Private and blended development cooperation: Assessing their Effectiveness and Impact for Achieving the SDGs

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2016 Development Cooperation Forum Policy Briefs
July 2015, No. 7

Executive Summary

1) Understanding, tracking and analysing Private Development Cooperation (PDC)

- "Private development cooperation" should be understood as "*activities by the private sector which aim **primarily** to support development, do not have profit as their primary aim (and are therefore in grant form), and involve a transfer of resources to developing countries".* This includes private activities – financial and non-financial – in support of development, mainly provided by non-governmental organizations and philanthropic and grant-making organizations and individuals. It excludes all other types of private flows not primarily aiming at development, including FDI. The Draft Addis Ababa Accord welcomes the rapid growth of philanthropic giving and its flexibility and capacity for innovation and taking risks (paragraph 42, as of 25 June 2015).
- Only activities which involve a financial transfer should initially be tracked, but other activities may be included later. An important sub-category to keep in mind for assessing effectiveness of PDC are flows which support developing country ownership by coordinating with national development plans and results framework, preferably using country systems.
- **Information** on the scale and composition of PDC is outdated and partially missing. Collecting better information will be vital to understand trends. Efforts should focus on all types of activities, including South-South as well as North-South, by CSOs, foundations, and corporate and individual philanthropic giving. Information on giving by foundations and other grant-making organizations should be carefully assessed to ensure the primary aim is welfare of developing countries, rather than other religious or corporate goals.
- Most private flows that cannot be considered development cooperation (non-DC private flows) are much smaller or negative in net terms than the usually cited gross flows. **Private DC is therefore much more significant** than generally described in the literature. It is also growing faster than ODA.
- Non-DC private flows should be differentiated more clearly from PDC. More work would be helpful to assess trends for specific country groupings, such as LICs and LDCs.

2) Understanding, tracking and analyzing blended development cooperation

- The most useful **definition** for blended development cooperation is a narrow one which covers specific official instruments used directly to leverage private flows, rather than a broader imprecise one of "transformative" ODA. It captures concessional public finance which aims to attract private DC or non-DC flows, including official grants, loans or equity contributions blended with private flows to co-finance programmes or projects; and guarantees or risk sharing/mitigation instruments.

Preparing for post-2015 and 2016 DCF

The successful implementation of the ambitious post-2015 development agenda and the proposed Sustainable Development Goals (SDGs) will depend on the ability to effectively mobilize and utilize all domestic and international, public and private resources for development, financial and otherwise.

Private and philanthropic actors have been increasingly active in development over the last few decades, filling important resource and knowledge gaps. With the post-2015 development agenda depending even further on the effectiveness and impact of their actions, this policy brief aims to deepen the understanding of the scale, effectiveness and impact of private and blended development cooperation as an important part of their activities. The policy brief suggests substantive and procedural elements to consider for the review of this growing and increasingly complex type of development cooperation.

With this, the policy brief aims to generate ideas for the post-2015 discussions, particularly for the Third International Conference on Financing for Development (FFD3) in Addis Ababa, Ethiopia, 13-16 July 2015, and the High-level Meeting of the Development Cooperation Forum, in New York, July 2016.

The policy brief is commissioned by the United Nations Department of Economic and Social Affairs (UNDESA) for the Development Cooperation Forum. The study is part of a UNDESA research project, funded by UKAID, on "Development cooperation in a post-2015 setting".

The policy brief has been authored by Mr. Matthew Martin, Director of Development Finance International.

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- It is preferable to use the word “**blending**”, unless there is measurable evidence that official development cooperation has “leveraged” additional private funds. There is little current evidence of financial additionality of private funds catalyzed by official financing. Providers of blended DC need to agree a clearer method to assess “leveraging”.
- There is need to put more emphasis on clearly identifying and tracking the amounts of **official (concessional and non-concessional) development cooperation which are blended with private DC** (ie with private contributions to INGOs and foundations) – as compared to non-DC private flows – because they share the primary goal of contributing to the achievement of the Sustainable Development Goals.
- **Information** on official development cooperation blended with private flows of all kinds is imprecise. The large amounts often cited stem from multiple definitions, even including all official flows used to support private sector development. It is vital that information on blended DC is tracked more systematically.On the other hand, tracking the amounts of private flows “leveraged” by official DC is fraught with technical difficulties and is likely to be left until a second phase.
- The scale of official DC used for blending with private non-DC flows is unknown. For illustration purposes, estimations for this brief following the most common definitions show a wide range, from US$2.5 to US$ 153 billion in 2013.
- The amounts of official DC blended with private DC flows are smaller but significant (at least US$20 billion), yet most official providers do not highlight this funding as “catalytic”.

3) Analysing the effectiveness and impact of private and blended DC

- The draft Addis Ababa Accord encourages stakeholders to give careful consideration to the appropriate structure and use of blended finance instruments (paragraph 48, as of 25 June 2015). This brief conducts independent research to analyse these issues.
- Many **efforts** exist to assess the effectiveness and results of private and blended development cooperation, as well as private non-DC flows. They vary in their level of detail, and many are not public. All ***providers of private and blended DC should publish information on the effectiveness and results of their private and blended DC, and the methods they use to assess these.***
- Most of these efforts focus on effectiveness, and fewer on results. Some of their broad evaluation criteria are similar, but others differ. Relatively few are linked to existing effectiveness criteria for development cooperation. Most strikingly, some focus only on profitability.
- Frameworks to assess progress tend to be stronger for CSOs and some foundations, and weaker and less transparent for corporate giving and private non-DC. To better achieve the Sustainable Development Goals, all efforts need to be improved. ***The international community should engage with CSO/foundation coordination groups, more advanced CSOs/foundations, Development Finance Institutions, business groupings and individual businesses, to define clearer criteria and indicators.***
- The brief compares a wide range of frameworks from multi-stakeholder sources, to propose an indicative list of criteria for analyzing the effectiveness and impact of private and blended DC, linked to UN agreements, SDG results, and criteria used for official DC.
- Key lessons drawn are:
    - Any framework needs to ***tailor criteria to the different characteristics and goals of private and blended DC***. The brief recommends using a set of core criteria comparable with those used for official DC – as well as additional tailored criteria, including for different types of private and blended DC; levels at which providers work (local, national, regional, global); degrees to which they contribute to “universality” (ie achieving SDGs in all countries); and indicators of the SDG framework they target.
    - **Effectiveness criteria** should be able to be largely similar across the range of private and blended DC flows, but **impact criteria** need to vary more to take account of the above factors (see Table 1).

- The brief recommends ***next steps to build consensus behind analytical criteria,*** particularly by: (i) ***gathering multi-stakeholder perspectives*** from all providers, clients/recipients (especially CSO and private sector partners in the South) and other stakeholders such as labour, suppliers and consumers); and (ii) ***launching intergovernmental discussions in a multi-stakeholder setting*** *to* advance common understanding of how to assess effectiveness and results for the post-2015 development agenda from private development cooperation and blended cooperation.

A ***second DCF policy brief*** will make detailed proposals for indicators and how they can be reviewed in a post-2015 context. It will be driven by multi-stakeholder inputs, including through the preparations for the 2016 DCF.

Introduction

The ***purpose*** of this brief is to deepen the understanding of private and blended development cooperation and suggest substantive and procedural elements to consider for the review of their effectiveness and impact in supporting the post-2015 Sustainable Development Goals (SDGs). A second brief will describe how such efforts could be implemented in a post-2015 context.

This brief has been commissioned to contribute to analytical preparations on key trends in development cooperation for the 2016 Development Cooperation Forum (DCF). It also aims at generating ideas and policy recommendations for preparations of a post-2015 development agenda, especially the Third international Conference on Financing for Development in July 2015.

The SDGs are much more ambitious than the Millennium Development Goals, in terms of reach (aiming to "leave no-one behind", meaning universal access to food, all levels of education, health care, WASH) and breadth (covering three pillars of economic, social and environmental aspects of development, and extending to new areas such as sustainable agriculture, infrastructure and social protection). They are also intended to apply "universally" i.e. to all countries. Finally, they are intended dramatically to increase provision of "global public goods" (such as fighting climate change, investing in protection against pandemic diseases etc).

Most of these goals will continue to be funded (as the MDGs have been) by countries' own budget revenues. In terms of external finance, official concessional and non-concessional development cooperation will not be sufficient. A considerable proportion will need to come from private development cooperation, and some official development cooperation will be used to try to "leverage" (ie mobilize at scale) private financing by blending official and public money, and using other instruments such as guarantees. The Intergovernmental Committee of Experts on Sustainable Development Financing (ICESDF) report highlighted the key potential role of private and blended development cooperation in financing the SDGs, and they are prominent in the communiqué of the Addis Ababa conference.[1]

There has also been a major change since 2000 in the relative importance of private and official flows. Private flows have become the predominant GROSS inflow for many developing countries, and at a global level the rise of equity and wealth funds has emphasized the potential for private investment (ICESDF 2014). Part A below shows that the NET role of these funds, and their potential contribution to global development (as opposed to profits and growth) may be much more limited – but their scale is forcing all actors to pay more attention to their role in implementing the post-2015 agenda. Since the mid-2000s, there has also been a growing trend to using official DC to promote private sector development and to partner with private sector flows.

The Development Cooperation Forum has been analyzing and discussing these flows in its multi-stakeholder deliberations on development cooperation since 2007. Most recently it examined:

- the role of DC in mobilizing foreign investment, promoting microfinance, and enhancing tax revenue collection (see UN ECOSOC DCF 2011);
- "Aid as a Driver for Private Investment" (UN ECOSOC 2013 a), and discussed the role and accountability of private foundations (UN ECOSOC DCF 2013b); and
- a conceptual framework for defining official and private DC and examining their suitability for greater effectiveness and impact post-2015 (UN ECOSOC DCF 2015a), and discussed these issues in its first symposium (UN ECOSOC DCF 2015b).

This biref builds on that work. It brings together a large number of data sources to assess the scale and characteristics of private and blended development cooperation. It examines a wide range of criteria currently used

[1] See ICESDF (2014) and FfD (2015b). The Draft Addis Ababa Accord welcomes the rapid growth of philanthropic giving and its flexibility and capacity for innovation and taking risks (paragraph 42, as of 25 June 2015). It also encourages stakeholders to give careful consideration to the appropriate structure and use of blended finance instruments (paragraph 48). The ICESDF Report and the draft FfD outcome document also make prominent reference to using external official development cooperation to mobilise domestic public and private finance within developing countries (eg tax revenues and domestic savings respectively), but these are not the subject of the current brief.

or proposed to analyse the effectiveness and impact of private and blended DC, in order to make proposals for criteria to include in an assessment framework. The paper benefited from a wide range of bibliographical sources, and inputs from experts in assessing private and blended DC. A draft version was also peer reviewed by a number of experts in the field.

The definition of development cooperation and its three main component areas presented here will not resolve all the grey areas that exist in this field. In particular, the real intention of an intervention, whether to favour a a particular developing country or to promote the interests of the international partner (whether a country or private organisation) may not always be clear. This definition is proposed simply to define the parameters for discussions of DC types and individual cases. Table 1 (see end of this brief) sets out some of the components of the development cooperation concept outlined here.

As defined here, development cooperation demarcates a broad area of international action in which several modalities of support can operate. The arrival of the SDGs would further cement the importance of the non-financial forms of DC, and all DC agents will need to assess how much they are availing themselves of these options. If the MDGs allowed a focus on aid as the main conduit of international support, the same is not the case for the SDGs, which pointedly emphasise a host of other measures required to support progress – some systemic, some context-specific.

Part A: Private development cooperation

Understanding private development cooperation

The DCF background study on Development Cooperation and the post-2015 Agenda (UN ECOSOC DCF 2015a) suggests that private development cooperation should be an activity which:

- Aims explicitly to support national or international development activities;
- Is not driven by profit (to distinguish it from activities which are)
- Discriminates in favour of developing countries; and
- Is based on cooperative relationships that seek to enhance developing country ownership

These criteria are both broader and narrower than the DAC definition for ODA. They are broader because they measure all "activity", whether or not this involves a transfer of resources to developing countries, whereas ODA measures only financing. They are also broader because ODA has to have "*the promotion of the **economic development and welfare of developing countries** as its* main *objective".* The word "main" gives the DAC definition more force in terms of ensuring development is the primary objective, thereby excluding activities which may incidentally contribute to development, but whose primary objective is military, profit-making, export-promoting, terrorism-fighting etc.[2] The wording of the DCF study that DC should not be "driven by profit" does not state clearly whether profit can be a motivation of equal or higher importance with development.

On the other hand, it is narrower because the suggestion of activity which discriminates in favour of developing countries and enhances developing country ownership might omit considerable activities which most people consider to be "development cooperation". Included in these are activities which promote global development by supporting global public goods (which can be of equal benefit to developed and developing countries), or are administered in ways which do not necessarily enhance developing country ownership (eg via parallel structures or private contractors/INGOs).

In practice, this definition makes it quite difficult to distinguish between concessional and non-concessional/profit-making and non-profit private flows, as well as excluding a substantial proportion of private development-oriented flows on the grounds that they fail either to discriminate in favour of developing countries and/or to involve cooperative relationships that seek to enhance developing country ownership. It would be very difficult to work out exactly which flows it would cover, and virtually impossible to quantify these flows.[3]

[2] For more details see OECD (2008).

[3] An attempt to quantify these would need to know: a) which flows were not at all driven by profit; and b) exclude flows for global public goods and which do not enhance developing country ownership. A strict definition of the latter equivalent to that in the Busan declaration might exclude virtually all PDC, as virtually none of it goes through national budgets or uses country systems.

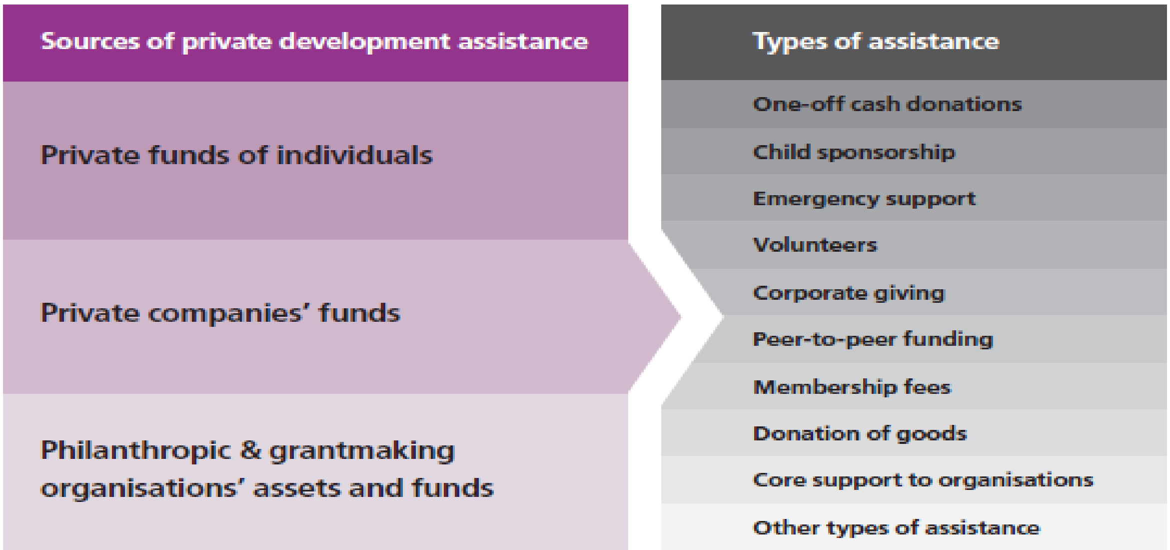
Therefore, it is suggested that the following definition for private development cooperation is used:

*"Activity by the private sector which aims **primarily** to support development, does not have profit as its primary aim (and is therefore in grant form), and involves a transfer of resources to developing countries"*

This definition would exclude activity which does not aim **primarily** to support development (such as "primarily profit" export credits and investment promotion), and activity which does not transfer resources to developing countries. On the other hand it would not insist on flows promoting "ownership" by the developing country, so it could include all funding planned and run by private contractors or INGOs in developing countries (the issue of ownership would be better tracked using criteria to monitor effectiveness – see section C below). It would be best initially to focus on measuring activities which involve a financial transaction, but remain open to measuring other activities (when it has been agreed how they might be quantified) at a later stage. This definition is the same as that used by Development Initiatives (DI) (2013) for "private development assistance"[4]. The two DI graphics below show the complexities of its sources, types and channels/modes. Figure 1 shows how the sources of PDC are private funds of individuals, funds from private companies, and funds from philanthropic and grant-making organizations. It should be noted that though much of the funding for these organizations comes from individuals or companies, some also comes from official sources (the officially-funded segment is excluded from the data presented below). Though of course these are very different from purely "private sector" organizations, they are included here because their funding sources are largely private.

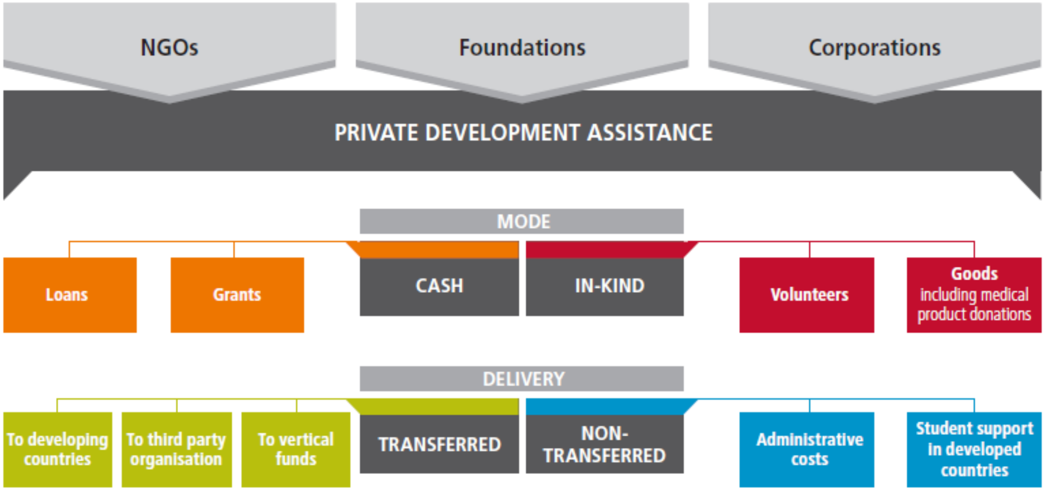
As shown in figure 1 under types, and in figure 2 under modes and channels, PDC varies widely and includes both "financial" and "non-financial" activities, although DI numbers include only those which can be financially quantified.

Figure 1: Sources and Types of Private Development Cooperation



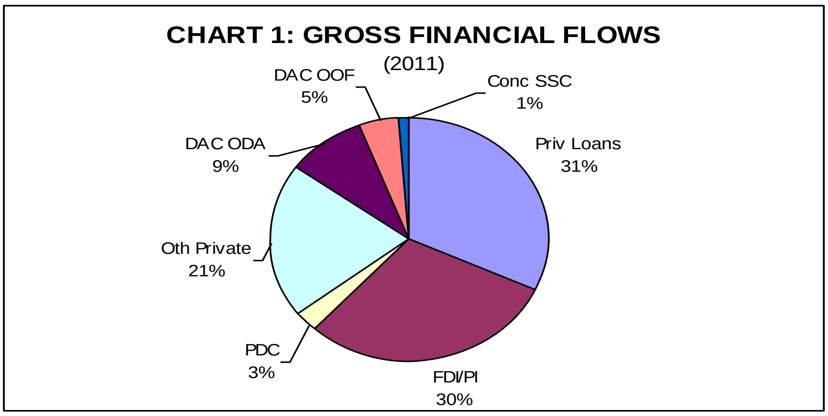
[4] For the sake of consistency, we will continue to use the term private development cooperation.

Figure 2
Private development assistance delivery channels and modes



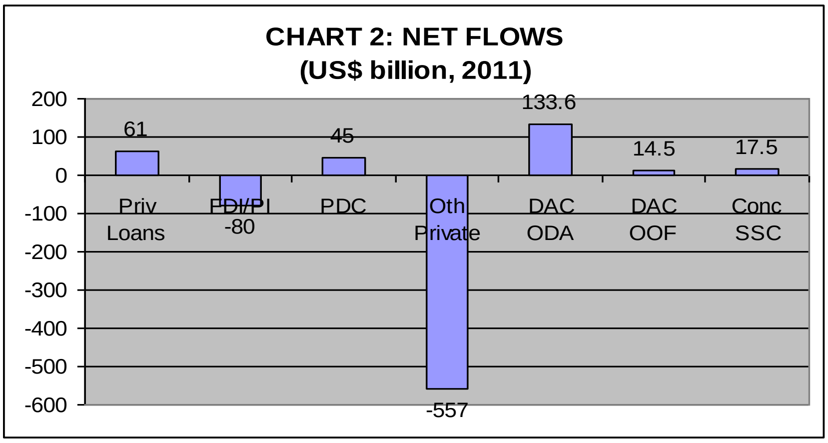
The scale and composition of private development cooperation (PDC)

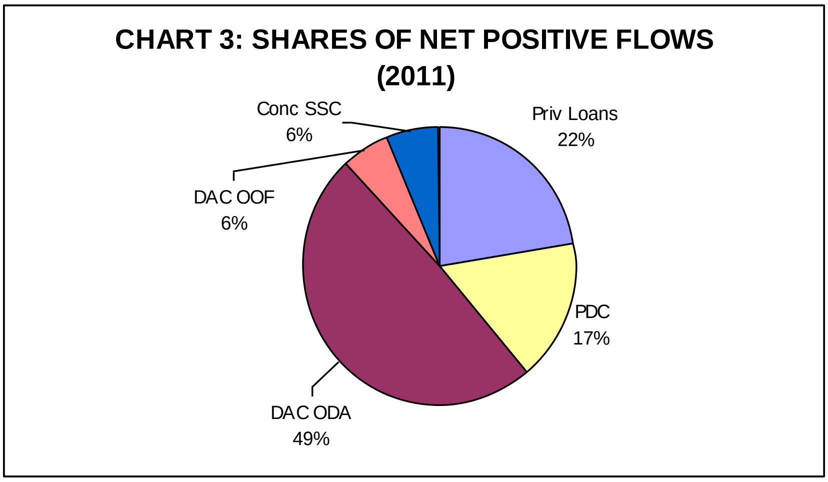
Charts 1 to 3 show the scale and composition of PDC in 2011. PDC is only a very small part (3%) of all **gross** financial flows to developing countries (Chart 1)[5]. However, once outflows and repayments are taken into account (Chart 2), foreign investment (direct and portfolio) and other private flows (mainly remittances minus illicit flows) are highly negative. As a result, when only the proportion of net positive flows is examined (Chart 3), private loans and development cooperation account for only 39% of the total, and PDC is much more important (17% of the total and 44% of net private positive flows).[6]



[5] Private loans are medium- and long-term non-concessional loans and therefore cannot be classified as PDC. FDI and PI are respectively foreign direct and portfolio equity investment. Other private capital includes remittances, and other inflow/outflow transactions undertaken by private individuals and enterprises. OOF is other official finance which is not classified as ODA, either because it is not concessional, or because its main purpose is other than development (eg trade promotion).

[6] Data sources for these charts are Development Initiatives (2013), based in part on OECD analysis of foundation data, and supplemented by more reliable estimates of concessional South-South cooperation from UNDCF. Two categories of flows are excluded. The first is non-concessional South-South cooperation, because no reliable data exist. The second is short-term loans: though these provided substantial gross (US$180 billion) and net (US$136 billion) flows in 2011, they cannot be considered to be financing development-related spending because of their short-term nature. PDC is also underestimated because South-South PDC is barely tracked – the figure quoted here includes only US$1.1 billion. On the other hand, the estimation is realistic in that it uses only PDC which has a primarily development motive, based on OECD work: other much larger estimates such as US$59 billion by the Hudson Institute (2013) are not rigorous in excluding flows with non-development (religious or profit) motives.

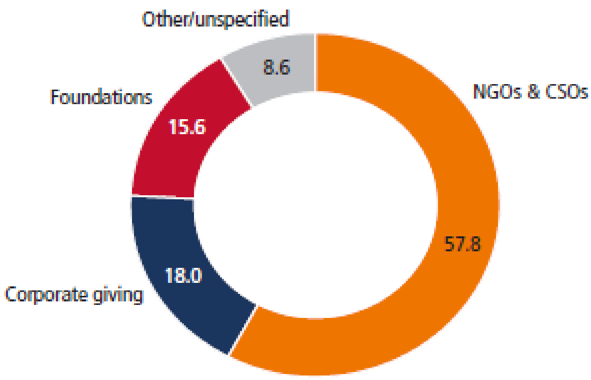




Private development cooperation from DAC countries has been growing faster than ODA since 2006, rising by about 50% when measured in net terms compared to only 10% for DAC ODA. – though concessional South-South cooperation has been growing even faster, rising by around 60%.[7]

Chart 4 shows the composition of private development cooperation in 2011 (for 23 DAC countries where data was available). Private revenue channeled by NGOs was the main component (58%) of private development cooperation, followed by corporate giving[8] (18%) and foundations (16%).

CHART 4: COMPOSITION OF PRIVATE DEVELOPMENT COOPERATION



Source: Development Initiatives, Investments to End Poverty, 2013

[7] .See the UN Secretary General's report to the 2014 Development Cooperation Forum.

[8] It is not clear the degree to which the primary aim of corporate giving is the welfare and development of developing countries rather than the promotion of a corporate brand – Oxfam and others have guidelines which could form the basis for a more qualitative analysis of corporate giving amounts.

Part B: Official development cooperation leveraging private flows

Understanding Leveraging and Blending[9]

There are two definitions of official DC being used to "leverage" private flows: broad and narrow. The ***broad definition*** – also known as **"transformative ODA**" - is so broad as to be of little use. It covers any development cooperation which has as one of its purposes to increase the flow of private sector funds to development. It can include all "aid for trade" (which is itself a complex concept covering aid used to promote virtually any type of private or public sector trade growth); "business climate" or "investment climate" reform (promoting both external or domestic private investment); financial sector development (promoting external or domestic private savings and investment); and infrastructure and human capital (education, health etc.) development which can encourage investment. Such a category would cover a very large proportion of official development cooperation. Some transformative ODA is also controversial for whether it has a positive or negative impact on the SDG-related post-2015 development agenda. For example, some widely used criteria for improving the "enabling environment" (such as Doing Business) are seen by many as inimical to the post-2015 development agenda and as reducing effectiveness by undermining taxpaying and decent work.

The ***narrow definition*** looks more closely at official development cooperation which is used directly to catalyse private flows. It is relatively easy to define ways in which this occurs, though the instruments used are becoming more complex. The ways which are usually discussed include:

1. Grants or loans which are "blended" with private flows to "co-finance" public or private sector recipient programmes or projects (or public-private partnerships – PPPs[10]).
2. Equity contributions from official sources which are blended with private flows to "co-finance" equity investment in public or private sector recipient institutions (or PPPs)
3. Guarantees or other methods used to encourage private flows via "risk sharing or mitigation".

Types 2 and 3 are also often known as "market-like instruments".[11]

In principle, the purpose of the first two types of instruments is to provide additional financing so that the total financing needs of a programme or project are addressed. The purpose of the third type is to provide a guarantee of repayment, or to reduce the risk that funds will not be repaid. In practice, there is considerable overlap among these instruments, with many programmes or projects benefiting from both co-financing and guarantees. Most blended loans or equity contributions also have explicit or implicit guarantees from official co-financiers. [12]

The use of the word "leveraging" is controversial. It implies that a) private financing would not have been provided for the project without the official cooperation; and b) official cooperation is therefore mobilizing "additional" private flows. Yet analysis of the **"financial additionality"** of private funds catalysed by official financing (IEG 2014; Kindornay and Reilly-King 2013; UKAN 2015[13]) has found that there is little robust evidence of additionality, and that claims of massive "leverage ratios" (ratios of private funds leveraged by official) are ques-

[9] For more on the definitions discussed here, see also FfD 2015a; Griffiths et al 2014; and Rogerson 2011. For excellent analysis and typologies of public-private cooperation, see German Federal Ministry (2011), DCED (2014) and Di Bella et al (2013). For a primer explaining blended finance, see WEF/OECD 2015a, and for a "How To" Guide, see WEF.OECD 2015b.

[10] Note that PPPs are not referred to as a separate type of instrument here. This is because the "partnership" referred to is usually that between the developing country government and a private sector infrastructure or service provider. These deals are frequently cofinanced or guaranteed by official development cooperation, but in one of the three ways described in this section.

[11] For an excellent description of different instruments for leverage, see Bretton Woods Project 2012, section 3.

[12] "Guarantees" and "risk-sharing" in these transactions are slightly odd constructs. Official development cooperation is always used to guarantee repayment for the private partner and reduce risk of non-payment; but it is much less used to guarantee high quality results and reduce risk of non-delivery for the developing country. So, when PPP deals go wrong due to risk incurred by the private partner, the cost falls on the developing country not the official funder.

[13] A recent expert group meeting on measuring Total Official Support for Sustainable Development (TOSSD) at the OECD also indicated that it would be highly complex to measure financial additionality. See also DCD/DAC/STAT (2014)12 Annex 1 for a more official version of the complexities of tracking such flows

tionable.[14] Many authors therefore prefer to use the word "catalysing", or even words like "co-finance" or "guarantee", which do not have any implication for whether the funding was additional.

On the other hand, proponents of the use of official financing for "blending" or leveraging" believe passionately that these methods have resulted in additional financial flows, and also in changing the nature of such flows to make them more "pro-development" – known as "developmental additionality". Virtually all OECD countries (and indeed South-South DC provider governments) have instruments and institutions which aim to achieve these goals through cooperation with the private sector. In most cases the current discussion of "blending" is more about scaling up existing methods.

It is also often forgotten that blending and leveraging are frequently applied to private development cooperation (PDC) as analysed in part A of this brief. Examples of this are:

- ***Co-financing of global initiatives***, notably global "vertical funds" such as the Global Fund by, for example, the UK Department for International Development and the Gates Foundation; or
- ***Official funding of major global development NGOs/confederations***, for example, by the Danish Government of the NGO IBIS. In many countries this is including an increasing trend to "explicit leveraging" of NGO funds, whereby governments pledge to "match" private donations pledged for specific initiatives (e.g. Comic Relief telethons) or emergencies, thereby aiming to increase private donations – though it is not clear if this type of activity mobilizes additional funds or merely displaces them from other NGO activities.

Tracking and analyzing leveraging and blending

Tracking the amounts of "blended" (private or public) financing, of public catalytic/leveraging DC, or of private catalysed/leveraged financing (DC or otherwise) is extremely difficult.

Examining **DAC statistics on ODA and private flows**, they are classified in five ways:

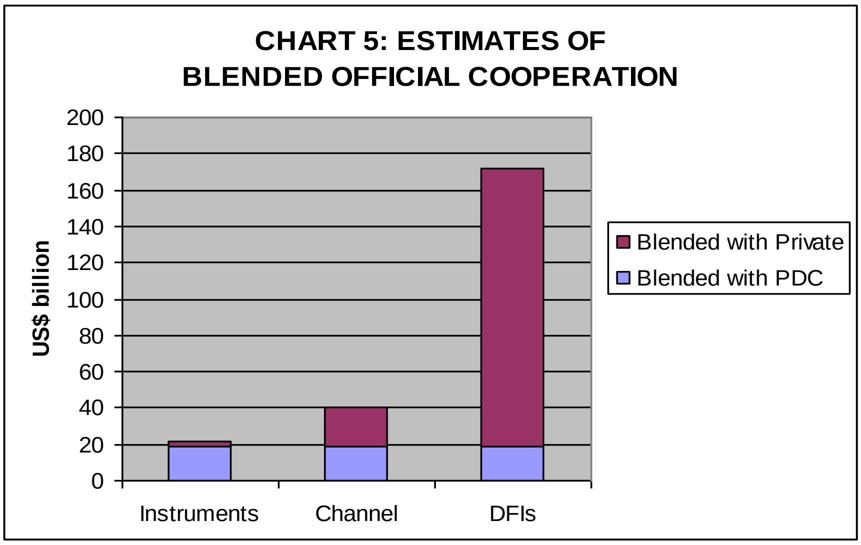
1. ***By the type of financial flow and beneficiary country***. As already discussed in section A, private sector gross flows to developing countries are very high, but net flows are much less significant. A high proportion of private funds to low-income and non-market-accessing developing countries benefits from some sort of co-financing, guarantee or other support from official sources. But as export credit guarantees and other similar arrangements are not made public until after they are "called", this is impossible to quantify and not identified in DAC statistics.
2. ***By the type of institution disbursing the funds.*** A high proportion of funds disbursed by Development Financing Institutions (institutions generally established by multilateral and bilateral donors to encourage private flows) does involve blending official and private flows, or using official funds to catalyse private flows. DFI disbursements totalled US$153 billion in 2011, but the blended/catalytic amounts within these are impossible to identify precisely.
3. ***By the channel of aid.*** ODA channelled via private sector profit-making organisations was US$18 billion in 2013.
4. ***By the type of instrument.*** ODA equity flows (which can be stakes in private or public institutions) totaled US$1.8 billion in 2013; and official flows channeled via public-private partnerships were US$694 million.
5. ***By type of institution receiving the funds.*** It is possible to hypothesise that a high proportion of funds going to the private sector in developing countries is likely to be a mixture of official and private funding – but this is not even a category tracked by the DAC.

None of these methods comes close to identifying the amount of official funding which is involved in blending with, catalyzing or leveraging external private resources. Nor are they remotely similar.

As chart 5 (all based on DAC data) shows, the total using method 2 is a high proportion of US$153 billion; methods 3 and 4 combined give an estimate of US$21 billion; method 4 suggests a minimum of US$2.5 billion;

[14] The Donor Committee on Enterprise Development (DCED) has also published a report (2014) which suggests how best to demonstrate additionality in Private Sector Development Initiatives.

and the other methods give no precise numbers. The total is likely to be somewhere between method 2 and methods 3 and 4 combined.



The OECD DAC has launched a process to measure "Total Official Support for Sustainable Development (TOSSD)". This will begin by quantifying, in 2015-16, the amounts of official development cooperation funding (concessional and non-concessional) which are used to support sustainable development, and the amounts used to catalyse private sector funds.

There is also likely to be in future some tracking of the private funding "catalysed" by official funds, including their "financial additionality". As discussed above, it is very difficult to be sure private financial resources are "additional" ie would not have come without the official funding. Nevertheless, the OECD has estimated that guarantees may have mobilized an average US$5.1 billion a year of private finance in 2009-11, and will try to assemble broader estimates in 2016-17. In doing so it should place strong emphasis on proof of additionality/leveraging by various instruments.[15]

DAC ODA channeled via the private sector has risen very fast since 2005, from US$4.5 billion to US$18 billion in 2013 (according to OECD data). ODA channeled via Northern and Southern NGOs and foundations has also risen (but only by 10%) from US$17 billion in 2005 to US$19 billion in 2013. Whereas in 2005, more official DC was used to catalyse PDC flows than to catalyse private "non-development cooperation" flows, judging by the estimates shown above for ODC leveraging private non-DC flows, the situation has reversed since then.

It is also hard to judge how much private DC is leveraged by official DC. To give two examples:

- The largest, most recent Global Fund replenishment has involved commitments of US$4.1 billion a year of official development cooperation, and US$0.3 billion of private cooperation
- In 2011, official funders provided US$6 billion to 31 major global development NGOs/confederations (around one third of their total funding).

At first sight, this might look like the Global Fund achieved very little "leverage" of private DC (only 7%), while contributions to INGOs achieved much more (200%). But it is impossible to judge whether private contributors would have given more to the Global Fund or INGOs, apart from official funds.

Interestingly, based on examining the official documents highlighted in the bibliography, as well as literature reviews conducted by others (eg di Bella et al 2014; Kindornay and Reilly-King 2013) most official providers do not highlight their official DC which helps to mobilize private DC as being "catalytic", and therefore invest much less time in thinking about how to measure this or the amounts it "leverages". It would be useful to focus on this more in future.

[15] For more details of the OECD's work in this area, see http://www.oecd.org/dac/stats/mobilisation-effect-of-public-development-finance.htm

Part C: Analysing the effectiveness and impact of private and blended development cooperation[16]

This final section examines how to analyse private and blended development cooperation (DC) from a multi-stakeholder perspective. It:

- Looks at a selection of systems and criteria used to analyse the effectiveness and impact of private development cooperation – from NGOs, foundations etc;
- Examines how DFIs assess effectiveness and impact of funds blended with non-DC private flows;
- Analyses systems used to analyse the effectiveness and/or impact of private non-DC flows; and
- Based on these, suggests criteria which might be used to assess the effectiveness and impact of private DC, and blended public and private flows, as well as potentially of all private flows.

It is interesting to note that: systems used to analyse these different types of flows have not (as far as the author knows) systematically been brought together and compared by providers of official DC.

Analysing the effectiveness and impact of private DC

In the context of the past decade of discussions, started at the Monterrey conference, around the effectiveness (and more recently the results and impact) of official DC, there have been increasingly prominent initiatives to improve the effectiveness and impact of private development cooperation.

For PDC provided by CSOs, efforts culminated in the Open Forum's ***International Framework on CSO Development Effectiveness***[17] At first sight, seven of its eight criteria assess effectiveness, with only one on sustainable outcomes focusing on impact, but many CSOs have argued that this framework also defines the types of impacts which CSOs are aiming to have, and which are often very distinct from those of other organisations.

There have also been other initiatives to agree common effectiveness or impact standards for particular types of private DC provided by CSOs. A good example of this is the Sphere project,[18] through which humanitarian assistance practitioners have agreed a ***Humanitarian Charter and Minimum Standards in Humanitarian Response***, for life-saving humanitarian response interventions, particularly focusing on quality of delivery and accountability.[19] These standards have been supplemented by a number of quality and accountability initiatives, allowing CSOs to measure the impact and accountability of their programmes.

At a more micro level, individual CSOs have been developing their own impact and accountability frameworks, and working with official DC providers who are "blending" funds with them so that these frameworks are used. A good example of this is ***DfID's Partnership Programme Arrangements (PPAs)*** to provide core funding for CSOs.[20] These provide a logical framework for effectiveness, based on programme quality, and for results (outputs and outcomes). In the case of one CSO, Oxfam, for example, the benchmark results include increased ability to minimize risks from shocks; increased in household income levels; empowerment of women; and government policy changes.

[16] This section does not cover how to assess more "micro" or firm-level activities which might be considered by some to be "development cooperation", and were listed in the Alonso and Glennie study, such as capacity support and corporate responsibility. These would require entirely different assessment methods, based on whether capacity support is resulting in genuine transfer of skills and technology, and whether corporate responsibility initiatives represent a charitable "add-on" or a transformation of the corporate business model.

[17] For details, see www.cso-effectiveness.org: The main criteria used to assess CSO Development Effectiveness are promoting: i) human rights and social justice, ii) gender equality and equity, iii) empowering people, iv) environmental sustainability, v) transparency and accountability, vi) equitable partnerships and solidarity; vii) knowledge-sharing and mutual learning; and viii) sustainable change outcomes and impacts.

[18] For more details, see http://www.sphereproject.org/

[19] The core standards CSOs are expected to respect are: People-centred humanitarian response; Coordination and collaboration with relevant actors; Assessment of context, risks, capacity and needs; design and response to address these dimensions; performance, transparency and learning; and aid worker performance.

[20] For an independent assessment, which finds they enhance accountability and impact, but could be simpler, see icai.independent.gov.uk/wp-content/uploads/2010/11/ICAI-REPORT-DFIDs-Support-for-CSOs-through-PPAs.pdf

Foundations (and other types of corporate giving) tend to have a much more diverse approach in terms of evaluating effectiveness and impact, and often focus more strongly on impact than effectiveness. This can be partially explained by the heterogeneous landscape of foundations, in terms of their scope and range of activities. Some of the largest foundations[21] have complex and multifaceted evaluation systems, which focus mainly on impact but also bring in effectiveness criteria to assess partner organizations with which they work. Smaller or less structured foundations do not prioritize, or have less capacity to take account of, effectiveness (such as beneficiary consultation or country ownership), and therefore focus more on impact (often outputs rather than outcomes).

There are many resources available to assist foundations to improve performance or to set standards especially for impact evaluations. [22] However, there is no global or national agreed set of standards against which foundations can track their progress. The European Foundations Centre assisted European Foundations to develop a general set of Principles of Good Practice[23] in 2014, which mainly reflect existing practice among all foundations and include*: **independent governance; sound management; transparency; and accountability***. They make some aspirational recommendations, and suggest that foundations either comply with the principles or explain when they do not.

At global level, the United Nations, including at the UN Development Cooperation Forum, has facilitated knowledge exchange and evidence-based dialogue on the volume, sources, destinations and qualitative aspects of philanthropic activities in development cooperation. More dedicated engagement of foundations could help to share information more systematically, harness innovative experiences and promote accountability and implementation among all actors.

The OECD Global Network of Foundations Working for Development (OECD netFWD) has also issued voluntary and non-binding Guidelines for Effective Philanthropic Engagement following extensive consultations to enhance collaboration between foundations and governments in support of development effectiveness,[24] and recently launched country implementation pilots.

Analysing the effectiveness and impact of blended development cooperation

Many providers of official financing for "catalytic purposes" have frameworks in place to analyse the effectiveness and results of these activities, and of activities which promote private sector development. [25] However, independent assessments of these[26] have been negative about their value, suggesting that they rarely take into account broader development results in line with the Sustainable Development Goals (SDGs), such as empowerment or promotion/training of women or other marginalized groups or impacts on reducing inequality through payment of living wages. The frameworks tend to focus on social and environmental impact assessments which apply "safeguards" aiming at reducing the harm to social and environmental conditions arising from projects. These safeguards are often severely out of date – for example many fail to analyse whether projects are contributing to low carbon development, and are often poorly implemented and enforced.[27]. At their extreme, existing frameworks can be lax or vague in terms of SDG results - and make profit-making the top project priority. For example, a 2014 review by the World Bank's IEG found that in 128 World Bank-financed PPPs, the main success criterion was profitability, and other factors were rarely considered.[28]

[21] See for example http://www.gatesfoundation.org/How-We-Work/General-Information/Evaluation-Policy

[22] See for example US Foundations Center website at http://foundationcenter.org/gainknowledge/nonprofitlinks/npr-general-management.html#npm-eval or the European Foundations Centre at http://www.efc.be

[23] Available at http://www.efc.be/about/Pages/Code-of-Practice.aspx

[24] See http://www.oecd.org/site/netfwd/GEPES-September2014.pdf

[25] For more details on these see the work by the Donor Committee on Enterprise Development CED (2014), and the reports by di Bella et al (2013), Germany Federal Ministry (2011) and Kindornay (2012)

[26] For example, Eurodad (2015), Kindornay (2012), Action Aid et al (2015); as well as various reports by the World Bank IEG and the UK Independent Commission on Aid Impact (some examples of references would be good).

[27] A recent example of is the Compliance Advisor Ombudsman audit of IFC financial sector investments. See: http://www.cao-ombudsman.org/documents/CAOFIAuditMonitoringReport_October102014.pdf

[28] For more details, see http://ieg.worldbank.org/evaluations/world-bank-group-support-ppp

The **African Development Bank**[29] which assesses private sector projects, and independent surveys of its success, provide lessons for ways in which impact and effectiveness could be assessed in future.

Its Bank-wide results framework assesses the impact of private sector projects on: foreign exchange saved (in terms of increased exports or reduced imports); government revenue mobilized; effect on Small and Medium Enterprise (SME) turnover; and total of jobs created (with a sub-target for jobs created for women).[30] The projects are also subject to a broader range of effectiveness and efficiency targets (with the effectiveness targets incorporating principles of effective development cooperation).

When surveyed independently in 2012,[31] the **private sector clients** of the Bank felt strongly that the Bank ought to monitor support to nationally owned enterprises, MSMEs (medium, small and micro-enterprises), enterprises owned by women, and investments which would help to diversify the private sector beyond natural resource sectors, especially in agriculture, transport and professional scientific and technical sectors. They also favoured increased transparency, and simpler instruments to reduce risks, results-based project design and greater value for money, and private sector intervention strategies at country level based on national private sector development policies.

Some other **DFIs** have moved forward on particular issues in terms of assessing impact or encouraging compliance with global standards. A good example is among Scandinavian DFIs, which have recently been leading the way in implementing tax reporting criteria such as beneficial ownership and country-by-country reporting of profits by enterprises which benefit from their support.[32]

CSOs have recently been very clear that assessments should ensure public-private finance contributes positively and responsibly to sustainable development, drawing on many sets of principles including EC Principles on Blending, ECD Principles for Private Sector Participation in Infrastructure, the UN Anti-Corruption Convention, OECD Guidelines on MNEs, UN Guiding Principles on Business and Human Rights, and UN Principles for Responsible Investment.[33] They have specified that this should apply sustainable development principles to all projects blending official and private finance, and continue to apply effectiveness principles to the official portion. This means ensuring:

- all projects are priorities in the national development plan and will contribute SDG results, and developing countries have the leading say in decisions on project priorities;
- "leveraging" repays debts by generating project revenues far outstripping liabilities (allowing scope to generate extra tax revenues); and risks are genuinely shared between public and private sectors in the developing country, and the official DC providers.
- best practice standards are applied on participation, transparency (to IATI/open corporate standards), accountability, and effective redress/complaints mechanisms for communities.
- good corporate governance is encouraged by blending only with private sector partners which uphold human rights and sustainable development laws and standards across their operations;
- funds generate additionality by focusing public money on projects where private funds will not otherwise be mobilised, where additional development impact or skills//technology is provided, and where blending is better value for money than publicly-funded alternatives..

In terms of concrete SDG results, CSOs have also made detailed suggestions for criteria to maximize benefits for **poverty alleviation and social development**, **equitable environmental sustainability, and inclusive and sustainable economic development.**

[29] The AfDB framework has been chosen only as an example. Other frameworks commonly regarded as high quality are those of the Swiss SIFEM, and the Swedish Swedfund.

[30] See the Bank's annual development effectiveness reviews, available at http://www.afdb.org/en/topics-and-sectors/topics/quality-assurance-results/development-effectiveness-reviews/

[31] See Martin and Woods (2012).

[32] For more details on this www.swedfund.se/media/1544/swedfund_integrated_report_2013.pdf; and thetaxdialogue.org/publications/scandinaivian-development-finance-institutions-leading-way-responsible-tax

[33] For a clear statement, see ActionAid et al 2015. See also on climate finance leveraging, Eurodad (2012)

Developing countries have also been clear[34] that they would like to see "catalytic aid" and "catalysed private flows" judged by the same types of criteria as official DC. This would imply:

- Funding projects which are priorities in the national development strategy;
- Assessed for impact using national results evaluation frameworks
- Implemented using methods which minimize cost and risk, and maximize value for money.
- Not breaching any aid effectiveness principles by practices such as de facto tying to corporations from the funding country, lack of transparency or accountability, or reduced predictability due to volatile investment decisions by private actors.

Analysing the effectiveness and/or impact of private non-DC flows

There are also lessons to be learned from standards set or suggested for broader private "non-development cooperation" flows, such as the UN Guiding Principles (UNGPs) on Business and Human Rights (2011); OECD Guidelines for Multinational Enterprises (2011); UN Principles for Responsible Investment (2005),[35] and Core Labour Standards of the ILO (1998).

The Millennium Development Goals were accompanied by the **UN Global Compact (2000)** with ten principles for business engagement. It builds on the Universal Declaration of Human Rights; the ILO Declaration on Fundamental Principles and Rights at Work; the Rio Declaration on Environment and Development; and the United Nations Convention Against Corruption.

Some businesses are even more advanced in changing their business model to make a positive contribution to sustainable development, and have established other mechanisms to assess their progress. These initiatives are important because they show that many prominent global businesses are prepared to set themselves and meet higher standards, so that a stronger and more ambitious monitoring and compliance mechanism would be welcomed by many major global entrepreneurs.

One prominent example is the ***Plan B group***, which includes ten major corporations acting to ensure:

- full transparency, notably on ownership/supply chains, to fight corruption and tax evasion;
- alliances between businesses and other partners to implement SDGs and combat climate change;
- Net Zero emissions targets for businesses through the We Mean Business coalition;
- net positive impact on nature through the Natural Capital Protocol;
- improved wellbeing of people in companies and communities
- meeting and monitoring global labour and human rights standards; and
- supporting the fight against inequality by reducing wage and reward disparities in companies.

Another prominent group is the ***World Business Council for Sustainable Development***, which focuses more on the environmental sustainability aspects of the post-2015 agenda.[36]

Individual companies have also been transforming their business models and addressing challenges of sustainable development. The criteria they use to assess themselves might be typified by ***Unilever's Sustainable Living Plan***, to halve its environmental footprint and increase its positive social impact by 2020, by reducing deforestation and climate change; providing water, sanitation, hygiene and nutrition; and supporting sustainable agriculture and smallholder farmers. It publishes an annual

[34] For example participants at the April 2015 FfD workshop at the DCF High-level Symposium held in Incheon, Republic of Korea (see http://www.un.org/en/ecosoc/newfunct/pdf15/dcfrok_concept_note_financing.pdf) and the June 2015 TOSSD expert group meeting at the OECD in Paris.

[35] For more details, see http://www.unpri.org

[36] For more information, see http://www.wbcsd.org/home.aspx

Sustainable Living Plan Progress Report including an assessment of its contributions to and compliance with the UN Global Compact, GRI and MDGs, and a set of Global Tax Principles.[37]

CSOs have broadly argued for a set of principles for global businesses and investors which would be similar to those discussed under blended finance (see above and ActionAid et al 2015).

Developing countries have also tried to track concrete business contributions to sustainable development, because they currently have no means to do this beyond broad corporate policy declarations in annual reports. They have suggested that corporations should be tracked for their respect of national human rights and labour standards, their environmental and social responsibility policies, their creation of decent jobs and their paying of taxes; and their financial allocations (compared to turnover and profits) to SDG-compatible priorities such as workforce training, programmes to promote gender and other equality and representation in the labour force, programmes to promote national rather than expatriate management.[38] The contrast is stark with the detailed tracking of country contributions to supporting enterprises through Doing Business, which is now a "soft conditionality" for IMF and World Bank loans, often leading to strong pressure for policy changes to facilitate business processes, even if some of the recommended practices such as reducing tax rates and reducing labour standards might well be inimical to the SDGs.

Criteria for assessing private and blended development cooperation

Bringing all these existing initiatives together, what can we propose as a set of meaningful and user-friendly criteria for assessing private and blended cooperation (and broader private flows)? Table 1 shows criteria suggested by the different initiatives, and attempts to reflect areas where common criteria could be used, and where there is more need for variation for different flows.

It also builds on the structure proposed by a recent UNDCF study on assessing effectiveness and impact of all DC (Alonso and Glennie 2015), which has suggested using the following criteria:

- **Quality of Relationship**, including country ownership; capacity for inclusive partnerships; redistributive implications; predictability of resources; and transparency and accountability
- **Functionality**, including: scale of resources, costs of resources for the partner country; speed and reliability of delivery; flexibility to change activities; capacity to leverage resources from other sources; and coordination and harmonization with other international partners.
- **Ability to operate at different levels** (global, regional, national and local)
- **Compatibility with the post-2015 development agenda,** in terms of delivering the unfinished business of the MDGs; the new sustainable development agenda; and international public goods.

Overall we can conclude that:

- The efforts to analyze private and blended DC vary dramatically in their level of detail and in the degree to which they are made transparent. It will therefore be vital for ***all providers of private and blended DC to publish their criteria for assessing effectiveness and results.*** This should especially be the case for institutions providing official DC which aims to blend with private DC or other private flows, so that a broader range of initiatives can be assessed for their robustness.[39]
- Most of the initiatives focus on effectiveness, and fewer on results. Some of their categories are similar, but others differ – strikingly, some blended and non-DC flows focus only on profitability.
- In general, frameworks are stronger for CSOs and some foundations, and weaker and less transparent for corporate giving and private non-DC. Many groups need to improve rapidly, to maximize SDG contributions. ***Further work could be done with CSO/foundation coordination groups and more advanced CSOs/foundations, more advanced DFIs (who are already working on these issues with the OECD), business groupings and individual businesses, to define clearer criteria and indicators to sue in their own frameworks.***

[37] For more details, see http://www.unilever.com/sustainable-living/ , and on tax, http://www.unilever.com/sustainable-living/what-matters-to-you/tax.html
[38] For more detailed findings on this, see Bhinda and Martin 2009.
[39] A second briefing paper will incorporate these into a more structured suggestion for an assessment framework.

- It will be important to decide which criteria can be common across all private and blended DC flows (to maximize compatibility with the Sustainable Development Goals and comparability with criteria used to assess official flows), and which need to be adapted to the characteristics of different flows.
- The way criteria are applied may need to take account of:
  - The fact that many actors only act at one level (global, regional, or national), or cover only one of the three pillars of sustainable development. Some actors aim to operate at all levels or across all pillars and should be assessed for their ability to link these together.
  - The characteristics of different types of flows (for example CSOs, foundations and corporate giving; equity from guarantees; co-financing; vertical funds; and PPPs).[40]
  - The distinction between contributions to global development (especially important as the post-2015 framework is "universal"), and those involving "North-South" resource transfers or other discrimination in favour of developing countries. For example, companies should be assessed for the degree to which they pay fair taxes across the world, but especially for fair taxes in developing countries which are often the sources of their revenues.
- **Effectiveness criteria** might be able to be largely similar for different types of flows. However, these criteria should also include the following:

  i. Given the current global focus on results – whether the cooperation has a clear "results framework" with SDG-compatible benchmarks and outcomes;

  ii. Given the proposed SDG 10 on reducing inequality, whether the cooperation is assessed for social impact - its likelihood of reaching the poorest and tackling inequality;

  iii. Given the goals and targets related to the environment, whether the cooperation is assessed for environmental impact - helping to fight climate change and reduce environmental damage

  iv. Given the various sectoral goals, a distinction among which goals private DC and blended private flows are likely to support; and

  v. For the blending activities, the degree to which they try to promote "additional" funding, and to reduce and share the cost/risk incurred by the developing country.
- Many **impact criteria**, such as promoting human rights, gender/other equality, environmental sustainability, and sector results (e.g. reduced infant mortality), might be similar for private "DC" and "non-DC" flows (and official DC flows which catalyse them). However, others might need to be very different for "DC" and "non-DC" flows depending on their goals. For example, for private "DC" they might include impact on saving lives; increasing resilience or livelihoods of the poor; empowering women or other groups; and changing policies and practices of government and non-government actors. On the other hand, for private "non-DC" they might focus on decent job creation; fair tax revenues; exports/import substitution; technology and skills transfer.

Finally, how can a process to assess progress be operationalized? The next steps could consist of:

- ***Gathering multi-stakeholder perspectives.*** Apart from providers (with strong weight for Southern providers), most important should be the clients/recipients (especially Southern CSO and private sector partners) and other stakeholders such as labour, suppliers and consumers.
- ***Intergovernmental discussions in a multi-stakeholder setting on*** how to analyse effectiveness and results for private development cooperation, blended cooperation and private flows.
- Based on a common understanding, the findings of analysis can help to get preliminary reactions from stakeholders and buy-in to a global process to agree criteria, indicators and steps for review.

A ***second policy brief*** in this series will more systematically compare assessment frameworks and make detailed proposals for indicators and how they could be reviewed in a post-2015 context. It will be informed by multi-stakeholder input, and could be discussed by major stakeholders under the DCF.

[40] For an additional interesting discussion of this issue, see Watson (2012)

Table 1: Comparing existing initiatives to analyse effectiveness and impact of private and blended development cooperation – an indicative compilation

Source	**Effectiveness Criteria**					**Instruments (examples)**				
PRIVATE DEVELOPMENT COOPERATION										
CSO Development Effectiveness	*Transparency/Accountability*	*Equitable Partnerships and Solidarity*		*Knowledge Transfer & Learning*			*Empowerment, Democratic Ownership and Participation*	*Human Rights/ Social Justice*	*Gender Equality and Equity*	*Environmental Sustainability*
Humanitarian Charter (SPHERE)	*Transparency/ Accountability*	*Partnerships*	*Coordination*	*Learning and Evaluation*			*Empowering People*			
DfID NGO PPAs	*Transparency/ Accountability*	*Partnerships/ Beneficiary feedback*	*Coordination*	*Programme Quality/ Learning*	*Value for Money*	*Anti-Corruption/ Fraud*	*Cross-Cutting: Poverty/Env'tal Sustainability; Gender Equity* *Depending on NGO Aims: Humanitarian/Resilience/Sectors* *Livelihoods/Governance/Policy Change*			
Foundations (EFC)	*Transparency/ Accountability*			*Sound Management?*						
BLENDED DEVELOPMENT COOPERATION										
Minimum DFIs							Social and Environmental Impact Assessments/Safeguards Profitability of Projects			
AfDB Development Effectiveness	Transparency/ Accountability		Harmonisation& Coordination	Results Frameworks		Other GPEDC predictable, untied	Forex Savings Multiple Sector Delivery Targets	Jobs Gender Equity	Tax Paid	SME turnover
Action Aid et al	Transparency/ Accountability /Redress	Partnerships	Coordination	Country Results Frameworks	Minimum Cost/Risk, Value for Money, Additionality		SDG Results eg Social Development Env'tal Sustainability		Human Rights and Sustainable Development Standards Fair Tax, Decent Jobs/Supply Chains	
PRIVATE NON-DEVELOPMENT COOPERATION FLOWS										
UN/OECD Accords	*Transparency/Disclosure/ Redress*					*Anti-Corruption*	*Human Rights/Social & Environment Impact Assessment/standards*		*Supply Chain and Labour Standards* *Tax Compliance*	
Plan B	*Transparency/ Accountability*					*Anti-Corruption*	*SDGs especially Climate Change/Inequality*		*Combat Tax Evasion, Decent Work and Diversity,Supply Chain Standards*	
Unilever	*Transparency/ Accountability*	*Supply Chain Partnerships*				*Anti-Corruption*	*Climate Change, Water, Sanitation, Nutrition*		*Sustainable Agric/Small Farmers* *Compliance w UN/OECD and Tax*	
Alonso/Glennie	*Transparency/ Accountability*	*Inclusive Partnerships*	*Harmonisation*	*Ownership Flexibility*	*Cost, Scale, Leveraging Predictability/Speed*		*Global/National/Local Redistribution*			

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