and projects from the BMZ portfolio's five components: project initiation, project development, advisory support, implementation and financing<sup>19</sup> (see also Section 3.1).

#### 4.11.1 Creation of a coherent contact and liaison structure

**The objective of creating a coherent contact and liaison structure for companies was addressed by merging various projects into the Business Scouts for Development programme and founding the Agency for Business & Economic Development (AWE).** The five projects which were combined to form Business Scouts for Development were: ExperTS, EZ-Scouts, Global Business Network, Creating Perspectives – Business for Development, and the Skilled Crafts and Trade Network 4 Africa. This means that a programme is now available which assumes the function of a decentralised agency. Business Scouts in Germany and abroad offer advice to companies on opportunities for collaboration with development cooperation. In Germany, the Business Scouts advise companies primarily through the leading associations of German industry, chambers of industry and commerce, and industry-specific and regional associations. Advisory services for companies are provided in around 40 partner countries via the German Chambers of Commerce Abroad and the Delegations of German Industry and Commerce, or – where these structures are not established locally – through the offices of German development cooperation (GIZ, 2020c). A further initiative was the founding of the AWE. This agency acts as a central point of contact and referral for companies wishing to engage in development cooperation, and advises on what support is available (Bundesregierung, 2020; Doc. 2, 3, 4).

**Both interventions provide central points of contact for businesses seeking advisory input, but cooperation between them still needs to be defined.** Respondents in the interviews emphasised the important intermediary role of the Business Scouts in the decentralised referral of companies, as well as the objective of creating a coherent contact and liaison structure for companies and better enabling them to take up offers in the area of PSE (Doc. 8, 63). The AWE was described as an increasingly well-known point of contact, which reflects the findings of its own annual customer satisfaction survey (AWE, 2020; Doc. 3, 5). The interviews

<sup>18</sup>Referred to in the BMZ supplementary guidelines as “coherence, complementarity and coordination” (BMZ, 2016).

<sup>19</sup>Examples of project initiation are matchmaking approaches like the “leverist.de” programme or the Import Promotion Desk. Project development encompasses initiatives such as the Strategic Partnership Technology in Africa (SPTA), the Special Initiative on Training and Employment or the project development tool “lab of tomorrow”. The largest and best-known programme for project implementation is the “develoPPP” support programme. The “financing” component consists of DEG's range of instruments for the financing of German companies as well as the Africa Connect component of the recently established Development Investment Fund (Doc. 1).



made it clear that details of the cooperation arrangements between the AWE and the Business Scouts for Development programme are not yet conclusively defined but remain to be clarified as part of the ongoing process. Because the merger into one programme only happened at the end of 2020, at the time of data collection (at the end of 2020) there was no specific plan as to how cooperation with the AWE is to be organised (GIZ, 2014b, 2020c; Doc. 1, 3, 6, 7).

#### 4.11.2 Improved coherence between the different portfolio components

**The integration of the “develoPPP” support programme with the Special Initiative on “Training and Employment” was cited as a well-functioning example of stronger linkages between the projects and instruments of the different portfolio components.** DeveloPPP is used as a long-established instrument for implementation and – where appropriate in terms of content – deployed within the Special Initiative as “develoPPP for jobs” (Doc. 1, 3). The projects are then financed from the Special Initiative on “Training and Employment” budget and adapted to its results indicators. Following this example, coordination between other projects and instruments from different components is to be stepped up. For example, the idea of linking project development and advisory instruments more overtly with project implementation is considered tenable.

**Regarding the linkage between advisory work and the implementation of financing, it was remarked that advisory inputs at the macro level in particular would serve as helpful preparation for financing projects.** This most commonly relates to instruments and projects geared towards “financing *with* companies”. In capital market support and bond issuance, the feasibility of projects is heavily dependent on regulations and framework conditions in the partner countries. Advising government entities or central banks in this regard could help to prepare for the projects appropriately and to increase coherence between advisory and financing projects in PSE (Doc. 11).

#### Box 13 Summary: Coherence

With regard to the coherence of private sector engagement within German development cooperation, both positive and negative aspects could be identified on the basis of the interviews conducted with stakeholders. It should be borne in mind that most of the stakeholders interviewed represent organisations which are themselves entrusted with the implementation or financing of PSE projects and instruments, and therefore tend to assess coherence from a certain perspective. This makes it likely that not all negative aspects of coherence have been identified.

Positive aspects that were emphasised in the interviews were the merging of different projects into the Business Scouts for Development programme and the founding of the Agency for Business & Economic Development. Both interventions constitute central points of contact for businesses seeking advisory input. However, the details of how they will cooperate with each other still need to be defined. Furthermore, while linkages between some projects and instruments from different components of the BMZ portfolio have already been strengthened, in other cases greater integration – particularly between project development, advisory work and project implementation – is considered tenable.

## 5. CONCLUSIONS AND RECOMMENDATIONS

**On the basis of the findings outlined, the following chapter presents the conclusions of this evaluation synthesis and puts forward recommendations.** These are addressed to the BMZ, GIZ and KfW Development Bank, and to other bilateral and multilateral actors working in the area of PSE. The recommendations are primarily aimed at raising the quality and robustness of evaluations undertaken in the context of PSE in order to improve the evidence base for future projects and instruments. This aim is addressed directly by Recommendation 1, which relates to the quality of the evaluations themselves, and indirectly by Recommendations 2, 3 and 4. The latter pertain to various aspects of the conception of projects and instruments which influence their subsequent evaluability. Recommendation 5 refers to the implementation of projects and instruments and is based on the findings of the evaluation synthesis on the criterion of efficiency.

### Quality of evaluations in private sector engagement

**The analysis of the quality of evaluations and studies in the thematic area of PSE shows that the quality of evaluations, in particular, is mixed.** On the one hand, most evaluations include a sufficiently detailed discussion of the evaluation object, the area of inquiry, the information source and the procedural steps on which the analysis is based. On the other hand, they usually exhibit shortcomings in showing the influence of the context on the evaluation results, describing the causal pathways, discussing the appropriateness of the methods used, and linking the conclusions to the underlying data and data analysis. Other evaluation syntheses by DEval have reported similar strengths and weaknesses of evaluations (Noltze et al., 2018; Orth et al., 2020). Overall, evaluations received distinctly worse ratings on average than studies. In around half the cases, the quality of the evaluations was not good enough to qualify for inclusion in the synthesis.

**The assessment of impacts is frequently based more on assumptions and rough estimations than precise measurements.** Effects on economic growth are an example of this, since they are barely measurable but are assumed nevertheless. A further issue is that displacement effects are very rarely examined or discussed. As a result, it is not possible to gauge the extent to which an increase in turnover for one company results in losses for a different competitor company, and whether this can be expected to have a positive effect on economic growth at the macro level. In conjunction with the above-mentioned weaknesses of the evaluations in this thematic area and the low number of unintended effects identified, this suggests a positive bias in the evaluation findings at the outcome and impact levels. Unless evaluations are rigorously designed, it is also difficult to attribute effects to the given project or instrument, especially at impact level, so that it remains unclear what part PSE plays in generating the effects identified in this evaluation synthesis.

**Although the criterion of “sustainability” is examined in almost all the evaluations and studies, often it is neither defined<sup>20</sup> precisely nor assessed multidimensionally.** Many evaluations base their sustainability assessments on individual aspects such as the financial sustainability of the instrument or the embedding of the project in the structures of the partner organisation. In the majority of cases, there is no systematic grid for the holistic assessment of the various components of sustainability, which means that important aspects such as the durability of PSE are not always examined. The meta-evaluation on sustainability in German development cooperation conducted by DEval (Noltze et al., 2018) came to a similar conclusion.<sup>21</sup> Accordingly, it recommended investigating how evaluations might be able to identify and assess the interactions between the dimensions of sustainability. This recommendation was incorporated into the BMZ’s latest orientation guidelines on the evaluation criteria for German bilateral development cooperation (valid since September 2020) by formulating appropriate review questions (BMZ, 2021b).<sup>22</sup> The evaluations considered in the present synthesis do not yet reflect these guidelines since all of them were published before

<sup>20</sup> When sustainability was defined, the definition usually related to the durability of projects and instruments, thus reflecting the OECD-DAC criterion of “sustainability”.

<sup>21</sup> “The findings also show that the evaluation and assessment of sustainability has been unsystematic and inconsistent in practice so far due to the lack of a conceptual framework for a comprehensive understanding of sustainability” (Noltze et al., 2018, p. viii, own translation).

<sup>22</sup> For example, this is accomplished via the review question “To what extent are the participating and affected individuals, groups and organisations, partners and agencies able and willing (ownership) in institutional, personnel and financial respects to sustain the positive effects of the intervention over time (after financial support has ended)?” (BMZ, 2021b).

the guidance came into force. This report does not therefore make any recommendations on the evaluation of sustainability.

**In order to increase the impact orientation of German development cooperation, the BMZ's 2030 reform process includes a plan to introduce standard indicators for the purpose of harmonising impact measurement.** The standard indicators are to be introduced on January 1, 2022 (BMZ 2021a) and were not yet published at the time this evaluation report was finalised.

#### **Recommendation 1: Measurement of impacts**

GIZ, KfW and other bilateral and multilateral actors involved in private sector engagement should improve their assessment of development impacts. Especially in evaluations of high relevance, impacts should be measured and reported explicitly.<sup>23</sup> Other evaluations may rely on theory-based approaches or estimation models, provided that these are presented transparently with a plausible, evidence-based impact hypothesis and relevant proxy indicators.

#### **Conception of projects and instruments to increase their evaluability**

**The evaluations most commonly report effects at output level, even though these are sometimes declared to be outcomes.** For example, the evidence coverage is especially high for the mobilisation of private capital and the generation of knowledge by PSE projects and instruments. This is attributable to the comparatively good measurability of the underlying indicators, among other factors. However, many of the underlying evaluations focus on the readily measurable level of outputs – for example, reporting on the number of trainings carried out – without commenting on outcomes, such as the extent to which participants put what they learned into practice. In some cases, effects are declared to be outcomes although in fact they are more properly assigned to the outputs level.

**Components of PSE and their effects are not always systematically documented in projects and instruments, and hence also in the evaluations of the projects and instruments.** This is the case particularly when PSE is not the central purpose of the project or instrument but only a minor element of it. It is not always possible to discern which cases of cooperation involve PSE because policy markers are not yet in established use<sup>24</sup>. They are, however, an important basis for evaluations and for the transparency of PSE. This issue carries over to the supply of data on mobilised private capital. With the exception of certain instruments, such as climate-relevant financing operations, no central records are kept of the capital mobilised in the course of PSE (see also OECD, 2021).

**The additionality of PSE projects and instruments is scarcely addressed in the underlying evaluations and studies.** Financial and development additionality are of particular importance in the context of cooperating with the private sector, in order to prevent any crowding-out of private investment and the possibility of deadweight effects among private sector partners. Yet only in a few cases within the sample is additionality explicitly discussed, let alone empirically measured. It follows that related risks like deadweight effects are not assessed, and therefore cannot be ruled out. For an accurate analysis of additionality and potential risks, it would be necessary to take account of these aspects earlier during the conception of projects and instruments.

**Because additionality is so rarely examined in the underlying evaluations and studies and because of their deficits in assessing development impacts, the synthesis is unable to make robust statements about the efficiency of expenditure on PSE.** Taken together, the evidence gaps indicate a need for additional and more

<sup>23</sup>In implementing this recommendation, the standard indicators for impact measurement from the 2030 reform process (BMZ, 2021a) should be referred to.

<sup>24</sup>Inconsistent use of identifiers imposed constraints on the compilation of the mapping (see Section 1.2), for instance, and made it more difficult to identify relevant evaluations for the evaluation synthesis (see also Section 2.2.2).

robust analysis to determine whether or not the support led to investments which would not otherwise have been made, and whether these might have achieved a greater impact elsewhere.

#### **Recommendation 2: Differentiation between levels of results**

When defining the indicators of projects and instruments for private sector engagement, GIZ, KfW and other relevant bilateral and multilateral actors should differentiate more precisely and explicitly between the different levels of results (outputs, outcomes and impacts).

#### **Recommendation 3: Identification of private sector engagement**

The BMZ should explore possibilities for unmistakably identifying projects and instruments for private sector engagement in German development cooperation, – for instance by using a uniform policy marker. This aims to increase transparency about the scale and role of private sector engagement and to simplify portfolio management and analysis on the part of the BMZ.

#### **Recommendation 4: Examination of additionality and risks**

During the conception, implementation and evaluation of projects and instruments for private sector engagement, GIZ, KfW and other relevant bilateral and multilateral actors should systematically examine (financial and development) additionality as well as related assumptions and risks, since the evidence base is not sufficient as yet.

##### **Implementation notes on Recommendation 4:**

- Financial and development additionality should be examined explicitly and according to clearly defined criteria during the initial planning of projects and instruments. In addition, risks and assumptions should be incorporated with a view to securing the additionality of activities over the course of the project and to detecting potential deadweight effects.
- Data on the additionality of projects and instruments and on related risks could be collected and tracked by means of a project monitoring system on the companies' activities and outputs, among other means. The monitoring should be carried out by the implementing organisations according to set milestones.

### **Effects of private sector engagement**

#### ***Outcomes and impacts***

**On the whole, the findings confirm the effects assumed by the theory of change.** This is most apparent at output and outcome levels, where a high number of effects (429 in total) are reported, most frequently in relation to intermediaries (companies or financial institutions). In contrast, the total of 196 impacts identified are limited to the partner country and the target groups in the partner country. Discrepancies between the evidence and the theory of change are found specifically for the partner country, where very few effects are reported in some areas. Viewing the findings as a whole, positive effects account for the vast majority of the effects identified; small, non-occurring or negative effects are only reported in comparatively few cases. As explained in the earlier section about the quality of the evaluations, however, when interpreting this positive overall picture, it must be remembered that impact-level effects are especially difficult to attribute to a particular project or instrument, and that potential risks such as crowding-out and deadweight effects are seldom discussed.

**At the level of investors and donors, the evaluations and studies report many positive effects on the mobilisation of additional capital, while coordination between public and private sector actors poses challenges.** These stem from the high coordination workload and the attendant transaction costs within the cooperation, among other factors. Complex contract negotiations and a great need for consultation while agreeing common goals often make for costly and resource-intensive processes during the concept phase of

projects. The evidence shows that efficiency gains are only achieved when private sector and public partners are able to pursue shared long-term goals, work together over longer time spans and build mutual trust. Otherwise the projects and instruments run the risk of creating deadweight effects and having little impact.

#### **Recommendation 5: Conception and implementation**

In the conception and implementation phases of projects and instruments for private sector engagement, BMZ, GIZ, KfW and other relevant bilateral and multilateral actors should ensure that private and public actors develop a reasonable joint understanding of objectives and continuously review related progress. The high transaction costs, which are incurred mainly during the initiation phase but also in the course of implementation, should be considered when conceptualising projects – for example, by striving for longer-term cooperation schemes between public and private sector actors.

**At the level of intermediaries, a large number of different effects were identified which correspond to illustrative examples of outputs and outcomes mentioned in the theory of change.** Positive effects were most frequently described as knowledge and technology transfer, knowledge building, and training activities. In the area of knowledge building, however, these effects almost exclusively relate to the easily measurable outputs level (for example, number of workshops carried out), while little is reported about the further-reaching effects at outcome level (for example, learning being put into practice in the respective organisation). Many evaluations and studies also considered effects on the target group orientation of intermediaries. They reported many positive effects as well as numerous instances of expected effects not materialising. The sole exception was the founding of new companies, for which no evidence could be identified in the sample.

**At the level of partner countries, the findings of the evaluation synthesis only partly reflect the assumptions made in the theory of change; some of the assumed effects were barely observed in the sample.** The synthesis identified especially high numbers of effects with regard to the environment (for example, the reduction of greenhouse gas emissions), demonstration effects on other investors (for example, the mobilisation of additional capital), and market and sector development (for example, the application of environmental and social standards). However, for economic growth, sustainable economic development, higher tax revenues and the level of foreign direct investment, the numbers of effects identified within the sample are low. Effects pertaining to higher consumer demand were not reported at all.

**At the level of target groups, the evaluations and studies most commonly describe positive effects on employment and incomes and on poverty reduction and improved living conditions.** These include both outcomes and impacts. The underlying evaluations and studies contain especially high evidence coverage for employment and income effects on the target groups. However, they seldom differentiate between the creation of new jobs and the creation of additional employment opportunities at the level of the labour market as a whole.

**Unintended effects are reported rarely, and then only as negative effects.** Unintended effects are only considered in 15 of the 51 evaluations and studies included in the synthesis. All of them are negative and relate to deadweight effects and efficiency losses at the level of donors and intermediaries. At the level of target groups, a number of different unintended effects occur – for example, due to higher prices and the creation of dependencies.

#### ***Framework conditions and internal conditions of the instruments and projects***

**The evaluation synthesis succeeded in identifying many different framework conditions which influence the achievement or non-achievement of the observed effects.** Examples of success factors for the projects and instruments are a good fit between goals of the partner countries and those of the instruments and projects, accurate market assumptions, and good business administration and financial management skills among the actors involved.

**The analysis shows that factors internal to the instruments and projects (internal conditions) can also influence the success of projects and how far target groups are reached.** Overall, the findings show that a

high degree of flexibility in instruments and projects, the delivery of flanking measures, and high financial sustainability of the instruments are factors which increase the probability of positive effects. The underlying terms and conditions of financing, such as the sizes of loans and their length of term, can make a decisive difference to how well target groups are reached and have a considerable influence on the development effectiveness of the instruments and projects. For example, market-oriented financing instruments and projects are described as less appropriate for reaching poor target groups, since these are associated with a higher risk of default and hence possible losses. Market-oriented instruments and projects are therefore often focused on financially successful investments in countries that are more politically and economically stable.

### *Coherence*

**Regarding the coherence of the portfolio on PSE within German development cooperation, two current priorities were identified in the interviews conducted:** (i) the creation of a coherent contact and liaison structure for German and European companies, and (ii) better integration between instruments and projects from the BMZ portfolio's five components.

**While certain instruments and projects have already been established and are working together, which contributes to the achievement of the priorities, the precise arrangements still need to be defined in detail.** The objective of creating a coherent contact and liaison structure for companies was addressed by merging various projects into the Business Scouts for Development programme and founding the Agency for Business & Economic Development (AWE). Both interventions constitute central points of contact for business advisory support. However, both the cooperation and the boundary delimitations between the two initiatives still need to be defined. In some cases, stronger linkages are already being forged between projects and instruments from different components of the BMZ portfolio; in other cases, there is potential for further-reaching integration – particularly between project development, advisory support and project implementation.

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## 7. ANNEXES

## 7.1 Further information on the evaluation questions<sup>25</sup>

### Box 14 Evaluation questions

#### Area of interest I: Quality of the evaluations

**What methodological approach do the evaluations use to assess the contribution of private sector engagement? What conclusions can be drawn concerning the methodological quality of evaluations in the thematic area?**

The question on quality analyses the methodology used in the underlying evaluations in their analysis of PSE projects and instruments, and what can be concluded from this about the methodological quality of the evaluations and the evidence they provide. It also considers which indicators evaluations have reported on to date, and how this might be modified in the future.

#### Area of interest II: Effectiveness and impact

**To what extent is it possible to identify outcomes and development impacts which were intended contributions of private sector engagement?**

The second evaluation question is answered by systematically reviewing existing evaluations as well as academic and grey literature. The purpose of this is to consider both effectiveness and impact. Effectiveness refers to the outputs and outcomes of the instruments and projects, whereas impact refers to overarching development effects (impact level) to which the instruments and projects are intended to contribute. The analysis considers the evidence from all the underlying sources in order to show (i) which results (outputs, outcomes and impacts) are supported by sufficient evidence, (ii) which results are primarily case-specific, and (iii) for which effects, sectors or topics there are evidence gaps.

**To what extent can unintended (positive/negative) outcomes and impacts be identified?**

Besides the intended effects (such as employment effects at the level of target groups), which are defined in the reconstructed theory of change beforehand, in the course of interpreting the evidence this analysis also documents possible unintended positive or negative effects insofar as these are reported in the evaluations and studies.

**What framework conditions were crucial for the achievement or non-achievement of the outcomes and development impacts?**

The interpretation of the underlying evaluations and studies analysed for the evaluation synthesis also seeks to ascertain what conditions prevailed when the outcomes and impacts were achieved. In this regard, the evaluations and studies identify both favourable and unfavourable external factors (such as the framework conditions in the partner country).

**What internal conditions of the instruments were crucial for the achievement or non-achievement of the outcomes and impacts?**

In addition to framework conditions, the analysis examines how internal factors such as the terms and conditions of the instruments (for example, financial aspects such as the interest rates and terms of financing, and the advisory support offered additionally to the financing) affect the achievement or non-achievement of results.

<sup>25</sup>At this position in the Annexes, DEval evaluations normally show the DEval rating scale and the evaluation matrix. As explained in Section 2.2.5, the present evaluation synthesis did not make use of these because its assessment was oriented to the assessments found in the underlying evaluations and studies.



**Area of interest III: Sustainability****To what extent can the effects of private sector engagement be considered sustainable?**

On the basis of the underlying evaluations and studies, evaluation question 6 assesses whether the positive and, if applicable, negative effects arising from the private sector engagement persisted, and which factors are favourable or unfavourable for the sustainability of results.

**Area of interest IV: Coherence of the German portfolio****To what extent is there useful integration between instruments of German development cooperation in the area of “private sector engagement”, and how far are synergies utilised?**

The question on the coherence of the German development cooperation portfolio in the area of “private sector engagement” is intended to identify possible duplications of effort and synergies in the portfolio, so as to derive suggestions on how the portfolio could be consolidated. Since coherence is a new OECD-DAC evaluation criterion which is barely addressed in existing evaluations, supplementary data on this aspect was collected specifically for the evaluation synthesis.

## 7.2 Databases and search strategy

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**Databases searched:**

Academia.edu, Annual Reviews, EBSCO (Econ Lit, Political Science, Sociology Source Ultimate), OECD iLibrary, SAGE Journals, Taylor & Francis, World Bank eLibrary, EADI, ELSEVIER, CambridgeCore, Evalnet Repository, Oxford University Press, Palgrave, Scopus, Springer, Waxmann, Wiley Online Library, Web of Science, Google Scholar, 3ie, SSOAR, J-Pal

**Websites of international donors searched:**

- bilateral: Australia, Austria, Belgium, Canada, Denmark, France, Japan, Netherlands, Norway, South Korea, Sweden, Switzerland, United Kingdom, USA
- multilateral: African Development Bank, Asian Development Bank, European Union (EU), World Bank, European Bank for Reconstruction and Development (EBRD), Inter-American Development Bank (IDB)

**Table 7** Search protocol

Full search protocol					
Topics and search field	Keywords (German)	Keywords (English)	Keywords (French)	Keywords (Spanish)	Keywords (Portuguese)
Definition private sector, search in Keywords	(unternehmen* OR privat* OR Wirtschaft* OR CSR OR "Corporate Social Responsibility" OR invest* OR "PPP" OR "Public-Private Partnership" OR Direktinvestition* OR "FDI" OR Mischfinanzierung* OR "Blended Finance" OR Mobilisier*)	(entrepreneur* OR start-up* OR enterprise* OR private OR "private sector" OR "public-private partnership" OR "public private partnership" OR CSR OR "corporate social responsibility" OR compan* OR invest* OR business OR PPP* OR "direct investment" OR FDI OR "ODI" OR "Blended Finance" OR mobili?e OR mobili?ation OR leverag*)	(entrepr* OR start-up* OR privé* OR "secteur privé" OR "partenariat public-privé" OR RSE OR "responsabilité sociale des entreprises" OR société* OR compagnie* OR invest* OR PPP* OR "investissement direct" OR "investissements directs" OR "IDE" OR "IDI" OR "Blended Finance" OR "financement mixte" OR mobilis* OR levier)	(empresa* OR compañía* OR negocio* OR "sector privado" OR "economía privada" OR "responsabilidad social corporativa" OR invers* OR "colaboración público-privada" OR cooperación público-privada OR "financiación mixta" OR "financiación combinada")	(sociedade* OR empresa* OR companhia* OR "sector privado" OR "economia privada" OR "responsabilidade social empresarial" OR "responsabilidade social corporativa" OR investidor* OR "parceria público-privada" OR "parcerias público-privadas" OR "financiamento misto" OR "financiamento combinado")
Reference to development cooperation, search in Abstract (or, if no such field exists, then in Keywords)	("EZ" OR Entwicklungszusammenarbeit OR Entwicklungshilf* OR "nachhaltige Entwicklung" OR Geber* OR SDG* OR Nachhaltigkeitsziel* OR "Agenda 2030" OR "ODA" OR	("development cooperation" OR "development finance" OR "finance for development" OR "financing for development" OR donor*	("coopération au développement" OR "coopération développement" OR "financement du développement" OR donateur* OR	("cooperación internacional" OR "ayuda al desarrollo" OR "desarrollo sostenible" OR donante* OR "agenda 2030" OR "ayuda oficial al desarrollo" OR "otros	("desenvolvimento internacional" OR "desenvolvimento sustentável" OR doador* OR "agenda 2030" OR "ajuda pública ao desenvolvimento" OR

Full search protocol					
Topics and search field	Keywords (German)	Keywords (English)	Keywords (French)	Keywords (Spanish)	Keywords (Portuguese)
	<p>“official development assistance” OR “other official flow*” OR “OOF” OR “technische Zusammenarbeit” OR “finanzielle Zusammenarbeit” OR “Entwicklungs* OR Schwellen*”) OR “ODA” OR “official development assistance” OR “other official flow” OR “OOF” OR aid OR “emerging market” OR “emerging markets” OR “developing countries” OR “developing country” OR LDC* OR “global south”)</p>	<p>OR “sustainable development” OR “sustainable development goal” OR “sustainable development goals” OR SDG OR “Paris agreement” OR “2030 Agenda” OR “ODA” OR “official development assistance” OR “other official flow” OR “OOF” OR aid OR “emerging market” OR “emerging markets” OR “developing countries” OR “developing country” OR LDC* OR “global south”)</p>	<p>“développement durable” OR “objectifs de développement durable” OR SDG OR ODD OR “objectif de développement durable” OR “accord de Paris” OR “Agenda 2030” OR “aide publique au développement” OR APD OR “autres apports du secteur public” OR “AASP” OR “autres apports du domaine public” OR aide OR “pays en développement” OR “marché émergent” OR “marchés émergents”)</p>	<p>fondos oficiales” OR “otros flujos oficiales” OR “cooperación técnica” OR “cooperación financiera” OR “país en desarrollo” OR “países en desarrollo” OR “país en vías de desarrollo” OR “países en vías de desarrollo” OR “país emergente” OR “países emergentes”)</p>	<p>“outros fundos oficiais” OR “cooperação técnica” OR “cooperação financeira” OR país em desenvolvimento* OR “países em desenvolvimento” OR “país emergente” OR “países emergentes”)</p>
Methods, search in Full Text	<p>(empir* OR Evidenz* OR statistisch* OR quali* OR quanti* OR Survey* OR Befragung* OR Umfrag* OR Interview* OR Fokusgrupp* OR Gruppendiskussion* OR counterfactual* OR</p>	<p>(empiric* OR evidenc* OR statistic* OR analys* OR quali* OR quanti* OR data* OR survey* OR interview* OR “focus group” OR “group discussion” OR</p>	<p>(empirique* OR évide* OR statistique OR analys* OR quali* OR quanti* OR données OR enquêt* OR interview OR “groupe de</p>	<p>(empíric* OR evidencia* OR estadístic* OR cualitativo OR cuantitativo OR encuesta* OR cuestionamiento* OR entrevista* OR “grupo de</p>	<p>(empíric* OR evidência* OR “provas” OR estatístic* OR qualitativ* OR quantitativ* OR pesquisa* OR “entrevista” OR “grupo de foco” OR “discussão</p>

Full search protocol					
Topics and search field	Keywords (German)	Keywords (English)	Keywords (French)	Keywords (Spanish)	Keywords (Portuguese)
	<p>Experiment* OR quasi-experiment* OR Regression* OR "Regressions-Diskontinuitäts-Analyse" OR "Regressions-Diskontinuitäts-Analysen" OR "RDD" OR Effekt* OR Variable* OR Instrumentenvariable* OR ökonometr* OR "propensity score" OR matching* OR Zeitreih* OR Daten* OR Randomisierung OR "difference-in-differences" OR "DvD" OR "Differenz-von-Differenzen" OR "DiD" OR komparativ* OR vergleichend* OR Korrelation* OR "RCT" OR "QCA" OR "qualitative comparative analysis" OR baseline* OR Fallstudie* OR "case study" OR "case studies")</p>	<p>counterfactual* OR experiment* OR quasi-experiment* OR regression* OR RDD OR effect* OR variable* OR econometric* OR propensity score* OR matching* OR "time series" OR "control group" OR randomi* OR RCT OR QCA OR "qualitative comparative analysis" OR baseline* OR "case study" OR "case studies")</p>	<p>discussion" OR "groupes de discussion" OR "discussion en groupe" OR contrefactuel* OR expéri* OR "quasi-expérience" OR régression* OR effet* OR argument* OR économétrique* OR "score de propension" OR "régression sur discontinuité" OR "RSD" OR "série temporelle" OR "série chronologique" OR "groupe contrôle" OR "groupe témoin" OR randomis* OR "essai randomisé contrôlé" OR "essai comparatif randomisé" OR ECR OR ERC OR "essai comparatif aléatoire" OR "analyse qualitative</p>	<p>discusión" OR "discusión en grupo*" OR contrafáctic* OR experiment* OR cuasi-experiment* OR regresi?n* OR RDD OR efecto* OR variable* OR económico OR "puntuación de propensión" OR "propensity score" OR "series temporales" OR "series cronológicas" OR dato* OR aleatorización OR "diferencia en diferencias" OR DID OR DD OR comparativ* OR correlación OR RCT OR QCA OR "de referencia" OR "línea de base" OR "estudio de caso" OR "estudios de caso")</p>	<p>em grupo" OR contrafactual* OR experiment* OR quase-experiment* OR "regressão" OR "RDD" OR efeito* OR variável* OR "econométric* OR propensity scor* OR "séries cronológicas" OR "séries temporais" OR dado* OR "aleatorização" OR "randomização" OR diferença-das-diferenças* OR comparativ* OR correlação* OR "RCT" OR "QCA" OR "linha de base" OR referênci* OR "estudo de caso" OR "estudos de caso")</p>

Full search protocol					
Topics and search field	Keywords (German)	Keywords (English)	Keywords (French)	Keywords (Spanish)	Keywords (Portuguese)
			comparée" OR "analyse qualitative- quantitative comparée" OR AQQC OR "étude de cas" OR "études de cas")		
Reduced search protocol					
German	English	French	Spanish	Portuguese	
((Privatsektor AND (zusammenarbeit* OR ein*b?nd*)) OR Direktinvestition* OR mobilisier* OR PPP*) AND (Entwicklungszusammenarbeit OR ODA OR Nachhaltigkeitsziel*)	(("private sector" AND (engag* OR involv*)) OR "direct investment" OR mobili* OR "public private partnership") AND ("international development" OR ODA OR "sustainable development goal")	(("secteur privé" AND (engag* OR coopér*)) OR investissement* OR mobilis* OR "partenariats public- privé") AND ("développement international" OR APD OR ODD)	(("sector privado" AND (cooper* OR particip*)) OR inversi?n* OR moviliz* OR "alianzas público-privadas") AND ("cooperación para el desarrollo" OR AOD OR ODS)	(("sector privado" AND (cooper* OR particip*)) OR investimento* OR mobiliza* OR "parcerias público-privadas") AND ("desenvolvimento internacional" OR APD OR ODS)	

### 7.3 Text-mining libraries

The tables below list the search terms used for checking the relevance of evaluations and studies that were identified. The \* is a wildcard that can stand for different letters, so that a search on the term “business” can also identify references to “businesses”, for example.

#### Private sector

German	privatsektor; privatwirtschaft*; finanzinstitut*; *unternehmen*; betrieb; konzern; firm*; mittelst*nd*; *kmu*; *kammer*; verb*nd*; *handel*; kofinanzier*; mobilisier*; privatkapital
English	privat*_sector; financial_institut*; start_up; business_association; co_financ*; invest*; commerc*; compan*; corporate*; enterprise*; business*; entrepreneur*; startup; *sme*; chamber*; trad*; privat*_capital
French	secteur_privé; économié_privée; institution*_financière*; chambre*_de_commerce; association*_commercial*; entreprise*; société*; compagnie; *pme*; cofinanc*; mobili*; capital_privé
Spanish	sector_privado; economía_privada; instituci?n*_financiera*; cámara*_de_comercio; asociaci?n*_de_empresa*; empresa; compañía*; emprendedor*; *pyme*; cofinancia*; moviliza*; invers*; capital_privado
General	industr*

#### Development cooperation

German	nachhaltig*_entwicklung*; nachhaltig*_wachstum; agenda_2030; technisch*_zusammenarbeit; finanziell*_zusammenarbeit; global*_süden; ez; entwicklungszusammenarbeit; entwicklungshilf*; geber; nachhaltigkeitsziel*; entwicklungsl*nd*; schwellenl*nd*; arm*; *afrika; *asien; südamerika; lateinamerika; niedrigeinkommensland; mitteleinkommensland
English	development_cooperation; international_development; development_finance; financ*_for_development; sustainable_development*; sustainable_growth; paris_agreement; 2030_agenda; official_development_assistance; other_official_flow*; emerging_market*; developing_countr*; emerging_countr*; global_south; south_america; latin_america; donor*; sdg*; oda; oof; aid; ldc*; poor; poverty; *africa*; *asia*; low_income_countr*; middle_income_countr*
French	coopération_au_développement; coopération_développement; financement_du_développement; développement_durable; croissance_durable; objectif*_de_développement_durable; accord_de_paris; aide_publique_au_développement; autres_apports_du_secteur_public; autres_apports_du_domaine_public; pays_en_développement; marché*_émergent; Amérique_latine; Amérique_du_sud; coopération_internacional; donateur*; odd; apd; aasp; aide; pauvre*; Afrique; Asie; pays_à_faible_revenu; pays_à_revenu_intermédiaire
Spanish	ayuda_al_desarrollo; desarrollo_sostenible; crecimiento_sostenible; ayuda_oficial_al_desarrollo; otros_fondos_oficiales; otros_flujos_oficiales; cooperación_técnica; cooperación_financiera; país*_en_desarrollo; país*_en_vías_de_desarrollo; país*_emergente; donante*; pobre*; África; Sudamérica; Latinoamérica; país*_de_ingresos_bajos; país*_de_ingresos_medianos

**Private sector engagement**

German	zusammenarbeit_mit_der_*wirtschaft; kooperation_mit_der_*wirtschaft; engagement_der_*wirtschaft; öffentlich*_privat*_partnerschaft; mobilisier*_privat*_mittel*; ppp*; wirtschaftskooperation*; privatsektorengagement*; zm*w; risikokapital*; mischfinanzier*; projektentwicklungsprogramm; einbezug_des_privatsektors
English	privat*_sector_for_development; privat*_sector_cooperation*; cooperation*_with_the_privat*_sector; engagement_of_the_privat*_sector; privat*_sector_engagement; engag*_the_private_sector; private_sector_involvement; ventur*_capital; blended_financ*; public_privat*_partnership*; partnership*_with_the_private_sector; partnership_with_private_sector; mobili*_private; crowd*_in_private; ps4d; business_support*
French	collaboration_avec_l*économie*; coopération_avec_l*économie; collaboration_avec_l*industrie; coopération*_avec_l*industrie; engagement_du_secteur_privé; participation_du_secteur_privé; capital_de_risque; financement*_mixt*; partenariat*_public*_privé*; mobilis*_fond*_privé*
Spanish	cooperación_con_el_mundo_de_la_empresa; cooperación_con_la_comunidad_empresarial; participación_del_sector_privado; capital_de_riesgo; capital_riesgo; financiaci?n*_mixt*'; financiaci?n*_combinad*; colaboraci?n*_públic*_privad*; cooperaci?n*_públic*_privad*; moviliz*_fondo*_privado*

**Programmes**

German	nachhaltig*_wirtschaftsentwicklung_und_beschäftigung_für_afrika; nachhaltig*_wirtschaftsentwicklung_für_beschäftigung_in_afrika; fragile_staaten_westafrika; investitionen_für_beschäftigung; agentur_für_wirtschaft_und_entwicklung; ausbildung_und_beschäftigung; strukturiert*_fonds; strategisch*_allianz*; multi_akteur*_partnerschaft*; wirtschaftsnetzwerk_afrika; exportinitiative_energie; awe; entwicklungspartnerschaft*; epw*; iepw*; entwicklungsinvestitionsfonds; klinikpartnerschaft*
English	employment_and_skill*_for_development_in_africa; employment_and_skills_for_eastern_africa; employment_for_sustainabl*_development_in_africa; fragile_states_of_west_africa; invest_in_africa; agency_for_business_and_economic_development; structured_fund*; develop*_partnership; develop*_collaboration*; develop*_investment_fund; special_initiativ*_on_training_and_job_creation; clinic_partnership*; trad*_promotion; strategic*_allianc*; multi_stakeholder_partnership*; import_promotion_desk; e4d
French	fonds_structuré*; partenariat_de_développement; partenariat*_pour_le_développement; partenariat*_hospitalier*; promotion*_du_commerce; promotion*_des_échange*; promotion_commercial*; alliance*_stratégique*; dpp
Spanish	jubilad*_expert*; fondo*_estructurado*; asociaci?n*_de_desarrollo; agrupaci?n_de_desarrollo; promoción_del_comercio; promoción_comercial; fomento_del_comercio; fomento_comercial; alianza*_estratégica*
General	africa_connect; africa_grow; ez_scout*; deg; africaconnect; africagrow; developp*

**Partners**

German	deutsch*_unternehmen*; deutsch*_firm*; deutsch*_investor*; deutsch*_wirtschaft; deutsch*_privatsektor*; europäisch*_unternehmen*; europäisch*_firm*; europäisch*_investor*; europäisch*_wirtschaft; europäisch*_privatsektor*; international*_unternehmen*; international*_firm*; international*_investor*; international*_wirtschaft; international*_privatsektor*; multinational*_unternehmen*; multinational*_firm*; multinational*_investor*; multinational*_wirtschaft; multinational*_privatsektor*
English	german_compan*; german_enterprise*; german_firm; german*_investor*; german_private_sector*; german_business; european*_compan*; european*_enterprise*; european*_firm; european*_investor*; european*_private_sector*; european*_business; international*_compan*; international*_enterprise*; international*_firm; international*_private_sector*; international*_business; multinational*_compan*; multinational*_enterprise*; multinational*_firm; multinational*_private_sector*; multinational*_business
French	entreprise*_allemand*; société*_allemand*; compagnie*_allemand*; investisseur*_allemand*; secteur_privé_allemand*; industrie*_allemand*; entreprise*_europ*; société*_europ*; compagnie*_europ*; investisseur*_europ*; secteur_privé_europ*; industrie*_europ*; entreprise*_international*; société*_international*; compagnie*_international*; investisseur*_international*; secteur_privé_international*; industrie*_international*; entreprise*_multinational*; société*_multinational*; compagnie*_multinational*; investisseur*_multinational*; secteur_privé_multinational*; industrie*_multinational*
Spanish	empresa*_alem?n*; compañía_alem?n*; invers*_alem?n*; sector_privado*_alem?n*; industria*_alem?n*; empresa*_europ; compañía_europ; invers*_europ; sector_privado*_europ; industria*_europ; empresa*_internaci?nal*; compañía_internaci?nal*; invers*_internaci?nal*; sector_privado*_internaci?nal*; industria*_internaci?nal*



## 7.4 Quality assessment grids

Table 8 Quality assessment grid for evaluations

Assessment criterion	Elements of overlap with sub-aspects of standards	Indicator	Rating scale	Coding guide
Evaluation object	<p>OECD DAC 2.3 - Sub-aspect: The development intervention being evaluated (the evaluation object) is clearly defined [...]</p> <p>DeGEval G1 - Sub-aspect: [...] Concept of the evaluation object [...] described and documented accurately and fully [...]</p>	1. The indicator is fulfilled when 1) the objectives, 2) the target group and 3) relevant organisations (political partners and/or implementing organisations) of the development intervention are presented, and hence the object has been delimited (source: Noltze et al., 2018).	binary (1/4)	4 is awarded when 3 out of 3 aspects are (roughly) in place “presented” means “described”, not “identified”.
Context of the development intervention	<p>OECD DAC 3.7 - Sub-aspect: The evaluation report describes the context of the development intervention [...] The evaluation identifies and assesses the influence of the context on the performance of the development intervention.</p> <p>DeGEval G2 - The context of the evaluation should be analysed sufficiently/fully and in detail, and taken into account in the interpretation of findings.</p>	2. The indicator is fulfilled when the context of the development intervention is described (for example, policy context such as guidelines, objectives and strategies of the partner country or development context including socio-economic, political and cultural factors) (source: own indicator based on G2.1, G2.2 and G2.3 from GIZ [2017] and the specifications from OECD-DAC Standard 3.7).	ordinal (1–4)	1: no description of the context; 2: either policy context or development context is described; 3: Policy context and development context are partly described; 4: both are described thoroughly
		3. The indicator is fulfilled when the context of the development intervention is considered or	ordinal (1–4)	1: influence of the context on any of the results is not assessed; 2: influence on a few results is

Assessment criterion	Elements of overlap with sub-aspects of standards	Indicator	Rating scale	Coding guide
		assessed with regard to its influence on the results of the development intervention (source: own indicator based on G2.1, G2.2 and G2.3 from GIZ [2017] and the specifications from OECD-DAC Standard 3.7).		assessed; 3: influence on most results is assessed; 4: influence on all results is assessed
Causal pathways	<p>OECD DAC 2.3 - Sub-aspect: The development intervention being evaluated (the evaluation object) is clearly defined, including a description of the intervention logic or theory. [...]</p> <p>OECD DAC 3.8 - Sub-aspect: The evaluation report describes and assesses the intervention logic or theory, including underlying assumptions [...]</p> <p>DeGEval G1: - Sub-aspect: [...] Implementation of the evaluation object [...] described and documented accurately and fully [...]</p>	4. The indicator is fulfilled when the description of the intended results of the development intervention distinguishes between different levels of results (input-output-outcome-impact), and these build logically on each other (and/or impact hypotheses are formulated, as the case may be) (source: Noltze et al., 2018).	binary (1/4)	Is coded as 4 if a “chain” is described for each component/each overarching goal
Area of inquiry	<p>OECD DAC 2.1 - Sub-aspect: [...] Purpose [...] of the evaluation [is] stated clearly [...]</p> <p>OECD DAC 2.2 - Sub-aspect: The specific objectives of the</p>	5. The indicator is fulfilled when the area of inquiry and/or evaluation questions are specified or concretised (source: Noltze et al., 2018).	binary (1/4)	<p>The evaluation questions must appear somewhere (not necessarily concentrated in one place).</p> <p>The area of inquiry is sufficient, even</p>

Assessment criterion	Elements of overlap with sub-aspects of standards	Indicator	Rating scale	Coding guide
	<p>evaluation clarify what the evaluation aims to find out [...]</p> <p>OECD DAC 2.7 - Sub-aspect: The evaluation objectives are translated into relevant and specific evaluation questions. [...]</p> <p>OECD DAC 3.12 - Sub-aspect: [...] The original questions [...] are documented in the report [...]</p> <p>DeGEval G3 - Sub-aspect: Purposes, questions [...] of the evaluation should be accurately documented and described, so that they can be identified and assessed.</p>			if the evaluation questions do not appear.
Information sources	<p>OECD DAC 3.9 - Sub-aspect: The evaluation report describes the sources of information used (documents, respondents, administrative data, literature, etc.) in sufficient detail so that the adequacy of the information can be assessed. [...]</p>	6. The indicator is fulfilled when the sources on which information is based (documents, interviews, written questionnaires, etc.) are made transparent throughout (source: Lücking et al., 2015).	binary (1/4)	
	<p>OECD DAC 3.13 - Sub-aspect: The evaluation report explains any limitations in [...] data and discusses validity and reliability. [...]</p>	7. The indicator is fulfilled when ... there is a description of the different procedural steps taken in the evaluation for data	binary (1/4)	It is sufficient if the procedural steps are merely named.

Assessment criterion	Elements of overlap with sub-aspects of standards	Indicator	Rating scale	Coding guide
	<p>DeGEval G4</p> <p>- Sub-aspect: The information sources used for an evaluation should be documented with sufficient accuracy that the reliability and appropriateness of the information can be assessed.</p>	<p>collection (source: Noltze et al., 2018).</p>		
Appropriateness of methods	<p>OECD DAC 2.9</p> <p>- Sub-aspect: [...] [The description of] the methodology includes [...] the techniques for data collection and analysis. The selected methodology answers the evaluation questions using credible evidence stop [...]</p> <p>OECD DAC 3.10</p> <p>- Sub-aspect: [...] The evaluation report [...] details the techniques used for data collection and analysis. The choices are justified and limitations and shortcomings are explained.</p> <p>DeGEval G5</p> <p>- Sub-aspect: Data collection procedures and data sources should be chosen in a way which ensures that the reliability of the data obtained and its validity with regard to answering the evaluation questions are in accordance with professional standards. [...]</p> <p>DeGEval G7:</p> <p>- Qualitative and quantitative information for an</p>	<p>8. The indicator is fulfilled when a rationale is in place to explain why the methods applied are appropriate to the object of the evaluation. Advantages and limitations of the methodology are discussed (source: Noltze et al., 2018).</p>	<p>binary (1/4)</p>	<p>Is also coded as 4 if the limitations regarding the data basis/underlying data are presented and/or the consequences for the significance of the evaluation are presented/discussed</p>

Assessment criterion	Elements of overlap with sub-aspects of standards	Indicator	Rating scale	Coding guide
	<p>evaluation should be analysed in accordance with professional standards in an appropriate and systematic manner so that the evaluation questions can be answered.</p> <p>DeGEval N4: - Sub-aspect: The selection and scope of the recorded information should make it possible to adequately answer the questions being examined regarding the evaluation object [...]</p>			
Interpretation and conclusions	<p>OECD DAC 3.11 - Sub-aspect: [...] Findings flow logically from the analysis of the data, showing a clear line of evidence to support the conclusions. Conclusions are substantiated by findings and analysis. [...]</p> <p>DeGEval G8 - Sub-aspect: [...] Conclusions should be explicitly justified on the basis of the collected and analysed data [...]</p>	9. The indicator is fulfilled when the predominant share of findings and conclusions are related to the underlying data and the data analysis in the majority of conclusions (source: Noltze et al., 2018).	binary (1/4)	“Predominant” is equated with at least 50 %

**Table 9**                      **Quality assessment grid for studies**

Assessment criterion	Indicator	Rating scale	Coding guide
Subject of the evaluation	<p>1. The indicator is fulfilled when 1) the objectives, 2) the target group and 3) relevant organisations (political partners and/or implementing organisations) of the development intervention* are presented, and hence the object has been delimited (source: Noltze et al., 2018).</p> <p>* An intervention here may equally be a programme/project/approach.</p>	binary (1/4)	4 is awarded when 3 out of 3 aspects are (roughly) in place “presented” means “described”, not “identified”.
Context of the development intervention	<p>2. The indicator is fulfilled when the context of the development intervention is described (source: own indicator based on G2.1, G2.2 and G2.3 from GIZ [2017] and the specifications from OECD-DAC Standard 3.7).</p>	ordinal (1–4)	<p>(e.g. policy context such as guidelines, objectives and strategies of the partner country or development context, including socio-economic, political and cultural factors)</p> <p>1: no description of the context; 2: Context described to a minor extent; 3: Context partly described; 4: Context described thoroughly</p>
Context of the development intervention	<p>3. The indicator is fulfilled when the context of the development intervention is considered or assessed with regard to its influence on the results of the development intervention.</p>	ordinal (1–4)	<p>1: influence of the context on any of the results is not assessed; 2: influence on a few results is assessed; 3: influence on most results is assessed; 4: influence on all results is assessed</p>

Assessment criterion	Indicator	Rating scale	Coding guide
Causal pathways	4. The indicator is fulfilled when the theoretical embedding/foundation of the study is described, or when the description of the intended results of the development intervention distinguishes between different levels of results (input-output-outcome-impact), and these build logically on each other (and/or impact hypotheses are formulated, as the case may be).	binary (1/4)	Is coded as 4 if a “chain” is described for each component/each overarching goal
Area of inquiry	5. The indicator is fulfilled when the area of inquiry and/or the hypotheses/research questions were specified or concretised.	binary (1/4)	
Information sources	6. The indicator is fulfilled when the sources on which information is based (documents, interviews, written questionnaires, etc.) are made transparent throughout (source: Umsetzungsmonitoring, 2015).	binary (1/4)	
Information sources	7. The indicator is fulfilled when there is a description of the different procedural steps to be taken in the study for data collection (source: Noltze et al., 2018).	binary (1/4)	
Appropriateness of methods	8. The indicator is fulfilled when a rationale is in place to explain why the methods applied are appropriate to the object of the study. Advantages and limitations of the methodology are discussed.	binary (1/4)	Is also coded as 4 if the limitations regarding the data basis/underlying data are presented and/or the consequences for the significance of the evaluation are presented/discussed
Interpretation and conclusions	9. The indicator is fulfilled when the predominant share of findings and conclusions are related to the underlying data and the data analysis in the majority of conclusions (source: Noltze et al., 2018).	binary (1/4)	“Predominant” is equated with at least 50 %

**7.5 Gross and net sample****Table 10** Number of evaluations/studies in the gross and net sample

Actor/actor group	Gross sample	Discarded due to low relevance	Discarded due to low quality	Net sample
GIZ	19 (26.8 %)	7	11	10 (19.6 %)
KfW	18 (25.4 %)	35*	9	9 (17.6 %)
DEG	3 (4.2 %)	0	1	2 (3.9 %)
Academia	15 (21.1 %)	24*	1	14 (27.5 %)
Int'l evaluation unit – bilateral	13 (18.3 %)	0	0	13 (25.5 %)
Int'l evaluation unit – multilateral	3 (4.2 %)	0	0	3 (5.9 %)
Total	71 (100 %)	66	22	51 (100 %)

\* The discarded items in these cases add up to more than 100 per cent of the gross sample because evaluations/studies were repeatedly redrawn.



## 7.6 Evaluations and studies included in the analysis

**Table 11** Overview of the evaluations and studies included in the evaluation synthesis

Title	Authors	Publication date	Cooperation format	Actor/actor group
<i>Ex-post-Evaluierung – Südafrika</i> [Ex post evaluation – Republic of South Africa]	KfW	2018	Financing of companies	KfW
<i>Ex-post-Evaluierung – Marokko</i> [Ex post evaluation – Morocco]	KfW	2018	Financing of companies	KfW
<i>Ex-post-Evaluierung – Honduras</i> [Ex post evaluation – Honduras]	KfW	2020	Financing of companies	KfW
<i>Ex-post-Evaluierung – Indien</i> [Ex post evaluation – India]	KfW	2017	Financing with companies	KfW
<i>Ex-post-Evaluierung – Balkan und Kaukasus</i> [Ex post evaluation – Balkans and Caucasus]	KfW	2014	Financing with companies	KfW
<i>Ex-Post-Evaluierung: Kurzbericht Lokalwährungsfonds TCX</i> [Ex Post Evaluation Brief – Local Currency Fund TCX]	KfW	2012	Financing with companies	KfW
<i>Ex Post-Evaluierung: Kurzbericht Indien: Private Sector Infrastructure Facility at State Level (PSIF)</i> [Ex Post Evaluation Brief – India: Private Sector Infrastructure Facility at State Level (PSIF)]	KfW	2012	Financing of companies	KfW
Evaluating the Promotion of Environmental and Social Standards in DEG’s Investments in Financial Intermediaries	DEG	2017	Preparing for financing	DEG
Evaluation of the Effectiveness of EDFI Support to SME Development through Financial Institutions in Africa	DEG	2014	Financing of companies Preparing for financing	DEG

<b>Title</b>	<b>Authors</b>	<b>Publication date</b>	<b>Cooperation format</b>	<b>Actor/actor group</b>
<i>Adaptación de la Gestión de Recursos Hídricos en Zonas Urbanas al Cambio Climático con la Participación del Sector Privado</i>	GIZ	2020	Financing of companies	GIZ
<i>Sektorvorhaben Agrarhandel</i> [Sector Programme Agricultural Trade]	GIZ	2012	Preparing for financing	GIZ
<i>Kooperationsplattform Lateinamerika Nord</i> [Cooperation Platform for Northern Latin America]	GIZ	2015	Financing of companies Preparing for financing	GIZ
<i>Ex-post Evaluierung 2010 – Hauptbericht KV Chinesisch-Deutsches Ausbildungszentrum für Drucktechnik</i> [Ex Post Evaluation 2010 - Brief Report: Cooperation Project - Chinese-German Training Centre for Printing Techniques (CDAD)]	GIZ	2010	Financing of companies	GIZ
Energetic utilisation of urban waste in Mexico	GIZ	2020	Financing of companies	GIZ
<i>Förderung der Baumwollwirtschaft in Subsahara-Afrika</i> [Promotion of the cotton economy in Sub-Saharan Africa]	GIZ	2016	Financing with companies	GIZ
Competitive African Cashew Value Chains for Pro-Poor Growth (ACi)	GIZ	2015	Financing of companies	GIZ
<i>Konventionsvorhaben Chemikaliensicherheit</i> [Convention Project Chemical Safety]	GIZ	2012	Financing of companies	GIZ
Mineral Resources for Development (MRD)	GIZ	2014	Preparing for financing	GIZ
Sustainable Regional Economic Growth and Investment Programme (SREGIP)	GIZ	2016	Financing of companies	GIZ
The Big Business of Small Enterprises	IEG	2014	Financing of companies Preparing for financing	Int'l evaluation unit – multilateral

<b>Title</b>	<b>Authors</b>	<b>Publication date</b>	<b>Cooperation format</b>	<b>Actor/actor group</b>
Implementation Report of the EFSD and the EFSD Guarantee Fund	EC	2020	Financing with companies Financing of companies	Int'l evaluation unit – multilateral
Evaluation of Blending	EC	2016	Financing with companies	Int'l evaluation unit – multilateral
Feed the Future Global Performance Evaluation Report	USAID	2016	Financing of companies	Int'l evaluation unit – bilateral
Evaluation of the develoPPP.de programme	Hartmann et al.	2017	Financing of companies	Int'l evaluation unit – bilateral
<i>Zusammenarbeit mit der Privatwirtschaft im Agrarsektor in der deutschen Technischen Zusammenarbeit</i> [Cooperation with the Private Sector in Agriculture in German Technical Cooperation]	Kaplan et al.	2018	Financing of companies Preparing for financing	Int'l evaluation unit – bilateral
<i>Strukturierte Fonds. Ein Finanzierungsansatz im Spannungsfeld zwischen finanzieller Nachhaltigkeit und entwicklungspolitischer Wirkung</i> [Structured Funds. A balancing act between financial sustainability and development impact]	Orth et al.	2020	Financing with companies	Int'l evaluation unit – bilateral
Greater International Competitiveness of SMEs & Facilitated Market Access	SECO	2019	Financing of companies Financing with companies	Int'l evaluation unit – bilateral
Public-Private Partnerships in Global Value Chains: Can They Actually Benefit the Poor?	USAID	2015	Financing of companies	Int'l evaluation unit – bilateral
Mid-term Evaluation of the INVEST mechanism	USAID	2020	Preparing for financing	Int'l evaluation unit – bilateral
African Cocoa Initiative Final Performance Evaluation Report	USAID	2015	Financing of companies	Int'l evaluation unit – bilateral

<b>Title</b>	<b>Authors</b>	<b>Publication date</b>	<b>Cooperation format</b>	<b>Actor/actor group</b>
Private Capital for Sustainable Development	DANIDA	2016	Financing with companies	Int'l evaluation unit – bilateral
Desk Study of Sida's Experience from Private Sector Collaboration	SIDA	2016	Financing of companies	Int'l evaluation unit – bilateral
Final Performance Evaluation of the Strengthening Ethiopia's Urban Health Activity	USAID	2019	Financing of companies	Int'l evaluation unit – bilateral
Evaluation Private Sector Development of the Austrian Development Cooperation	ADA	2013	Financing of companies Preparing for financing	Int'l evaluation unit – bilateral
Meta Evaluation of KOICA's Global CSR Program	KOICA	2014	Financing of companies	Int'l evaluation unit – bilateral
Models of public–private engagement for health services delivery and financing in Southern Africa: a systematic review	Whyle and Oliver	2016	Financing of companies	Academia
Estimating publicly-mobilised private finance for climate action. A South African case study	McNicoll et al.	2017	Financing of companies	Academia
ADB Support for Strengthening the Enabling Environment for Private Sector Development	ADB	2013	Preparing for financing	Academia
A Study on the Official Development Assistance (ODA) and Public-Private Partnership (PPP) Projects of International Development Cooperation	Lee	2018	Financing of companies	Academia
<i>Impact du Partenariat Public Privé (PPP) sur le développement économique du Sénégal</i>	Diop	2017	Financing of companies	Academia
Multinational enterprises and the Sustainable Development Goals: An institutional approach to corporate engagement	van Zanten and van Tulden	2018	Other	Academia

<b>Title</b>	<b>Authors</b>	<b>Publication date</b>	<b>Cooperation format</b>	<b>Actor/actor group</b>
PPP's and developing-country agriculture: Evidence from the International Agricultural Research System	Spielman et al.	2010	Financing of companies	Academia
A review of public private partnerships around girls' education in developing countries: flicking gender equality on and off	Unterhalter	2016	Financing of companies	Academia
<i>Etudes de projets en montage "partenariat public privé" financées par le Fasep</i>	Bertrand et al.	2015	Preparing for financing	Academia
PPPs in development policy: Exploring the concept and practice	Brogaard und Petersen	2017	Financing of companies	Academia
Evaluation of Norwegian Business-related Assistance	Norad	2010	Financing of companies Preparing for financing	Academia
Public-Private Partnerships and Corruption in the Water and Sanitation Sectors in Developing Countries	Pusok	2016	Financing of companies	Academia
Public-private partnership in solid waste management sector in the West Bank of Palestine	Saadeh, Al-Khatib und Kontogianni	2019	Financing of companies	Academia
Public-Private Partnerships in developing countries	IOB	2013	Financing of companies	Academia

## 7.7 Code tree

Context			Conditions				
Actor/actor groups	Type of cooperation	Context – other aspects	Influencing factors	Conditions at investors level	Conditions at intermediaries level	Conditions at target group level	Overarching conditions
<ul style="list-style-type: none"> <li>• bilateral (not German) development cooperation</li> <li>• DEG</li> <li>• GIZ</li> <li>• KfW</li> <li>• multilateral development cooperation</li> </ul>	<ul style="list-style-type: none"> <li>• Advisory support</li> <li>• Financing <i>with</i> companies</li> <li>• Financing <i>of</i> companies</li> </ul>	<ul style="list-style-type: none"> <li>• Type of financing product/ advisory format</li> <li>• Region</li> <li>• Sector</li> </ul>	<ul style="list-style-type: none"> <li>• Environmental influences</li> <li>• Financial parameters (e.g. interest rates)</li> <li>• Regulatory environment</li> <li>• Socio-economic factors</li> <li>• Political factors</li> <li>• Cultural factors</li> <li>• Policy context (guidelines, objectives, strategies of the partner country)</li> <li>• Institutional context (e.g. project executing agencies, other investors)</li> <li>• Donor strategies</li> </ul>	<ul style="list-style-type: none"> <li>• Company-specific factors (investor)</li> <li>• Risk/return ratio</li> <li>• Processes and structures</li> </ul>	<ul style="list-style-type: none"> <li>• Interest rates of the financing</li> <li>• Term of the financing/of the projects</li> <li>• Business-intermediary/FI-specific factors (investees)</li> <li>• Processes and structures</li> </ul>	<ul style="list-style-type: none"> <li>• Target-group specific factors</li> </ul>	<ul style="list-style-type: none"> <li>• Problems the project aims to address</li> <li>• Demand orientation</li> <li>• Flexibility</li> <li>• Cooperation with other projects</li> </ul>

Outputs			Outcomes and impacts			
Partner country	Investors level	Intermediaries level	Effects on target groups			Effects on intermediaries level
<ul style="list-style-type: none"> <li>• Network building</li> <li>• Knowledge building</li> <li>• Outputs at political level</li> </ul>	<ul style="list-style-type: none"> <li>• Number and PPP</li> <li>• Financial sustainability</li> <li>• Knowledge building</li> <li>• Cost-saving due to private sector engagement</li> <li>• Mobilisation of additional capital</li> </ul>	<ul style="list-style-type: none"> <li>• Financial sustainability</li> <li>• Funding outflow</li> <li>• Infrastructure created/improved</li> <li>• Knowledge building</li> <li>• Intermediary introduces new/better ESG standards</li> <li>• Intermediary delivers trainings/ further education</li> <li>• Intermediary introduces new technology</li> <li>• Intermediary achieves market entry</li> <li>• Intermediary expands core business</li> </ul>	<ul style="list-style-type: none"> <li>• Employment effects</li> <li>• Type of jobs</li> <li>• Employability</li> <li>• Secured employment</li> <li>• Increased employment</li> </ul>	<ul style="list-style-type: none"> <li>• Improving living conditions</li> <li>• Nutrition</li> <li>• Infrastructure</li> <li>• Health</li> <li>• Education</li> </ul>	<ul style="list-style-type: none"> <li>• Other effects</li> <li>• Higher incomes</li> <li>• Secured incomes</li> <li>• Access to financing</li> <li>• Poverty reduction</li> <li>• Gender effects</li> </ul>	<ul style="list-style-type: none"> <li>• Improved cooperation</li> <li>• Portfolio adjustment</li> <li>• Higher productivity</li> <li>• Competitiveness</li> <li>• Turnover/profit grows</li> <li>• Increased target group orientation</li> <li>• Behaviour change</li> <li>• Increased activity in partner country</li> <li>• Higher tax revenues</li> </ul>

Outcomes and impacts			Unintended effects			
Effects on the partner country	Effects on the donor side	Effects on the company/FIs	Investors	Target groups	Companies	Partner country
<ul style="list-style-type: none"> <li>• Improved cooperation</li> <li>• Demonstration effect</li> <li>• Increased foreign direct investment</li> <li>• Higher tax revenues</li> <li>• Higher consumer demand</li> <li>• Stronger economic growth</li> <li>• Sustainable economic development</li> <li>• Sustainable supply and value chains</li> <li>• Effects on the environment</li> <li>• Digitalisation</li> <li>• Improved regulatory environment</li> <li>• Knowledge transfer to other companies/FIs</li> <li>• Ownership/alignment</li> </ul>	<ul style="list-style-type: none"> <li>• Cooperation /harmonisation</li> <li>• Demonstration effect</li> </ul>	<ul style="list-style-type: none"> <li>• Higher productivity</li> <li>• Competitiveness</li> <li>• Turnover/profit grows</li> <li>• Increased production in partner country</li> <li>• Increased target group orientation</li> <li>• Behaviour change</li> </ul>		<ul style="list-style-type: none"> <li>• Lower production</li> <li>• Lower profits/turnover</li> <li>• Lower competitiveness</li> <li>• Lower productivity</li> <li>• Violation of human rights</li> <li>• Negative effect on employment</li> <li>• Increase in poverty</li> </ul>	<ul style="list-style-type: none"> <li>• Lower productivity</li> <li>• Lower competitiveness</li> <li>• Lower profits/turnover</li> <li>• Lower production</li> <li>• Deadweight effects</li> </ul>	<ul style="list-style-type: none"> <li>• Market distortion</li> <li>• Crowding-out effects</li> <li>• Negative influence on the environment</li> <li>• Negative influence on climate change</li> </ul>



Assessment of effects			Additionality	
Attribution	Strength	Sustainability	Financial additionality	Development additionality
<ul style="list-style-type: none"> <li>• weak</li> <li>• strong</li> </ul>	<ul style="list-style-type: none"> <li>• not described</li> <li>• no effect</li> <li>• low</li> <li>• moderate</li> <li>• high</li> </ul>			

## 7.8 Example of an interview guide (in this case for implementing organisations)

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### General information

- Personal background: What is your role/task area/field of activity with regard to cooperation with the German/European private sector?

### Overview of the portfolio

- What instruments/approaches/programmes does (implementing organisation) use to cooperate with the German/European private sector? What alternative approaches/instruments are there to choose from?

### Coherence of the portfolio

- What is the process for the conception/design of an instrument for cooperation with the private sector? Who is the initiator (ministry, implementing organisation, ...)?
- In the conception and design of new instruments, to what extent are the pre-existing instruments used by other implementing organisations/departments/donors taken into account and coordinated?
- To what extent are the (development policy) goals of the various instruments coordinated with each other or with other development interventions? Do you see any goal conflicts here?
- Are the instruments regularly reviewed for coherence with the portfolios of other implementing organisations/departments/donors?
- In the past, have instruments and programmes previously been merged, reorganised or abolished for the purpose of achieving coherence?
- What challenges do you see with regard to the coherence of the portfolio? How can these be solved, in your opinion?
- What different or complementary instruments are you aware of that are being used in the international context? Are these suitable for use in German development cooperation?

### Steering

- What steering options does (implementing organisation) have in relation to the named instruments/programmes? Where and how does the ministry have opportunities to have a say or make decisions?

### Flexibility

- What changes (for example, in response to changes in framework conditions) have been made to the instruments for cooperation with the private sector in the past few years? How flexibly can these changes be made?

### Need/demand orientation

- To what extent were representatives of the German/European private sector involved in developing or setting up the instruments/programmes? To what extent were their needs considered?
- What types of private companies apply for financing or advisory support? What experience do these companies have with regard to investing in developing and emerging countries?
- How strongly do you rate the interest of the private sector in the instruments/programmes mentioned? Why?

### Role of the private sector

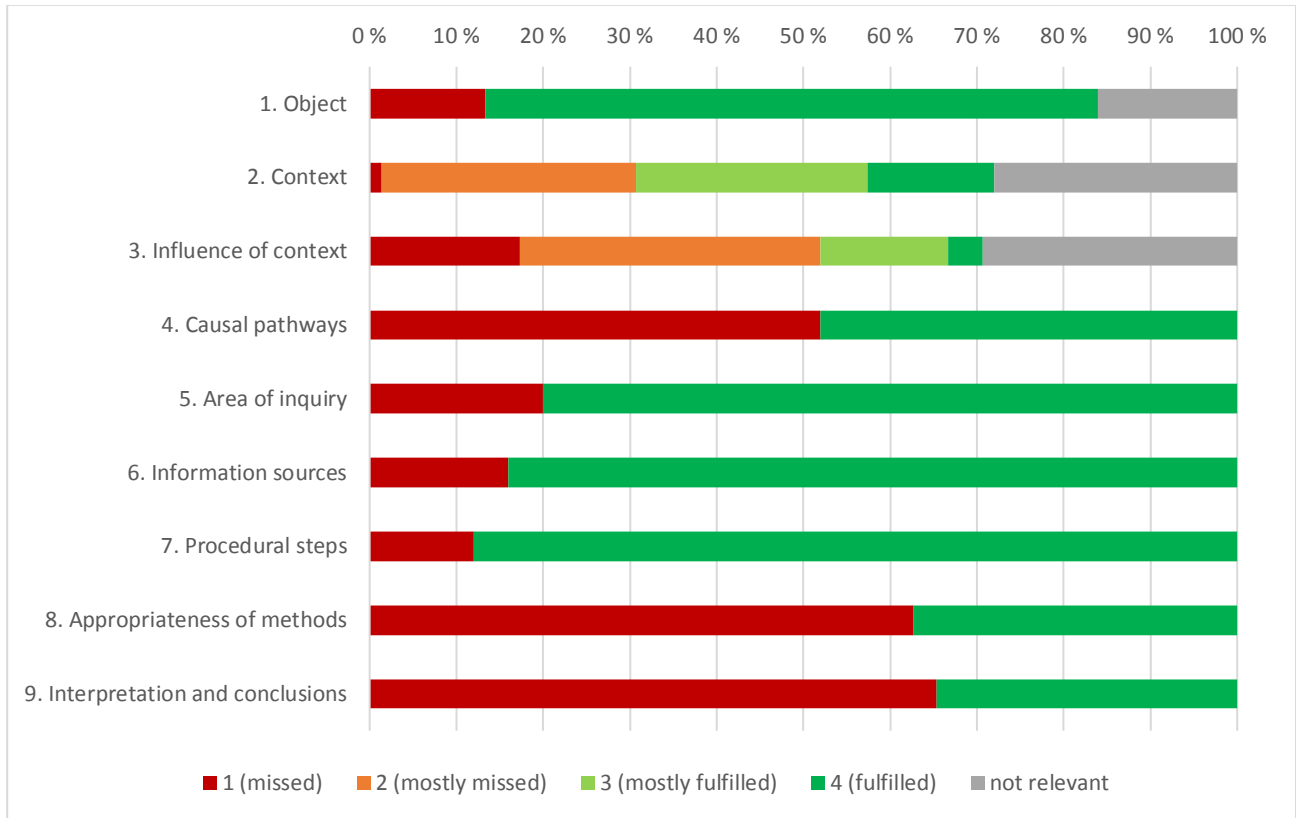
- What contribution must the companies make? How is this ascertained or tracked?
- Which development policy criteria must be taken into account when selecting private sector partners?
- What mechanisms prevent the supported companies from generating deadweight losses only?

**Context**

- What in your opinion are the most important favourable and unfavourable contextual factors in successful cooperation with the private sector in development cooperation?

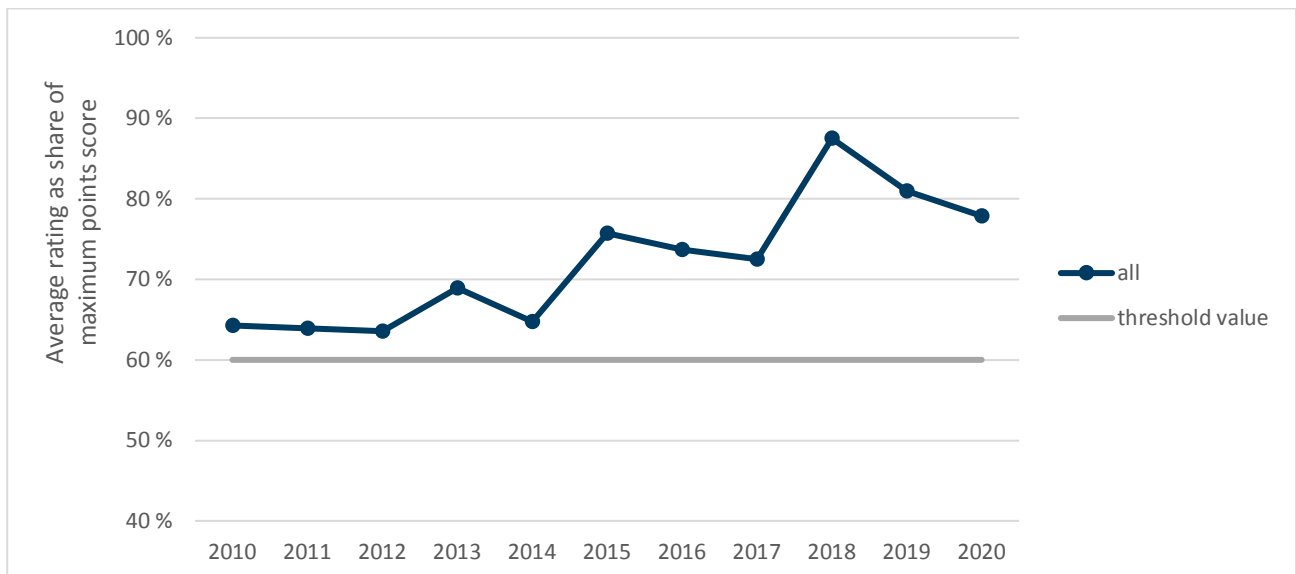
**7.9 Additional breakdowns of quality ratings of evaluations and studies**

**Figure 15 Quality ratings of the evaluations and studies included in the synthesis**



Source: DEval, own presentation

**Figure 16 Average quality ratings of the evaluations/studies by year**



Source: DEval, own presentation

### 7.10 Evaluation team and contributors

Core team	Function
Magdalena Orth (09/2020–06/2021) Valerie Habel (06/2021–12/2021)	Team leader
Johanna Richter	Evaluator
Steffen Schimko	Evaluator
Rebecca Maicher	Project administrator

Contributors	Function and field of responsibility
Dr Cornelia Römling	Internal peer reviewer
Dr Jessica Daikeler	External peer reviewer
Dr Andreas Stamm	External peer reviewer
Busso von Alvensleben	External consultant for the mapping
Dr Hanne Roggemann	External consultant
Dr Arndt Leininger	External consultant
Joshua Bühler	Student assistant
Verena Hoppe	Student assistant

Responsible	Function
Amélie zu Eulenburg	Department leader

### 7.11 Evaluation schedule

Time frame	Tasks
10/2020	1 <sup>st</sup> constitutive reference group meeting: discussion of the amended concept note
10/2020–01/2021	Data collection: search and selection of evaluations and studies, interviews on the German portfolio
01/2021–05/2021	Synthesis: quality assessment, qualitative analysis
05/2021	2 <sup>nd</sup> reference group meeting on the findings
05/2021–09/2021	Drafting of the evaluation report
09/2021	3 <sup>rd</sup> reference group meeting on the draft report
09/2021–12/2021	Finalisation of the report (editing, layout, translation)