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Development Co-operation for Private Sector Development: Analytical Framework and Measuring Official Development Finance

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ABSTRACT

This Working Paper provides an analytical framework of development co-operation for private sector development (PSD) and a measurement to capture relevant Official Development Finance (ODF). PSD is defined as development co-operation which addresses relevant policies and institutions, market functioning and enterprise resources. It aims to improve the investment climate and productive capacity of the local private sector—particularly of small- and medium-sized enterprises—including through developing physical infrastructure.

The analysis shows that development partners disbursed roughly a third of total ODF each on helping improve the investment climate, productive capacity, and physical infrastructure. For the investment climate, large amounts were allocated to macro-economic stability and public governance. To boost productive capacity, support to financial services – particularly to commercial banks that on-lend to SMEs and investments in equity funds – was particularly high. Finally, for physical infrastructure, about half the ODF went to transport, particularly roads, and a third to energy.

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EXECUTIVE SUMMARY

The aim of this report is to provide an analytical framework of development co-operation for private sector development (PSD) and a measurement to capture relevant Official Development Finance (ODF). In general, PSD is regarded by development partners as a means to achieve the overall objective of boosting inclusive and sustainable growth through a vibrant private sector. This paper outlines PSD as development co-operation that addresses relevant policies and institutions, market functioning and enterprise resources in order to improve the investment climate and the productive capacity of the local private sector—particularly of small- and sedium-sized snterprises (SMEs).

Within bilateral development partners, PSD is carried out by one or more ministries, a development agency, a Development Finance Institution (DFI), embassies and/or country missions. Multilateral organisations usually have several specialised departments working on different aspects of PSD, including business environment, trade and infrastructure. The multi-faceted nature of PSD and implementation by various departments and institutions can be challenging for strategic coherence and internal and cross-agency co-ordination. In addition, most development partners support the private sector directly, including to promote their domestic companies.

This paper provides an analytical framework for PSD, which is structured around three main components, i.e. investment climate, productive capacity and physical infrastructure. Physical infrastructure is captured on its own, even though it can contribute to both the investment climate and productive capacity, because of its significant volume. Based on this framework, ODF for PSD amounted to USD 105 billion in 2013, of which 57% was Official Development Assistance (concessional) and 43% Other Official Flows (non-concessional). In terms of distribution, similar shares of roughly a third of total ODF were spent on the three PSD components each. Within investment climate, policy-based lending and technical co-operation for macro-economic stability and public governance received large amounts. As for productive capacity, support for financial services, particularly to commercial banks that on-lend to SMEs, and investments in equity funds, were particularly high. Finally, for physical infrastructure, about half the ODF went to transport, particularly roads, and a third was spent on energy.

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ACRONYMS

ADA	Austrian Development Agency
AfDB	African Development Bank
AsDB	Asian Development Bank
BMZ	*Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung** (German Federal Ministry for Economic Co-operation and Development)
CDC	CDC Group
CRS	Creditor Reporting System
DAC	Development Assistance Committee
DANIDA	Danish International Development Agency
DCED	Donor Committee for Enterprise Development
DEG	*Deutsche Investitions- und Entwicklungsgesellschaft** (German Investment & Development Corporation)
DFI	Development Finance Institution
DFID	UK Department for International Development
EU	European Union
FMO	*Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden** (Netherlands Development Finance Company)
GIZ	*Deutsche Gesellschaft für Internationale Zusammenarbeit** (German Development Agency)
IADB	Inter-American Development Bank
IFC	International Finance Corporation
MDB	Multilateral Development Bank
MSME	Micro, Small and Medium Enterprises
NORAD	Norwegian Agency for Development Co-operation
Norfund	Norwegian Investment Fund for Developing Countries
ODF	Official Development Finance
OECD	Organisation for Economic Co-operation and Development
OPIC	Overseas Private Investment Corporation
PSD	Private Sector Development
SDGs	Sustainable Development Goals
SIDA	Swedish International Development Co-operation Agency
SME	Small- and Medium-Sized Enterprises
UK	United Kingdom
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
USA	United States of America
USAID	United States Agency for International Development
USD	United States Dollar
WBG	World Bank Group

* Acronym in original language

I. INTRODUCTION

1. The private sector plays an essential role in development as one of the main drivers for economic growth, poverty reduction and human development. It produces goods and services, provides income, and generates tax revenues used to deliver health, education and other basic services, including for the poor. For these reasons, the importance of the private sector has recently been underlined in the 2030 Agenda, which calls for inclusive and sustainable growth and industrialisation.

2. By recognising its important role, development partners are increasingly promoting private sector development (PSD) in their programmes. This report defines PSD as "development co-operation that addresses policies and institutions, market functioning and enterprise resources to improve the investment climate and the productive capacity of the local private sector—particularly of small- and medium-sized enterprises (SMEs)—in developing countries". While the goal of PSD for most development partners is to ultimately enhance economic growth and reduce poverty through a vibrant private sector, there are a variety of approaches, which makes comparative assessments challenging. This is particularly the case from a quantitative perspective, as the lack of a common framework regarding the scope of PSD makes it difficult to obtain an overarching picture of financial resources allocated to this area. In fact, comprehensive quantitative analyses of Official Development Finance (ODF)[1] to PSD are rare.

3. To shed light on the diversity of approaches, this report schematises PSD components around an analytical framework that captures the universe of relevant activities, covering both support to improve the enabling environment for private investment as well as direct support to the private sector. It also tries to illustrate pertinent strategies and institutional arrangements of several development partners. Furthermore, to fill the gap in quantitative analyses of ODF to PSD, the components of the framework are matched with the purpose categories of the Development Assistance Committee (DAC)'s Creditor Reporting System (CRS).

4. The report advances the last major work of the DAC on PSD, i.e. the DAC Network on Poverty Reduction (POVNET) guidance, *Promoting Pro-Poor Growth: Private Sector Development* (OECD, 2006a), and publications on *Promoting Private Investment for Development* (OECD, 2006b and 2007). However, unlike previous work on PSD by the DAC, it is not intended to be a guide for development partners on what can be done in PSD. Instead, the report tries to unpack the relevant components so as to better identify key areas of interest that could be explored further for specific guidance. In addition, it complements the DAC's other work on private sector engagement, which includes: modernisation of the statistical reporting system to measure private sector instruments; improving transparency and reporting on additionality; capturing resource flows to developing countries beyond aid, such as foreign direct investment, export credits, remittances and so on; peer learning on private sector engagement; and research on blended finance, social impact investment, and PSD in fragile states.

5. On the way forward, the discussions of the report at the Advisory Group on Investment and Development[2] meeting of 15 March 2016 and the DAC meeting of 20 May 2016 provided some useful direction. Proposals for future work included delivering granular analysis on: informal businesses, SMEs, responsible business models, corporate social responsibility, gender issues, Small Island Developing

[1] ODF consists of Official Development Assistance (ODA), which is concessional, and developmental Other Official Flows (OOF), which are not concessional.

[2] A joint subsidiary body of the DAC and the Investment Committee.

States, additionality, market distortion, and untied aid. Moreover, the DAC expressed its interest in obtaining applicable lessons, recommendations, or key principles of PSD support in a user-friendly format that could help gauge the development impact of PSD interventions and their contribution to the 2030 Agenda. Some of these topics have already been addressed through the peer learning exercise on private sector engagement, particularly on direct support to the private sector (see OECD, 2016).

6. The report is structured as follows: Section II first outlines the different approaches of development partners toward the private sector in general, clarifies the underpinnings of PSD more specifically, and provides an analytical framework. Section III examines strategies and institutional structures of development partners that deal with PSD, identifying common issues and challenges. Section IV presents findings from a quantitative analysis of ODF relevant for PSD and Section V provides conclusions and next steps. Finally, Annex I presents the individual PSD strategies and institutions of selected bilateral and multilateral development partners and Annex II explains the methodology related to the statistical framework used in this paper.

II. OVERVIEW OF PRIVATE SECTOR DEVELOPMENT AND ANALYTICAL FRAMEWORK

A. Background

7. In developing countries, the private sector constitutes a key source of livelihood, providing 90% of all jobs. The private sector can also offer products and services that are not adequately provided by the public sector, including for the poor (Evans, 2015; IFC, 2013; WBG, 2012). Developing the private sector can thus contribute to poverty reduction while addressing fiscal issues by raising government revenues through taxes—on average accounting for 60% of gross domestic product in developing countries. Moreover, PSD can empower women, youth and the vulnerable, as well as contribute to sustainable production and consumption. PSD is therefore considered crucial for the achievement of the Sustainable Development Goals (SDGs)[3].

8. At the same time, since the impact of economic growth on poverty reduction has been historically and geographically heterogeneous (see Rodrik, 2000; Dollar *et al*.; 2013; Ravallion, 2004; Dollar and Kraay, 2001), perspectives on the role of the private sector in development co-operation differ widely among development partners. This translates into diverging strategic approaches in ensuring that private sector-led growth benefits the poorest, with some emphasising long-term economic growth as an engine of poverty reduction, while others target specific geographical areas, sectors and companies where poor people work.

9. Nevertheless, the interest in development co-operation for PSD has grown in the last decade, as development partners increasingly consider the private sector as a source of financial resources, know-how, and technology that can boost the quantity and quality of their development co-operation. In other words, development partners try to engage companies by "leveraging" their financial resources and "partnering" with them directly in joint projects (see Box 1). While they also try to engage the private sector in sectors such as health and education, which are not directly intended for economic growth, most of the activities involve infrastructure, financial services and the productive sectors, particularly agribusiness and manufacturing.

[3] See SDG 1.b; SDG 4.4; SDG 5.a; SDG 8; SDG 9; SDG 10.1; SDG 10.b; SDG 12.6; SDG 12.a; SDG 17.1; SDG 17.11; SDG 17.12.

Box 1. Direct engagement with the private sector

Leveraging private sector finance

The potential for private investment in developing countries is significant, with some estimates referring to the availability of USD 120 trillion by banks and institutional investors for all countries (McKinsey, 2016). Given the relatively small scale of concessional and non-concessional ODF, which is about USD 0.2 trillion per year, and the high investment gaps for the developing countries to achieve the SDGs (USD 2.5 trillion per year), development partners are increasingly trying to use ODF to leverage private investment for development. For instance, Multilateral Development Banks (MDBs) state that for every USD 1 dollar that they extend directly to the private sector, 2-5 dollars of additional private sector investment is mobilised (AfDB *et al*., 2015:2).

Development partners, particularly Development Finance Institutions (DFIs), use several tools to leverage private investment. They primarily support international and local firms to do business in developing countries through advisory services and financial instruments such as equity, debt, and guarantees. In addition, development partners provide financial assistance to governments and national development banks to on-lend to private companies, which could also leverage considerable resources. For example, a study shows that USD 1.4 billion financing from the Clean Technology Fund (CTF) to the public sector has mobilised about USD 5 billion of private co-finance (CTF, 2013). Other approaches include project preparation facilities to design well-structured bankable projects and project facilitation platforms to match the interest of public and private financiers in carrying out joint projects.

Partnering with the private sector

Beyond providing financial resources, foreign and local companies can also contribute to development through skills upgrading, knowledge sharing, improved efficiency and innovation. Therefore, by collaborating with the private sector, development partners can potentially increase the impact of development co-operation. This aspect has been acknowledged in the Bilateral Development Partners' Statement in Support of Private Sector Partnerships for Development in 2010. Here, development partners committed to enter into partnerships with companies of various sizes that would focus not only on profits, but also on social and environmental impact. The importance of partnerships has been stressed more recently in the 2030 Agenda, which called for enhancing “multi-stakeholder partnerships that mobilise and share knowledge, expertise, technology and financial resources to support the achievement of SDGs” (see SDG 17.16).

More specifically, development partners are trying to help viable businesses expand in developing countries, including those with high social and environmental impact, such as climate-friendly or bottom of the pyramid projects. They engage in social impact investment, responsible business conduct (RBC), corporate social responsibility, and public-private policy dialogue. Examples include Grow Africa, an initiative of the African Union Commission, the New Partnership for Africa's Development, and World Economic Forum, which provides a platform for governments and companies to promote business models that engage smallholder farmers, facilitate value-chain linkages, and improve access to finance, with a special focus on women and the youth.

B. Analytical framework of private sector development

10. Given the variance in the scope by development partners, capturing their support to PSD in a comprehensive manner is challenging. To address this issue, two analytical frameworks are presented, i.e., support for (a) the investment climate, physical infrastructure and productive capacity; and (b) policies and institutions (upstream), market functioning (midstream) and enterprise resources (downstream).

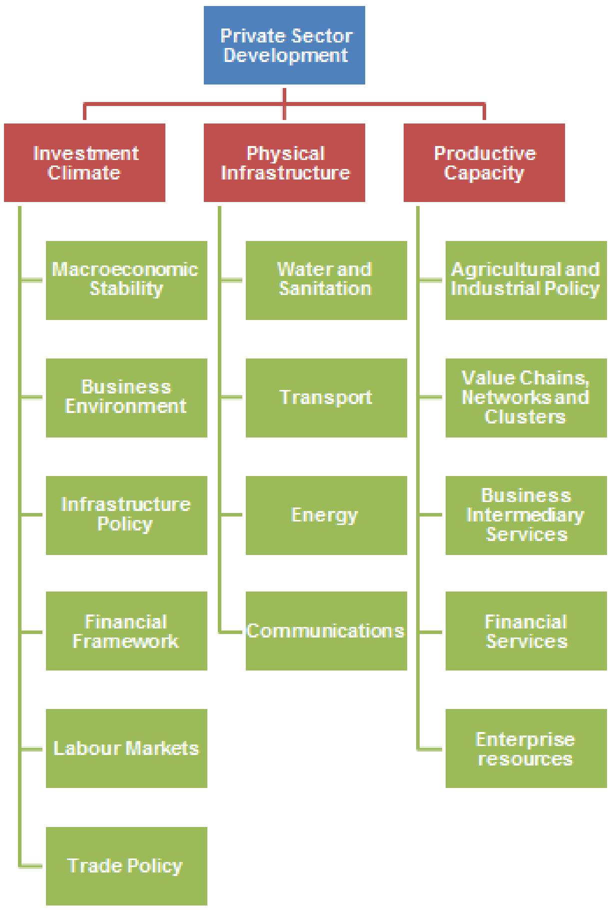
1. Investment climate, physical infrastructure and productive capacity

11. On (a), the investment climate is the set of framework conditions put in place by the public sector to reduce transaction costs, risks and uncertainty for market participants. It involves addressing: macroeconomic stability; business environment; infrastructure policy; financial framework; trade policy; and labour markets. On the other hand, activities for productive capacity concern enhancing

competitiveness of economic sectors and companies by increasing their financial and technical resources in relevant areas, such as: agricultural and industrial policy; value chain development; financial services; business intermediary services; and so on.

12. Supporting physical infrastructure (water and sanitation, transport, energy and communications), which is important for investors and companies, entails contributing to both the investment climate and productive capacity (see Figure 1). This is because the productive capacity of companies is dependent on infrastructure services to produce goods and services, receive inputs, distribute outputs and communicate with suppliers and clients. At the same time, without this basic infrastructure, companies will not only be incapable of achieving optimal productive capacity, but will also be unwilling to invest in new business activities (WBG, 2004; Dollar *et al*., 2005; Aterido *et al*., 2007; Goedhuys and Sleuwaegen, 2009; Fiestas and Sinha, 2011). As a note, the important policy and institutional framework of specific infrastructure sectors or 'soft infrastructure' are more related to the investment climate.

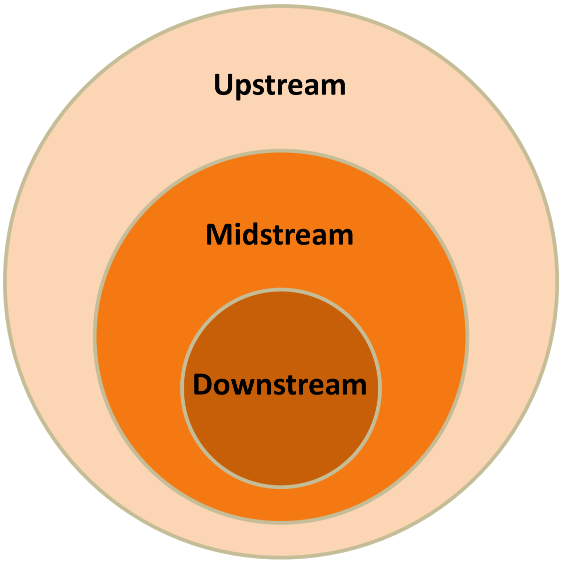
Figure 1. Areas of private sector development



2. Upstream, midstream and downstream levels

13. Another way to look at development partner support to PSD areas is (b) mentioned above, i.e., at levels of policies and institutions (upstream), market functioning (midstream) and enterprise resources (downstream) (see Figure 2). Each level is described as the following:

Figure 2. Analytical framework for development partner support to PSD



Public Policy and Institutions

Investment Climate

- Macroeconomic Stability
- Business Environment
- Infrastructure Policy
- Financial Framework
- Trade Policy
- Labour Markets

Productive Capacity

- Agricultural and Industrial Policy

Market Functioning

Productive Capacity

- Financial Services
- Value Chains, Networks and Clusters
- Business Intermediary Services

Physical Infrastructure

Enterprise Resources

Productive Capacity

- Skills
- Business Management
- Direct Financing

i. Upstream level – public policy and institutions

14. The upstream level focuses on activities related to the appropriate "rules of the game" in promoting a sound policy and institutional framework conducive to private sector-led growth. Here, the programmes are exclusively targeted to the public sector, consisting of mainly technical assistance and capacity building for policy-making or institutional reforms to improve the investment climate or productive capacity (see Box 2). For the investment climate, activities address general economic areas such as: reducing fiscal imbalances; strengthening financial stability; ensuring appropriate legal framework for property rights, contract enforcement and commercial disputes; improving taxation; streamlining business registration; creating or reinforcing collateral registries, credit bureaus, credit ratings, and payment and settlement systems; adjusting tariffs, subsidies, and technical standards to promote trade; setting appropriate infrastructure frameworks, including utility tariff systems; building the capacity of regulatory authorities; and reforming labour market laws and regulations.

15. In terms of productive capacity at the upstream level, the focus is on improving policies and institutional frameworks for specific sectors such as agriculture, industry, services, and so on. This involves technical assistance and capacity building in, for example: agricultural and industrial development plans and strategies for rural development, manufacturing clusters and special economic zones (SEZs); and expansion of particular industries, such as agri-business, textile, chemicals, metals, and so on.

Box 2. Examples of development partner support for PSD at the upstream level

Australia and UNDP's support to the New Enterprise Law in Vietnam

Backed with funding by Australia, the UNDP provided technical support to Vietnam in drafting and implementing a new enterprise law in 2000. The law eased key difficulties related to starting and operating businesses in the country, reducing the amount of paperwork required. By 2003, the law contributed to the registration of 55 000 new businesses, mostly SMEs - an increase of more than 350% from 2000 - and the creation of one million jobs. Today, the World Bank's Doing Business indicator on starting a business in Vietnam is better overall than other countries in the region.

Germany's support to land reform in Namibia

The German Development Agency (GIZ) provided policy and legal advice to Namibian decision makers and relevant ministries on land reform. The programme also trained new communal land boards and organised awareness campaigns on land registration. By 2014, 160 000 plots were surveyed and 82 000 land rights registered in communal areas. In commercial areas, 8 million hectares was distributed to landless and disadvantaged persons.

Korea's support to SEZ and Industrial Park Development in Azerbaijan

Azerbaijan`s 2012 development strategy outlines the creation of at least one SEZ near the capital's airport. In supporting this vision, the Korea International Cooperation Agency provided a USD 1 million grant to help build the institutional capacity of the Azerbaijani government to: develop and manage SEZs and Industrial Parks; improve policy and strategy for industrial site development; and establish the legal and regulatory framework for effective implementation.

ii. Midstream level – market functioning

16. Development co-operation at the midstream level aims to reduce market failures that hinder PSD in areas that are in between the public sector's upstream level of policies and institutions and downstream level of direct support to companies in productive sectors. Activities generally address areas needed for companies to facilitate production and distribution of goods and services, which are mainly physical infrastructure and financial or business intermediary services (see Box 3). For instance, development partners: invest in financial intermediaries, such as commercial banks and microfinance institutions that on-lend to SMEs; support business intermediaries, such as incubators, business associations, chambers of commerce, trade unions, training institutions, research institutes and universities; and promote industrial clustering and value chain development to foster backward and forward linkages, both locally and internationally.

Box 3. Examples of development partner support for PSD at the midstream level

Boosting financial access in Angola by Norway, European Investment Bank (EIB), and Spain

In 2009, Norfund committed NOK 63 million to the *Fundo de Investimento Privado Angola*, the first private equity fund in Angola. The investment was aimed at providing long-term funding that was previously unavailable in the country. The fund provided up to USD 8 million for individual investments in SMEs, particularly for project expansion, privatisation, and startups. To date, the fund has USD 39 million of committed capital, with other investors such as the EIB and the Spanish Ministry of Foreign Affairs.

European Commission (EC) on organising small tea growers in India and Bangladesh

The EC provided Euro 1.3 million for organisational and marketing support to tea growers and co-operatives in India and Bangladesh to help realise fairer terms of trade. As of March 2015, about 43 000 small tea growers were organised into over 500 Primary Producer Societies in India, of which 72% obtained registration under the Societies Registration Act. As a result, the growers were able to obtain a 3.5 times increase in price per kg.

Japan's support to rehabilitate the local fish market in Papua New Guinea

Japan extended a USD 8.5 million grant for the rehabilitation of a fish market in Madang, Papua New Guinea, in order to help provide a safe, clean and accessible market for fishery and agriculture products, thereby boosting retail activities of more than 80 000 local businesses. The project included the refurbishment of market buildings, construction of an administration building, and improvement of storage facilities and waste management.

iii. Downstream Level – Enterprise Resources

17. The support by DFIs, aid agencies and MDBs at the downstream level directly targets local companies in developing countries, predominantly SMEs (see Box 4). The objective is to boost the competitiveness of these companies by reinforcing their productive and managerial capacity or to promote viable and innovative business models for development. Specifically, technical and financial assistance is provided to, for example, micro-enterprises through vocational training or formalisation. To foster innovation, development partners also set up challenge funds to finance companies with sound and responsible business models against eligibility criteria such as environmental, social and financial sustainability. Activities at the downstream level only concern improving productive capacity and do not generally address the investment climate.

Box 4. Examples of development partner support for PSD at the downstream level

Canada's support to Indonesia's agribusiness development

Canada provided USD 10 million to Indonesia in order to: help increase the incomes of smallholder farmers; promote investment in agriculture and rural communities; and boost demand for sustainably produced agricultural commodities. Project activities include: developing business models for sustainable agricultural production, post-harvest handling and marketing; advising buyers and input suppliers to provide services to smallholder famers; introducing to bank staff new financial products for smallholders; training plantation staff on sustainable community investment; and informing firms about market opportunities for sustainable products.

US technical assistance to women-run SMEs in Kyrgyzstan

From 2010 to 2015, United States Agency for International Development (USAID) financed USD 2 million in Kyrgyzstan for the project on Women`s Leadership in SMEs by training over 600 women entrepreneurs. In addition, 100 women who won the Business Planning Competitions were awarded access to tailored technical advice, exchange visits, mentorship, and micro-grants. The project was part of a global initiative by USAID implemented in other countries as well, such as Peru and India.

The Africa Enterprise Challenge Fund (AECF) by Australia, Denmark, Netherlands, Sweden, and United Kingdom (UK)

The AECF is a USD 244 million fund financed by several bilateral donors to promote innovation and growth among African companies. It awards grants to support innovative business ideas in agriculture, renewable energy, climate change adaptation, and accessing financial services. Since its launch in 2008, over 6,000 applications have been received for 20 competitions, resulting in a funding of over 200 projects in 23 countries, creating almost 4 000 jobs and benefitting over 650 000 households.

III. STRATEGIES AND INSTITUTIONAL ARRANGEMENTS

18. Strategic and institutional arrangements related to PSD vary considerably among development partners. To shed light on this issue, a review and analysis of 12 major bilateral and multilateral development partners[4] was carried out. Based on the study, this section summarises the salient patterns and issues in PSD strategies and institutional arrangements of these development partners.

A. Strategies

1. Overview

19. In most strategies, PSD is encompassed within the overarching objective of boosting inclusive and sustainable growth. However, the weight accorded to the private sector as a driver of growth differs among development partners. For example, while private sector-led growth is a 'core operational priority' for African Development Bank (AfDB) (AfDBa, 2013) and a main 'driver of change' for the Asian Development Bank (AsDB) (AsDB, 2008), it is only one element of the objective of economic growth and poverty reduction for Germany and Sweden. Overall, MDBs place stronger emphasis on promoting private sector-led growth than bilaterals and the United Nations institutions. This is also explained by the tendency of the latter either specialising in or adopting a broader development agenda that can include human rights, humanitarian assistance.

20. PSD strategies are articulated at different levels, with some serving more as general directions for projects, while others encompassing detailed programming, monitoring and evaluation guidelines (Kindornay and Reilly-King, 2013). In addition, some include PSD in specific sectors - such as health and education (e.g. USA and UK) - while others point to broader issues - such as regional integration (e.g. Japan, Sweden, AfDB; and AsDB). Furthermore, some development partners (e.g. Norway and the Netherlands) highlight the importance of implementing international agreements, norms and standards that affect the investment climate, for example in trade agreements and climate change. Therefore, the scope of PSD may be wide within a bilateral country or multilateral organisation, thereby requiring effort by the numerous departments and institutions to co-ordinate in order to be coherent.

21. Table 1 summarises the elements that are incorporated in the respective PSD strategies of each development partner in the study. It shows that the PSD components vary across development partners' strategies. However, it is important to note that PSD components which are not addressed by a development partner in its strategy could be addressed under other themes of its development co-operation. For instance, while support for trade policy is not included as a PSD component by the European Union (EU) Institutions, the area is nevertheless an important activity carried out under other strategies. Therefore, even though there may be differences in the articulation of PSD strategies, development partners could be implementing similar activities that can promote private sector-led growth.

22. From Table 1, it is clear that there are many common areas in PSD strategies of different development partners. For example, all of them promote reforms in the business environment[5].

[4] Austria, European Union, Germany, Japan, Netherlands, Norway, Sweden, United Kingdom, United States; African Development Bank, Asian Development Bank, Inter-American Development Bank and World Bank Group.

[5] Business environment reforms are often loosely defined and conflated with the investment climate.

Furthermore, many development partners also support value chains, business intermediaries, SME development and infrastructure. However, the bilaterals tend to have a stronger narrative than the MDBs in focusing on the poor, women and youth.

23. Furthermore, several development partners adapt their PSD strategies according to the income levels and specific situations of countries. For instance, while Germany focuses on framework conditions and supporting SMEs to reduce poverty in low-income countries, it focuses more on knowledge sharing, innovation and sustainability of the private sector in middle-income countries (BMZ, 2013). Similarly, the PSD strategy of the EU Institutions calls for a differentiated approach based on the local context and situation of fragility.

Table 1. PSD Focus areas in development partner strategies

	INVESTMENT CLIMATE				PRODUCTIVE CAPACITY				BOTH
	Macro-Stability	Business Environment	Labour Markets	Trade Policy	Agricultural and Industrial Policy	Financial Services	Value Chains and Business Intermediaries	Enterprise Resources	Infrastructure
AfDB	•	•			•	•	•	•	•
AsDB	•	•							
IADB		•		•	•	•		•	•
WBG	•	•		•	•	•	•	•	•
EU	•	•			•	•	•	•	•
USA		•		•			•	•	•
Sweden	•	•	•	•	•	•	•	•	•
Norway		•		•			•	•	•
Germany		•	•		•	•	•	•	•
Netherlands		•		•		•	•	•	•
UK		•				•	•	•	•
Japan		•		•	•		•	•	•

***Source*:** Institutions' websites and relevant PSD policy documents.

Note: The table only includes components included in the development partners' PDS strategies. In other words, even if some components are not included in the respective strategies, they may be undertaken by the development partner outside their PSD operations.

2. Direct support to the private sector

24. Along with assistance towards developing country governments and public institutions, bilateral and multilateral development partners support companies and financial institutions directly as a way to promote PSD. This direct support to the private sector grew considerably in the 1990s as a result of consolidation of public budgets and state-owned enterprises within development partner countries in providing public goods (EURODAD, 2011; Gössinger and Raza, 2011). In more recent years, interest of development partners in directly supporting the private sector has increased due to:

- recognition of private companies as a source of finance and innovative business models;
- reduced lending from commercial banks due to the financial crisis;
- budget constraints in development partner countries; and
- commercial interest of bilaterals in promoting companies from their own countries.

25. In this context, development partners provide direct support to local and international companies in order to: compensate for the lack of capital; facilitate demonstration effects on the viability of business models with positive environmental and social impact; create jobs; trigger innovation and

technological spill over effects; and, in the case of large companies and multinationals, foster entrepreneurial clustering through backward and forward linkages. The means to meet these objectives are: co-financing (e.g. equity and debt), risk mitigation (e.g. guarantees), and advisory services. The support is particularly needed in developing countries and in market segments where financial services are underprovided.

26. At the same time, despite the potential benefits of supporting the private sector directly, issues around market distortion and additionality can be raised if private sector engagement is carried out on a massive scale. For instance, evaluations and policy documents of several institutions, including the AfDB (AfDB, 2013b:4), Denmark (DANIDA, 2014:86), WBG (WBG, 2014:20), Sweden (SIDA, 2004:6) and the EU (EU, 2014:4), have acknowledged these challenges. Furthermore, the development impact of private sector operations can be compromised if project selection and monitoring of operations are not properly carried out. In particular, development partners need to set funding criteria that include not only years incorporated and financial audits but also track records in positive social, economic and environmental impact (see OECD, 2016; Kindornay and Reilly-King, 2013:31).

27. Finally, although PSD generally relates to the local private sector in developing countries, most bilateral development partners refer to their own domestic companies in their strategies. In fact, through development co-operation for PSD, bilateral development partners try to achieve development and commercial objectives simultaneously. For example, one of the three pillars of the PSD strategy of the Netherlands is to ensure success for Dutch companies abroad (DMFA, 2013:6). Likewise, Denmark emphasises that PSD has to be beneficial for the companies and economic growth of both partner countries and their own (see DANIDA, 2012:1). Here, while it is possible and desirable to achieve a win-win situation, commercial objectives should not be prioritised over development objectives (see Box 5).

Box 5. Development vs commercial objectives of support for PSD by bilateral development partners

Some bilateral development partners try to boost the economy of developing countries as well as theirs by supporting their own companies in PSD operations. While these companies can play an important role in improving business activities in developing countries, focusing too much on benefiting the economy of the development partner country could reduce the developmental impact. (Kindornay and Reilly-King, 2013). Furthermore, this could be at odds with the general principles of aid effectiveness agreed in Paris and Busan and the essence of the DAC Recommendation on Untying Official Development Assistance to the Least Developed Countries.

Tied aid is a particular issue with regards to aid effectiveness. For instance, a 2014 review of the Dutch PSD programme by the Policy and Operations Evaluation Department of the Ministry of Foreign Affairs (IOB) points out that tied aid could lead to a sub-optimal allocation of resources for two reasons: it can incentivise the purchase of goods and services from Dutch companies that are not necessarily needed by the partner country; and goods and services acquired by partner countries through tied aid are generally 15-30% more expensive than those selected through international competitive bidding processes (IOB, 2014:7, 16).

B. Institutional Arrangements

28. The multi-faceted nature of PSD is complex, not only because of the diverse scope across development partners, but also because of numerous institutions, agencies and departments involved within a development partner government or a multilateral institution. As described above, while most development partners consider PSD as a means to economic growth and poverty reduction, there are differences in whether areas such as, for example, supporting health and education or regional

integration are included in PSD strategies or are treated outside. This complexity is reflected in their institutional setup, which raises issues of coherence and co-ordination.

1. Overview

29. In general, PSD programmes are implemented through several types of institutional structures. Within a bilateral government, PSD programmes are divided among several actors, most commonly one or more ministries, a development agency, a DFI, embassies and/or country missions. Some institutional models are particularly centralised, such as that of the Department for International Development (DFID) with the private sector department in charge of most PSD work. For other agencies, e.g. Swedish International Development Cooperation Agency (SIDA) and USAID, PSD activities are carried out by one or more designated departments and by mainstreaming these activities in other departments that involve regional integration, rural development, tourism and so on (See Annex I).

30. Multilateral development partners usually have several specialised departments working on different aspects of PSD, including the business environment, innovation, entrepreneurship, trade, and infrastructure. For instance, the IADB's PSD-related activities are divided among: the Vice Presidency for Private Sector; the Institutional Capacity and Finance Sector; the Integration and Trade Sector; the Infrastructure and Environment Sector; and the Knowledge and Learning Sector. In AfDB, PSD operations are spread among a wide number of actors including: the Private Sector Operations Department that deals exclusively with the private sector; regional departments; departments dealing with infrastructure; the Financial Sector Development Department; and so on.

2. Direct support to the private sector

31. Private sector operations are generally undertaken through dedicated DFIs or specialised units within aid agencies. Regarding bilateral DFIs, some have a single stated mandate to support PSD (e.g. DEG, CDC, and Norfund), while others have an additional objective to support their domestic companies (e.g. OPIC). Furthermore, the ownership of DFIs differs considerably, with some fully owned by state or aid agencies (e.g. Norfund, CDC), others being subsidiaries of national development banks (e.g. DEG) and the rest incorporating commercial banks, trade unions and other types of institutions (e.g. FMO). In addition, the compositions of board members are also considerably different, which could include representatives from academia, commercial banks, trade unions, local public entities, consulting firms, investment firms, and so on. (Miyamoto and Biousse, 2014:13-15). Therefore, the degree of priority placed on development over commercial considerations by boards can differ widely.

32. Aside from DFIs, some traditional bilateral development agencies also engage the private sector through the provision of specific instruments such as guarantees, direct contracts or grants (Wise, 2012:5; USAID, 2010). These operations by development agencies generally have a more pro-poor approach than the support provided by DFIs. Examples include DFID's Africa Enterprise Challenge Fund and SIDA's Innovations Against Poverty Programme, which are programmes that provide eligible companies with grants via competitive selection, in order to promote innovative business models that alleviate poverty in developing countries.

33. Multilateral institutions also have non-sovereign loans for private sector operations[6]. Private sector operations are generally managed by a specific department or institution, such as the Private Sector Operations Department in AsDB, and the Private Sector Operations Department in AfDB. Among the multilaterals, the International Finance Corporation (IFC) in the World Bank Group (WBG) and the

[6] Non-sovereign operations generally include support for private companies, state-owned enterprises and municipalities.

Inter-American Investment Corporation in the IADB group are the only institutions that are legally and financially independent among the multilaterals.

3. Co-ordination

34. Several internal evaluations and reviews regarding the implementation of PSD strategies highlighted the lack of strategic coherence and collaboration among departments within the same agency working on PSD. For instance, according to an evaluation of the Austrian Development Co-operation (ADA, 2013), a spread of too many different approaches on small projects with limited synergies has prevented building excellence in PSD policy implementation. Furthermore, in AsDB and AfDB, there has been limited linkages and synergies between departments working on the enabling environment and those working on private sector operations (e.g. AsDB, 2013:vii-viii; AfDB, 2013b).

35. Difficulties in inter-agency co-operation has also been identified in the Netherlands, Sweden, Norway, United Kingdom and World Bank Group, as a result of different mandates and incoherent PSD strategies within the government or institution. This is particularly pronounced between development agencies and DFIs, despite the potential for complementarity. For instance, the 2014 independent evaluation of Dutch development co-operation for PSD 2005-2012 stated that the PSD policy was implemented by highly independent organisations with a low level of engagement by the Ministry of Foreign Affairs, resulting in a significant number of separate specialised instruments (IOB, 2014). This was coupled by institutions with insufficient expertise on PSD and a limited role for co-ordination by the embassies. Another example is the 2013 review by the Independent Evaluation Group of the WBG on investment climate projects which showed that synergies between the World Bank and the IFC were inadequate (IEG, 2013). The review particularly found that, although projects with joint implementation were more likely to be rated as successful, collaboration was mostly limited to the strategic level (ibid.).

36. Against this background, development partners have been addressing issues related to their institutional structure for PSD in recent years. For example, Austria established an inter-organisational task force to co-ordinate PSD-related programmes. Similarly, the establishment of DFID's Private Sector Department in 2014 was to build capacity on private sector-related issues across its country offices. Since 2014, to centralise PSD programmes, all investment climate-related projects in the WBG have been merged into a newly established Trade and Competitiveness Global Practice. Moreover, synergies have been increased between the World Bank and the private sector operations of the IFC.

37. On the way forward, a DAC peer learning exercise on private sector engagement pointed to the need of formal and informal mechanisms for regular co-ordination across institutions. These would particularly be necessary to discuss relevant strategies and experiences as well as to share data on private sector engagement. Furthermore, institutional co-ordination requires extensive capacity building of headquarters and field staff, which should be undertaken based on the comparative advantages of each institution (OECD, 2016).

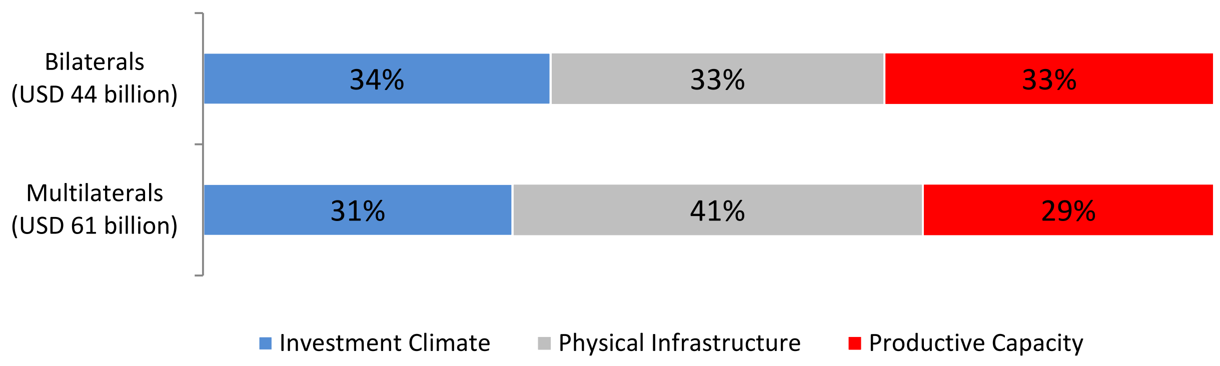
IV. QUANTITATIVE ANALYSIS

38. To date, in the literature of development co-operation, comprehensive quantitative assessments on ODF to PSD is rare (see Küblböck and Staritz, 2015:7; Kindornay and Reilly-King, 2013:19). Even development partners themselves are sometimes unable to measure their own support to PSD. For instance, a DFID review noted on the difficulty in precisely quantifying DFID's support to PSD as this was not a discrete category of expenditure in its budget (ICAI, 2014:4).

39. To fill this knowledge gap, the analytical framework presented above was used to develop a new statistical methodology to estimate development co-operation for PSD (See Figures 2 and Annex II). However, given its cross-sectoral dimension—and in the absence of a 'PSD marker' in the DAC statistical system—only approximations can be made. Being aware that not all the projects categorised by this methodology were carried out with the intention of promoting PSD, the relevant policy areas, identified through a literature review and strategies of development partners, were nevertheless matched with the relevant purpose categories of the DAC's CRS. By using this methodology, ODF disbursements to areas related to PSD were then measured and analysed (see Annex II for explanation).

40. Using this methodology, the amount of ODF disbursed by bilateral and multilateral development partners to areas related to PSD totalled almost USD 105 billion in 2013, of which 57% was ODA (concessional) and 43% OOF (non-concessional). Multilaterals provided 58% of the total amount while bilaterals provided 42%. Among DAC Members, top development partners were the EU Institutions, Japan, Korea, Germany, United States and France, along with the International Financial Institutions and the United Arab Emirates. In terms of distribution, the three PSD components of physical infrastructure, investment climate and productive capacity received more or less a third each[7]. However, comparing the bilaterals and multilaterals, breakdown shows that the latter spent proportionally more than the former on physical infrastructure at 41% and 33%, respectively (see Figure 3).

Figure 3. ODF by bilaterals vs multilaterals to PSD components

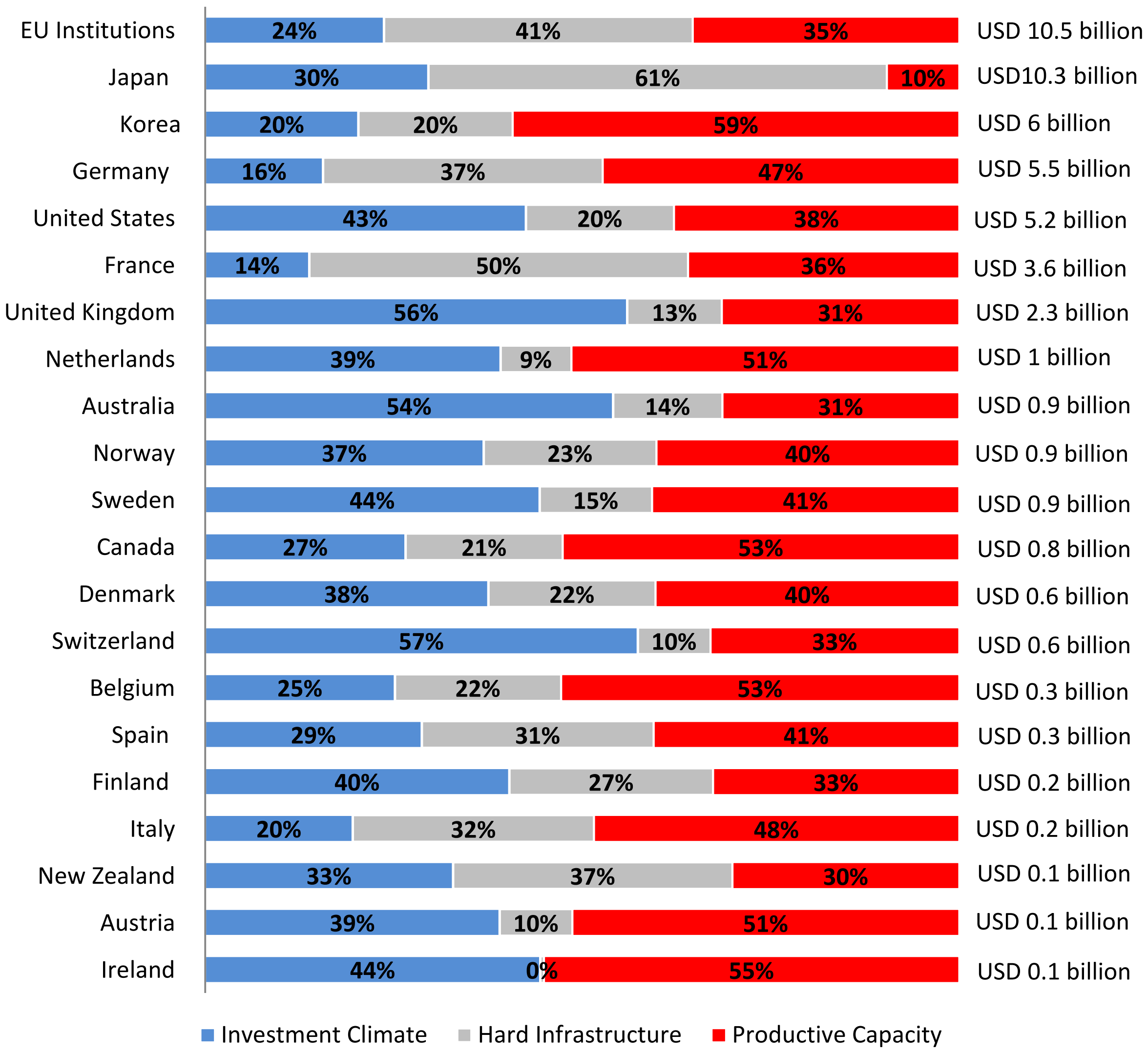


Source: OECD Creditor Reporting System

[7] As mentioned earlier in the paper, support to physical infrastructure can contribute to improving both the investment climate and productive capacity. Therefore, the proportions for the investment climate and productive capacity shown in the Figure exclude the amounts for physical infrastructure, which are shown separately.

41. When one examines the distribution of ODF to the three PSD components by each DAC member[8], results show that Switzerland, United Kingdom and Australia allocated large proportions to the investment climate. Furthermore, one sees that Japan, France and EU Institutions allocated high shares to infrastructure, while Korea, Ireland, Canada, Belgium, Netherlands and Austria allocated large proportions to productive capacity (see Figure 4).

Figure 4. Distribution of ODF to PSD-related areas by DAC Members, 2013



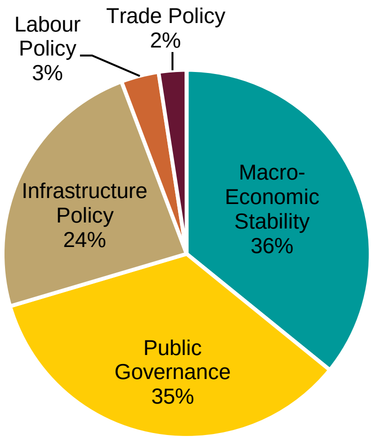
Source: OECD Creditor Reporting System.

42. Within the investment climate, the areas with the largest amounts of ODF were policy-based lending and technical co-operation for macro-economic stability and public governance (see Figure 5). Projects included support for (i) structural adjustment programmes (including through balance of payment support, fiscal consolidation, debt sustainability and growth enhancement); (ii) financial sector reforms; and (iii) competitiveness and public sector efficiency programmes (including for business

[8] Only DAC members with PSD portfolios of more than USD 100 million.

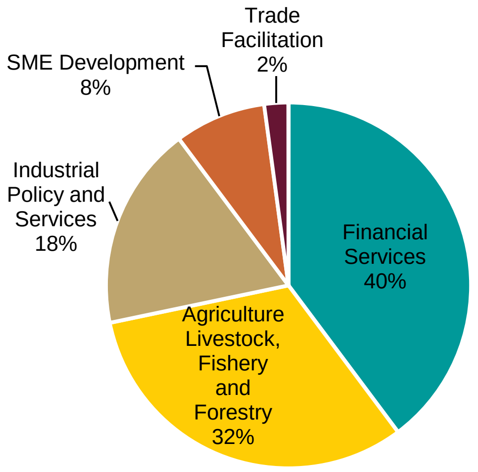
regulation and investment promotion, property rights and land management, procurement and public private partnerships, tax policy and administration, anticorruption, judicial development, and decentralisation).

Figure 5. Sectoral distribution of ODF for the investment climate



Source: OECD Creditor Reporting System

Figure 6. Sectoral distribution of ODF for productive capacity



Source: OECD Creditor Reporting System

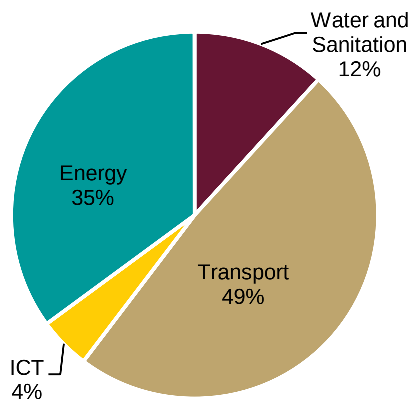
43. As for productive capacity, support to financial services was particularly high, notably for equity funds, commercial banks, or informal or semi-formal microfinance institutions that on-lend to SMEs, which accounted for 40% of the total (see Figure 6). Another area that received significant support involved improving the policy framework for agriculture—which includes livestock, fishery and forestry—as well as provision of extension services, agricultural finance, water infrastructure and others. The support also covered value chain development programmes, including for commercialising agricultural products and promoting the development of agro-industries.

44. Furthermore, about a fifth of resources to productive capacity was allocated to industrial policy and services, particularly by the bilaterals for: formulation and implementation of industrial development plans and strategies (with a special focus on business formalisation and access to finance of micro-entrepreneurs); modernisation and expansion of industrial plants; commercialisation of industrial products; skills upgrading in specific industries; and so on. Finally, the share of projects reported as 'SME development' was relatively small. However, this is because the mainstreamed support to SMEs in specific areas such as industrial and agricultural development is not included. Therefore, the actual support to SME development could be much larger.

45. In terms of support for physical infrastructure, about half the ODF went to transport, particularly roads, and a third was spent on energy, with almost equal amounts to renewables, non-renewables and electrical distribution (see Figure 7). Finally, support for water and sanitation was 12% and ICT was 4%[9].

[9] For more information on ODF for infrastructure, see Miyamoto and Chiofalo (2016).

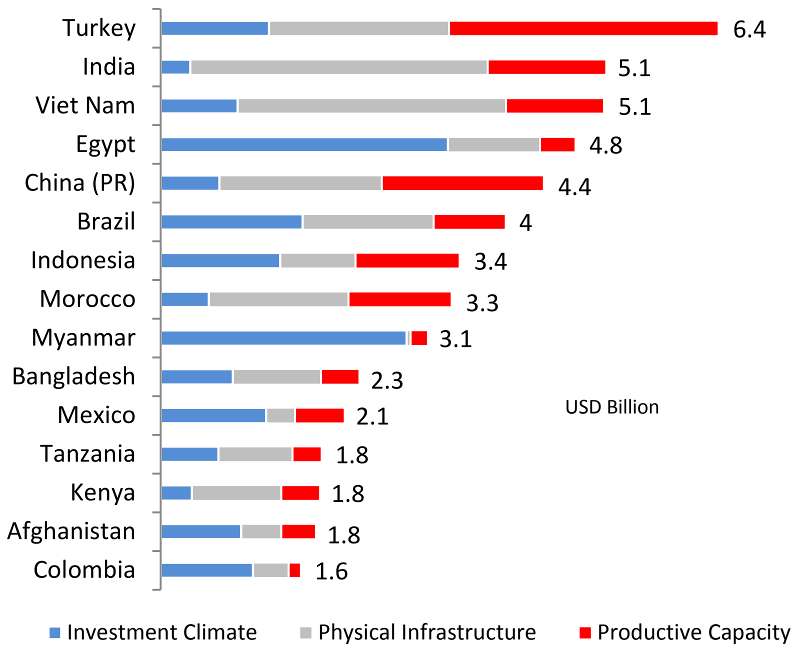
Figure 7. Sectoral Distribution of ODF for physical infrastructure, 2013



***Source*:** OECD Creditor Reporting System.

46. From the demand-side perspective, the top 15 recipient countries were mostly large middle-income emerging economies, such as Turkey, India, Viet Nam, Egypt, China, Brazil, and so on (see Figure 8). Many of these countries received significant amounts of support to both physical infrastructure as well as financial services. In particular, the share of support to financial services within ODF for PSD increases with the income level of the recipient country, possibly due to more developed financial markets and financial institutions. Conversely, the share of support to agriculture decreases with the income level, possibly due to the lower dependence on agriculture in the economy of the higher income groups. Another finding is that high levels of budget support for macro-economic stability are provided to LICs and LMICs, particularly in Africa, possibly because of their poorer macroeconomic environment and quality of governance (see Kaufmann and Kraay, 2002; WEF, 2014).

Figure 8. Top recipient countries of ODF related to PSD, 2013



***Source*:** OECD Creditor Reporting System.

V. CONCLUSIONS AND WAY FORWARD

47. The increasing recognition of the private sector's role in development during the last decades has impacted the way development partners undertake development co-operation. In this context, PSD is being considered as a viable means to reduce poverty through private sector-led growth. The activities of PSD largely focus on: building the capacity of the public sector to improve the investment climate; support physical infrastructure; and enhance productive capacity, for both the public and private sectors. From another perspective, PSD activities include support at the levels of policies and institutions (upstream), market functioning (midstream) and enterprise resources (downstream).

48. The paper illustrated that there was a wide variety of strategies and institutional mechanisms for PSD. It also showed that inadequate co-ordination across departments and agencies on priorities and division of role within a development partner government or institutions undermined strategic coherence and implementation. To address this challenge, a number of development partners were streamlining their development co-operation for PSD through internal and cross-agency harmonisation and centralisation. Furthermore, the paper pointed out that direct or indirect support to the private sector can at times lead to market distortion and undermine development impact if development objectives are preceded by commercial objectives and effective project selection and monitoring mechanisms are not in place.

49. Due to the variety of PSD strategies, there are challenges in grasping the scope of PSD and measuring funding toward this area in a holistic manner. Against this background, this paper provided a framework that could be used to quantify development co-operation for PSD. The analysis showed that development partners disbursed USD 105 billion to areas related to PSD in 2013, with the three PSD components, i.e. investment climate, physical infrastructure and productive capacity, receiving similar proportions. However, as a share of their total ODF for PSD, the multilaterals financed physical infrastructure more than the bilaterals.

50. This paper provided an initial conceptual framework and analysis that can be further deepened, in line with the SDGs, the Addis Ababa Action Agenda and the Paris Agreement on Climate Change. On future work in PSD, proposals from the DAC included: identifying good practices, applicable lessons, recommendations, or key principles of PSD support in a user-friendly format; measuring the development impact and contribution to the Agenda 2030; and special attention towards informal businesses, SMEs, responsible business models, corporate social responsibility, gender issues, Small Island Developing States, additionality of private sector support, market distortion, and untied aid. The research outcomes, findings and policy recommendations can be developed on an iterative basis and consolidated at a later stage.

ANNEX I. PRIVATE SECTOR DEVELOPMENT STRATEGIES AND INSTITUTIONAL FRAMEWORK

AUSTRIA

PSD STRATEGY		
Goals	**Description**	**Areas and Instruments**
PSD related goals • Sustainable, inclusive and pro-poor growth • Harnessing the potential of the European private sector for development cooperation • Inclusive market system development	Austrian Development Co-operation on PSD is based on three pillars, namely (i) enabling environment; (ii) business development services and (ii) direct support to the private sector, including through co-operation with Austrian private sector. Many PSD projects have a strong focus on the approach Making Markets Work for the Poor', which is about supporting PSD at the upstream, midstream and downstream level in a way that facilitate the expansion of micro and small enterprises where poor people work. Another approach followed by Austrian institutions is "Local Economic Development", which is focuses on promoting entrepreneurship and business linkages at the local level.	**Upstream** • Improvement of local framework conditions **Midstream** • Value chain development • Access to business services and finance **Downstream** • Smallholder and SME capacity building • Support to Austrian private sector investing in developing countries

INSTITUTIONAL ARRANGEMENTS OF PSD ACTIVITIES		
Institutions	**Mandate**	**Summary of Implementation Review**
• Federal Ministry for Europe, Integration and Foreign Affairs (MFA) • Ministry of Finance • Austrian Development Agency (ADA) • Oesterreichische Entwicklungsbank (OeEB)	The Federal Ministry for Europe, Integration and Foreign Affairs (MFA) plans and co-ordinates Austrian Development Cooperation (ADC) whereas the Ministry of Finance supports development activities, including for PSD, by providing financing to national and multilateral development banks. ADA, which is a limited liability, non-profit agency owned by the government, is the operational unit of the Austrian Development Cooperation in charge of implementing the programmes and projects. Within ADA, the Private Sector and Development Department is responsible for PSD activities. In co-operation with the OeEB, the ADA provides technical assistance, matchmaking services and funding for Austrian and European companies investing in developing countries. OeEB is the DFI of the Federal Government of Austria, which is 100% owned by the Export Credit Agency of Austria. It is mandated to support commercially viable projects in developing countries by carrying out both lending and technical assistance. OeEB can provide mezzanine financing, long-term loans, refinancing lines for financial institutions and participation in investment funds. It focuses on the financial sector, including microfinance, and the renewable energy sector.	According to an evaluation of Australian Development Co-operation (ADA 2013), implementation issues of Austrian PSD operations include: • a spread of too many different approaches on small projects with limited synergies; • staff limited and largely isolated from the rest of the organisation, preventing effective cross-cutting support; • no systematic skills-upgrading through training of best practices for PSD throughout ADA; • no common thrust for PSD throughout the Austrian ODA system, with implementing organisations having largely different orientations; Despite these issues, the review notes that there are positive steps, particularly in reviving inter-organisation co-operation.

EU INSTITUTIONS

PSD STRATEGY		
Goals	**Description**	**Areas and Instruments**
Development Goals • Inclusive Growth • Green Growth **PSD related goals** • Job creation to reduce poverty • Supporting the local private sector, particularly Micro Small and Medium Enterprises (MSMEs)	EU Commission's strategy on PSD has a strong focus on the local private sector, particularly MSMEs. Support is provided to governments, business intermediary organisations, financial institutions and MSMEs. The use of blending facilities, including the use of grants to mobilise additional investments in infrastructure, is emphasised. Innovative instruments, such as guarantees to boost SME lending by commercial banks are also envisioned. Emphasis is private sector engagement in sustainable energy, agriculture and infrastructure. Cross-Cutting areas are (i) gender; (ii) youth and; (iii) human rights.	**Upstream** • Advisory services and diagnostic tools for policies and regulation, including in the financial sector and in specific industries • Promoting RBC through policy dialogue **Midstream** • Establishing industrial clusters to build strategic alliances and gain access to global value chains • Strengthening business intermediaries, including market-based schemes for skill development and market linkages of MSMEs • Capacity building of financial intermediaries to promote financial inclusion of women, youth and rural populations • Supporting value chain development **Downstream** • Leverage private sector capital and expertise for infrastructure investments in developing countries • Capacity building, advisory services and financial support (loans, equity finance, guarantees and patient capital) for MSMEs, including in high-risk countries and to scale up inclusive business, eco-entrepreneurship, impact financing of social enterprises

INSTITUTIONAL ARRANGEMENTS OF PSD ACTIVITIES	
Institutions	**Mandate**
• European Commission, DG DEVCO, Directorate C (Sustainable Growth and Development), C4 (Private Framework Development, Trade, and Regional Integration) • European Investment Bank (EIB)	Within DG DEVCO, the Directorate for Private Framework Development, Trade, and Regional Integration, as well as the Directorate for Sustainable Growth and Development are in charge of PSD activities. They are financed through a variety of instruments, including the European Development Fund, the Development Co-operation Instrument and the European Neighbourhood and Partnership Instrument. EIB contributes to the implementation of EU development co-operation policy by mostly lending, but also through blending and advising non-EU public and the private sectors. PSD is a priority for EIB, mainly focusing on environment, infrastructure, innovation and SMEs. As a general rule, loans above EUR 25 million are provided directly to a specific company whereas smaller amounts are channelled through financial institutions in the form of credit lines.

NETHERLANDS

PSD STRATEGY		
Goals	**Description**	**Areas and Instruments**
Development Goals • Sustainable and inclusive growth • Eradicate extreme poverty • Ensure success for Dutch companies abroad **PSD related goals** • Encourage trade and investment	A Dutch PSD strategy focuses on contributing to sustainable and inclusive growth in low and middle income countries, while promoting Dutch businesses to invest in and trade with these countries. The strategy aims at helping developing countries to move from an aid-recipient status to trade partnership. Emphasis is put on integrating low income countries into global supply chains to receive foreign investments and trade beyond national borders. The strategy acknowledges the importance of creating a favourable investment climate, including an appropriate business environment, increased access to finance for SMEs and infrastructure.	**Upstream** • Improving the business environment and investment policy **Midstream** • Remove obstacles in the production and trade chain development • Expand access to financial services, including for the poor • Expanding access to infrastructure, including through infrastructure funds **Downstream** • Technical assistance and capacity building for SMEs that want to operate at international level • Small loans to SMEs and entrepreneurs seeking funding for export and foreign investments

INSTITUTIONAL ARRANGEMENTS OF PSD ACTIVITIES		
Institutions	**Mandate**	**Summary of Implementation Review**
• Sustainable Economic Development Dep. of the Ministry of Foreign Affairs in co-ordination with regional dep. • Netherlands Enterprise Agency of the Ministry of Economic Affairs (RVO) • Netherlands Development Finance Company (FMO)	The Sustainable Economic Development Department of the Ministry of Foreign Affairs (DDE) sets the main PSD policy and programmes and outsources certain operational activities to other organisations, including the RVO and FMO. DDE and Embassies oversee the implementation of the PSD policy although this coordinating role is limited in practice. RVO is a Dutch agency within the Ministry of Economic Affairs that encourages entrepreneurship for both Dutch companies and local companies in in developing countries and in the Netherlands. It supports companies, particularly SMEs, with grants, technical assistance and matchmaking services. Initiatives managed by RVO include: (i) the Dutch Good Growth Fund, supporting SMEs in developing countries; (ii) DRIVE, facilitating entrepreneurs to invest in infrastructural projects; (iii) MMF: matchmaking facility to facilitate links between entrepreneurs from developing countries and Dutch entrepreneurs; and (iv) CBI: promoting import from developing countries by providing services such as export coaching. FMO is the Dutch development bank focusing on development co-operation for PSD. The Dutch government is the main shareholder with 51% of the shares and the rest mainly owned by Dutch banks. FMO's focus is on financial services, energy and agribusiness. It provides loans, guarantees, mezzanine finance and equity private companies or financial institutions, including investment funds. Initiatives supported by FMO include MASSIF, providing financial institutions with resources to support SMEs, and Access to Energy Fund, which supports private sector projects on energy.	The 2014 independent evaluation of Dutch development co-operation for PSD (IOB 2014) states that the PSD policy has been implemented by highly independent organisations with a low level of engagement of the Ministry, resulting in a significant number of separate specialised instruments. This has been coupled by PSD institutions with limited availability of expertise on PSD and a limited co-ordinating role of the embassies. To address earlier criticism regarding the lack of coherence in PSD operations in the period 2007-2011, the Ministry implemented measures to foster knowledge exchange among implementing organisations and streamlined the number of recipient countries. However, according to the 2014 evaluation, results were limited.

NORWAY

PSD STRATEGY		
Goals	**Description**	**Areas and Instruments**
Development goals • Democratisation • Human rights • Poverty Reduction **PSD related goals** • Private Sector-led Growth • Sustainable Growth	The goal of Norwegian development policy is to contribute to democratisation and the realisation of human rights and to help people work. PSD and sustainable economic growth are considered essential for achieving this goal. In promoting PSD, the Government seeks to strengthen its co-operation with the private sector and knowledge institutions, with particular emphasis on areas in which Norway has a competitive advantage. Priority is given to energy, ICT, agriculture, fish/marine resources and maritime sector. Norway's efforts are to have an impact at three levels: the private sector level, the national level and the global/regional level. At the global-regional level, support is for trade and climate agreements, norms and standards. At the national level, PSD is for improving investment climate, mainly though supporting infrastructure, technology, business regulation, investment policy, tax policy and administration, corruption and human resource policy. At the level of the private sector, the objective is to finance partnerships, provide training, knowledge and technology for improving the number of viable start-ups, thus increasing employment and reducing poverty.	**Upstream** • Providing technical assistance and capacity building to improve good governance, well-functioning tax systems and trade agreements • Improving opportunities for developing countries at the international level • Promoting public-private policy dialogue **Midstream** • Direct financing (loans and equity, grants, guarantees), including through innovative financial instruments for catalysing private sector capital **Downstream** • Partnerships, business cooperation • Provide training, knowledge and technology

INSTITUTIONAL ARRANGEMENTS OF PSD ACTIVITIES	
Institutions	**Mandate**
• Ministry of Foreign Affairs (MoFA) • Norwegian Agency for Development Co-operation (NORAD) • The Norwegian Investment Fund for Developing Countries (Norfund)	The MoFA sets out the overarching policy on PSD, undertakes certain PSD operations through its embassies, and oversees PSD-related activities of its aid agency (NORAD) and its development finance institution (Norfund). NORAD is a technical directorate under MoFA with a certain degree of independence. Within NORAD, the PSD Section in the Department for Economic Development, Gender and Governance administers grants and provide advice for projects that improve the conditions for wealth creation, increase access to energy and promote trade in developing countries. Examples of activities include: • Application-Based support scheme for private sector actors aimed at businesses that are seeking funding related to business establishment (e.g. feasibility studies, training) • Programme on co-operation for Framework Conditions for PSD in the South, which is primarily aimed at strengthening institutions and private sector actors by providing technical advice and capacity building Norfund is a company with limited liability, owned by the Ministry of Foreign Affairs. It is the government's investment fund that contributes to PSD by supporting sustainable commercial businesses in developing countries. Norfund provides equity, other risk capital, and loans to companies in selected countries and sectors where businesses lack access to sufficient capital to develop and grow. The sectors in which Norfund invests are clean energy, financial services, agribusiness and SMEs.

SWEDEN

PSD STRATEGY		
Goals	**Description**	**Areas and Instruments**
Development goals • Empowerment of the poor • Inclusive growth **PSD related goals** • Strengthen pre- conditions for development of markets and entrepreneurship	SIDA tries to reduce poverty through its market development strategy. This is composed of: (i) PSD; (ii) Trade Policy and Regulation; (iii) Financial Systems Development; (iv) Employment and labour markets. Although PSD is stricto sensu a component of the market development strategy, the latter can be considered as the main framework for SDIA's PSD activities. Swedish market development strategy identifies three levels of support: Global and regional; National policies and institutions; Markets and market actors. Global and regional conditions are related to trade agreements, regional integration, etc. National policies and institutions include openness to trade, macro-economic stability, infrastructure, political stability, human resources, and so on. Market and market actors encompasses large, medium, small and informal companies.	**Upstream** • Financial regulatory reform • Trade policy, technical regulation and trade-related standards, participation in trade negotiations • Building institutional capacity in employment policy and planning, labour laws and labour unions **Midstream** • Supporting infrastructure • Technical assistance and capacity building to help develop local capital markets • Developing value chains • Strengthening business intermediary organisations **Downstream** • Direct assistance for microfinance and access to other financial services • Capacity building in and technical assistance to SMEs and informal companies

INSTITUTIONAL ARRANGEMENTS OF PSD ACTIVITIES		
Institutions	**Mandate**	**Summary of Implementation Review**
• The Ministry of Foreign Affairs (MoFA) • Sida • Swedfund	The International Development Cooperation Department (UD IU) of the MoFA has responsibility for setting the overarching aid policy framework, including on issues related to PSD. It also oversees the implementation of this framework by the Sida and Swedfund International AB. Sida implements PSD-related activities within the framework of its market development strategy. SIDA's set of PSD-related instruments is extensive, covering, inter alia technical co-operation, grants, development loans, Public-Private Development Partnerships and Challenge Funds. Concrete examples include: the African Enterprise Challenge Fund, Business in Development Facility Hub, Driver of Change programme, Innovation Against Poverty Programme, Swedish Leadership for Sustainable Development and the Sweden Textile Water Initiative. Swedfund is a wholly state-owned financing company that provides risk capital, equity, loans and expertise for investments in agribusiness, manufacturing, infrastructure and SME finance. Since 2015, Swedfund is managed by the Swedish Ministry of Enterprise and Innovation, which took over the ownership of the institution from the Ministry of Finance. However, the MOFA has continued responsibility on overseeing the implementation of its development policies.	According to an external evaluation commissioned to improve its development co-operation on PSD, Swedish the programme has faced two challenges: Lack of co-ordination between SIDA and MoFA and Lack of co-ordination between SIDA and Swedfund. The first challenge has been addressed by splitting the roles: MoFA in principle would handle the core funding of the multilateral aid, while Sida will take care of all multi-bilateral programmes on PSD. According to the evaluation, this has significantly facilitated Sida's development co-operation for PSD, particularly in the area of business environment.

UNITED KINGDOM

PSD STRATEGY		
Goals	**Description**	**Areas and Instruments**
Development goals • Reducing inequality • Promoting economic growth • Poverty reduction **PSD related goals** • Wealth creation • Sustainable, inclusive growth • Enable the private sector to provide basic services	DFID sees developing the private sector as an essential means to economic development, poverty reduction and as a provider of basic services, such as health and education. Private sector-led growth is the main thrust of DFID's Economic Development Strategic Framework, which aims at delivering long-term economic growth in the long term and short-term poverty reduction. Economic Development Strategic Framework (which includes the PSD policy) highlights the importance of the institutions that encourage private investment and export growth, in particular: free and fair markets; sound macroeconomic management; infrastructure; clear and consistently applied tax policy and regulation; appropriate trade policy secure property rights; and functioning commercial courts; efficient financial service markets (including for the poor); improving enterprise resources (particularly for SMEs). As a consequence, DFID's PSD work encompasses macro approaches to trade policy and regulatory reform, midlevel development of market systems and micro support to small enterprises and individuals.	**Upstream** • Promote foreign and domestic private investment especially in fragile states • Technical assistance and capacity building to improve business environment for example property rights • Public-private dialogue to engage the private sector directly in shaping and implementing development programmes **Midstream** • Expanding access to infrastructure, especially for the poor • Expand access to financial services, including for the poor **Downstream** • Enterprise resources, providing direct support and investment in areas such as technology and accreditation (to businesses) and health, education and training (to individuals) • Direct financing assistance in order to mobilise investment

INSTITUTIONAL ARRANGEMENTS OF PSD ACTIVITIES		
Institutions	**Mandate**	**Summary of Implementation Review**
• Department for International Development (DfID) • CDC	UK's PSD policies and activities are designed and implemented by the Economic Development Directorate of DFID. Within DFID's Economic Development Directorate, the Growth and Resilience Department is in charge of enabling environment activities, e.g. business environment reforms, financial sector development, and so on, whereas the Private Sector Department provides direct support to the private sector, including managing DFID's relationships in the CDC, the UK government's wholly-owned DFI, and the Private Infrastructure Development Group (PIDG). Other programmes are located in departments, such as the Africa Enterprise Challenge Fund, which is managed by the Africa Regional Department. CDC invests directly in companies by providing equity, debt, mezzanine finance and guarantees, as well as indirectly through other fund managers. It mainly invests in manufacturing, agribusiness, infrastructure, financial institutions, construction, health and education.	The Independent Commission for Aid Impact (ICAI)'s Report on DFID's PSD work highlights that, while the integration of PSD activities among several departments indicates mainstreaming of private sector work in DFID's operations, there needs to be more clarity in terms of management structure in order to achieve better results. The report also stated that even though DFID's PSD objectives were ambitious, they have not always translated into coherent, realistic and balanced programmes. Many PSD projects reviewed by ICAI had positive impact on poor people, although long-term sustainability was not always assured. Better performing projects were micro-level interventions, whereas macro- and meso- level interventions had mixed results. The report acknowledges that DFID has demonstrated good learning-by-doing and by sharing lessons across different recipient countries, but could do more to build its relationships with the private sector.

UNITED STATES

<table>
<tr><th colspan="3">PSD STRATEGY</th></tr>
<tr><th>Goals</th><th>Description</th><th>Areas and Instruments</th></tr>
<tr><td>Development goals
Promoting US security and prosperity
Poverty alleviation and eradication
Economic Growth
Disaster Relief
Improving Governance
PSD related goals
Private Sector-led growth and trade
Inclusive Growth
Sustainable Growth</td><td>USAID’s strategy for enhancing economic growth and trade focuses on the development of the private sector as a way to improve business opportunities. The strategy identifies the need to improve the business environment and to support entrepreneurship, especially local SMEs. It also strongly emphasises the importance of exploiting synergies between education and economic growth, particularly by supporting skills upgrade programmes.

In terms of instruments, the strategy identifies the need to stimulate private sector investment and participation, including through credit enhancement by the DCA, US-EXIM and OPIC.</td><td>Upstream
Reducing the cost of doing business
Promoting policy dialogue on synergies between education and growth
Trade capacity building
Midstream
Investing in infrastructure
Promote Partnerships for Growth (5 year multi-agency programme)
Downstream
Capacity building of the citizens by improving reading and other skills
Small loans and advisory services to microenterprises to empower poor (especially women and those who live in rural areas)
Credit guarantees and insurance</td></tr>
</table>

<table>
<tr><th colspan="2">INSTITUTIONAL ARRANGEMENTS OF PSD ACTIVITIES</th></tr>
<tr><th>Institutions</th><th>Mandate</th></tr>
<tr><td>Department of State
USAID
Millennium Challenge Corporation
OPIC</td><td>In USAID, PSD related activities are mostly in the Private Capital and Microenterprise Office (PCM) which works on catalysing investments where business opportunities and development priorities intersect. Furthermore, the Development Credit Authority uses loan guarantees to encourage local financial institutions in developing countries to lend to underserved sectors that are perceived to be high risk. Water and energy are among the most important sectors j.

The Overseas Private Investment Corporation (OPIC) provides financial products, such as loans and guaranties, political risk insurance, and support for investment funds, all of which help American businesses expand into developing countries. Most of OPIC’s operations are in energy (including renewables), impact investing, support for SMEs and financial sector development, which are relevant for PSD.

Millennium Challenge Corporation is a foreign aid agency established in 2004 to deliver performance-based grants to fund country-led solutions to reduce poverty through sustainable economic growth. Areas of operation related to PSD are agricultural development, SME development, infrastructure and financial sector development.</td></tr>
</table>

PSD STRATEGY		
Goals	**Description**	**Areas and Instruments**
Development goals • Inclusive growth • Green growth **PSD related goals** • Private sector competitiveness • Private sector-led growth and poverty reduction	AfDB considers PSD ts strategy envisions a competitive private sector that will be an engine of sustainable economic growth, generating a decent work environment that offers productive employment in Africa. The strategy is built around three pillars: • improving Africa's investment and business climate; • expanding access to social and economic infrastructure; and • promoting enterprise resources PSD is one of the main five operational priorities, the other four being: • Infrastructure development • Regional Integration • Governance and Accountability • Skills and Technology (value chain linkages and cluster development)	**Upstream** • Technical assistance and capacity building for business policy, laws and regulation • Project loans and grants for improving the business environment • Donor co-ordination and policy dialogue **Midstream** • Technical assistance, capacity building and financial support to address hard infrastructure constraints, particularly in transport and energy **Downstream** • Direct financing assistance to improve access to finance and lack of scale (long-term debt, equity, guarantees, loan syndications, and underwriting) • Advisory services to facilitate business transactions • Capacity building to promote skill development in the private sector

INSTITUTIONAL ARRANGEMENTS OF PSD ACTIVITIES		
Institutions	**Mandate**	**Summary of Implementation Review**
• Private Sector Operations (PSO) Department • Governance and Financial Management Department • Departments dealing with Infrastructure • Regional Integration and Trade Department • Agriculture and Agro-Industry Department • Financial Sector Development Department	PSD operations on thematic aspects of PSD (e.g. public governance, infrastructure, trade, agriculture etc.) are spread among a wide number of departments. Private sector operations are managed by the Private Sector Operations (PSO) Department. Despite its primary focus is on dealing directly with the private sector, the PSO Department co-operates with sectoral departments in order to improve the enabling environment of in specific PSD-related areas. As for the instruments related to the private sector, AfDB's PSO Department provides: lending, equity participation, guarantee and technical assistance for private sector projects and programmes, including small and medium-size enterprises and privatisation.	According to last AfDB PSD strategy (AfDB 2013b), the design and implementation of previous PSD strategies need to address, inter alia: • Unclear corporate priorities for PSD • Insufficient attention to institutional issues • Need to mainstream PSD with country and sector strategies • Insufficient co-ordination between sovereign and non-sovereign operations To overcome the issue of fragmentation of PSD operations across several departments, AfDB is looking to create a high-level Private Sector Development Steering Committee to ensure an effective implementation of the PSD strategy across different departments.

ASIAN DEVELOPMENT BANK

PSD STRATEGY		
Goals	**Description**	**Areas and Instruments**
Development goals • Poverty reduction • Inclusive Growth • Green Growth • Regional Integration **PSD related goals** • Private Sector-led growth	AsDB's main drive in its private sector development strategy is to increase business and investment in the Asian-Pacific region in order to contribute to inclusive and sustainable growth. The 2008 Long-Term Strategic Framework envisions scaling up PSD and private sector operation to reach a target of 50% of total AsDB's operations by 2020. The focus is exclusively on the investment climate, with no reference to activities related to productive capacity. To spur market-led growth, AsDB invests in infrastructure and advise governments on the basics of a business-friendly environment, including reliable rules, regulations, and policies that do not disadvantage private sector enterprise. AsDB's tools to catalyse private investments include direct financing, credit enhancements, risk mitigation guarantees, and innovative new financial instruments. These tools are provided to attract private capital and deploy business management or technical expertise to specific sectors and transactions. Infrastructure, regional co-operation, financial development and education are main cross-cutting focus areas that are addressed both within PSD and separately.	**Upstream** • Advisory services to the public sector on improving the business environment; and promoting investment policy **Midstream** • Investment in infrastructure, including public-private partnerships • Support to develop financial infrastructure, institutions and services • Innovative financial instruments to catalyse investment, risk mitigation finance and credit enhancement in infrastructure

INSTITUTIONAL ARRANGEMENTS OF PSD ACTIVITIES		
Institutions	**Mandate**	**Summary of Implementation Review**
• Private Sector Operations Department (PSOD) • Office of Public–Private Partnership (OPPP) • Several divisions across Regional operation departments, particularly the Public Management, Financial Sector and Trade Division and other divisions related to infrastructure development	AsDB implements PSD activities in country and sub-regional programmes, including through non-concessional private sector financing. Sovereign PSD-related operations are spread across different thematic divisions within the regional departments, particularly the Public Management, Financial Sector and Trade Division and other divisions related to infrastructure development. Support provided by these divisions includes, technical co-operation, grants and policy and project loans, particularly for activities related to fiscal and economic management and financial sector reforms. Furthermore, the Office of Public–Private Partnership co-ordinates and supports AsDB's public–private partnership operations by providing transaction advisory services to developing member countries in order to facilitate the design and implementation of PPP projects in infrastructure. Conversely, private sector operations are centralised within the Private Sector Operations Department of the Private Sector and Cofinancing Operations Vice Presidency. It structures and finances investments in privately held and state-sponsored companies across a wide range of industry sectors, particularly in infrastructure. Activities include technical assistance, financing private sector transactions, investing in equity and mobilising capital through guarantees or loans.	According to the 2013 independent evaluation of AsDB operations to improve the enabling environment for PSD (AsDB, 2013), internal co-ordination and support mechanisms for PSD have been weak. This was mostly because linkages between sector and PSD objectives and activities were not systematically recognised, which negatively affected the mainstreaming of PSD. Furthermore, the evaluation states that, although 2006 PSD framework emphasises the need to support the enabling environment and private sector operations to be mutually reinforcing, there have been limited linkages so far outside the energy sector.

INTER-AMERICAN DEVELOPMENT BANK

PSD STRATEGY		
Goals	**Description**	**Areas and Instruments**
Development goals • Reducing poverty • Reducing inequality • Sustainable growth **PSD related goals** • Foster development through the private sector	IADB's PSD strategy includes the provision of loans or grants with sovereign guarantees that: (i) have a direct beneficiary that is a private sector firm (e.g., through multi-sector credits, matching grants, business development services); (ii) offer technical assistance; or (iii) support regulatory, institutional or administrative reforms that assist private sector activity. Examples of PSD are sovereign guarantee projects that help to: (i) improve the quality of the institutions, rules and regulations that affect the business climate and investment potential; (ii) improve creditor rights and property rights to enhance access to finance; (iii) provide long-term funding to the banking system to expand access to finance for SMEs via Global Multisector Credits and Financial Sector Programs; or (iv) offer technical support to enhance productivity and innovation in the region. Other sovereign guarantee projects that more indirectly impact the private sector which would not be considered PSD would include general public education and health projects, economic research, food security initiatives, and cultural programs. Overall the strategy has a strong focus on productive capacity.	**Upstream** • Optimize tax regimes, define property rights and legal framework, including for utilities and PPPs • Easing the process and lowering the costs of doing business • Modernize regulatory framework for SME activities • ImpSupport trade facilitation agenda • Reduce informality **Midstream** • Promote development of local and regional capital markets and support the development of new financial services • Promote productive integration of SME and large firms • Business development services **Downstream** • Direct financing when private capital is not available, including small loans to SMEs • Training for skills development, and improvement in managerial capacity

INSTITUTIONAL ARRANGEMENTS OF PSD ACTIVITIES	
Institutions	**Mandate**
• Thematic Departments, e.g. Infrastructure and Energy; Institutions for Development; Integration and Trade Sector • Regional Departments • Inter-American Investment Corporation	The Regional Departments and Thematic Departments—which include Infrastructure and Energy, Institutions for Development, and Integration and Trade Sector--deal with PSD related issues. Activities include sovereign loans and technical co-operation in areas such as: SME development; microenterprise development; business environment reforms; market development; and integrated and local economic development. Since 2015, private sector operations have been consolidated within the Inter-American Investment Corporation, which is an independent institution with the mandate to finance private enterprises, particularly SMEs. It offers a full array of private sector products and services, including for new business ventures, expansions or upgrades, restructuring, privatisation, refinancing, working capital operations, and others.

WORLD BANK GROUP

PSD STRATEGY		
Goals	**Description**	**Areas and Instruments**
Development goals • Poverty eradication • Inclusive Growth **PSD related goals** • Private Sector Competitiveness • Private Sector-led Growth	WBG's PSD strategy is articulated at different levels among its institutions. The development of an inclusive and competitive private sector is seen a driver for ending poverty and sharing prosperity, It therefore provides loans and project-level financing to improve the investment climate and productive capacity of the public sector, including fragile states. Investments in firms are facilitated by the IFC, particularly in infrastructure, agriculture, manufacturing and tourism. The IFC also provides advisory services for improving the business environment through public sector reforms, although this is not its main focus area.	**Upstream** • Reforming business regulation and taxation to reduce investment restrictions, and protect investors • Promoting pro-competition sector policies and strengthening antitrust rules • Addressing poverty and labour impact of trade policy • Facilitating growth in agribusiness, manufacturing, tourism and so on **Midstream** • Strengthening trade corridors, supply chains, and logistics • Supporting SEZs, and fostering growth poles, clusters, and linkages with anchor investment • Structuring and/or investing in key infrastructure • Supporting business incubators, accelerators, early stage funding and mentorship **Downstream** • Promoting firm capability for innovation and productivity, including through skill-building programmes

INSTITUTIONAL ARRANGEMENTS OF PSD ACTIVITIES		
Institutions	**Mandate**	**Summary of Implementation Review**
• World Bank (IBRD and IDA) • IFC • MIGA	The WBG provides a wide variety of instruments to public and private institutions, including: advisory services and technical assistance; policy-based financing, investment project financing, program-for-results, recipient-executed grants, as well as various guarantee instruments. Within the WBG, the World Bank provides IBRD and IDA loans and technical co-operation to governments through Policy Based Financing for Private Sector-Led Growth, programmatic investment in competitive sectors (e.g. public infrastructure, agriculture, etc.) and convening services while IFC and MIGA mainly offer private companies debt and guarantees, respectively. After the 2014 institutional reform, all investment climate related activities and other PSD activities have been merged in the new Trade and Competitiveness Practice (TCP), a joint World Bank-IFC-MIGA team of over 500 staff working on trade, investment climate, sector competitiveness, and innovation and entrepreneurship. These staff are located in over 80 offices, including in Istanbul, Singapore, and Vienna. TCP operations increased focus on shared WBG priorities, such as Fragile and Conflict States, regional integration, and direct engagements with the private sector in key PSD sectors (e.g. infrastructure, agribusiness, extractives, etc.).	According to the review by the WBG's Independent Evaluation Group in 2013, while both the World Bank and the IFC implement investment climate projects, collaboration between the agencies was inadequate. The review found that, although projects with joint implementation were more likely to be rated as successful, collaboration was mostly limited to the strategic level.

ANNEX II

METHODOLOGY FOR QUANTITATIVE ANALYSIS

To measure development partner support to PSD, relevant CRS Purpose Categories[10] have been matched with the policy areas under the analytical framework provided above (see Table 2). This is the first comprehensive quantitative assessment on development partner support to PSD covering both bilateral and multilateral development partners. It has been undertaken by analysing about 75,000 interventions of the development partners that report to the DAC at the activity level. Given the number of projects, the nature of PSD programmes; the quality of reporting and the structure of the CRS systems, two main challenges have been encountered while doing this exercise:

Firstly, identifying the exact PSD area of operation of a particular project has been complicated by the multipurpose nature of PSD programmes, which blends components targeting policies and institutions with others related, for instance, to access to finance or enterprise resources. For example, a project about improving economic competitiveness might include support to the regime for infrastructure provision, improve productivity in key industries, and increase access to credit through direct and intermediated financial support. Furthermore, the quality of the reporting has been questionable several times further complicating the accuracy of the assessment.

Secondly, the DAC Creditor Reporting System itself is not structured in a way that allows for straightforward quantitative assessments on PSD. Purpose categories are several times too broad or too narrow to cover specific aspects of PSD. This is particularly the case of business environment reforms, which scattered across several purpose codes. Furthermore, very broad purpose categories such as 25010 'Business Support Services and Institutions', encompassing support for business development services, financial services, and technical assistance for regulatory reforms, or purpose category 15110 'Public sector Policy and administrative Management", further complicates the exercise.

For these reasons, projects have been manually redistributed to the relevant components of the analytical framework, where possible. However, as mentioned above, the extensive number of projects did not allow for a systematic redistribution of projects. This implies that although the statistics produced are able to convey main patterns of development partner support to PSD they have to be taken with caution.

[10] The CRS data is classified in Purpose Categories, i.e. categories indicating the main objective of the projects reported within them.

Table 2. CRS categorisation of development partners' support for local PSD

POLICY AREAS	CRS PURPOSE OR SECTOR CODE
Policies and Governance (Upstream)	
Investment Climate	• Anti-corruption organisations and institutions (Purpose Code 15113) • Communications policy and administrative management (Purpose Code 22010) • Decentralisation and support to subnational gov. (Purpose Code 15112) • Education and training in transport and storage (Purpose Code 21081) • Education and training in water supply and sanitation (Purpose Code 14081) • Employment policy and administrative management (Purpose Code 16020) • Energy education/training (Purpose Code 23181) • Energy policy and administrative management (Purpose Code 23110) • Energy research (Purpose Code 23182) • Financial policy and administrative Management (Purpose Code 24010) • General Budget Support-Related Aid (Purpose Code 51010) • Legal and judicial development (Purpose Code 15130) • Monetary Institutions (Purpose Code 24020) • Public finance management (Purpose Code 15111) • Public sector policy and administrative management (Purpose Code 15110) • Regional trade agreements (Purpose Code 33130) • Trade-related adjustment (Purpose code 33150) • Transport policy and administrative management (Purpose Code 21010) • Trade policy and administrative management (Purpose Code 33110) • Water sector policy and administrative management (Purpose Code 14010)
Productive Capacity	• Agrarian reform (Purpose Code 31164) • Agricultural policy and administrative management (Purpose Code 31110) • Fishing policy and administrative management (Purpose Code 31310) • Industrial policy and administrative management (Purpose Code 32110)
Market Functioning (Midstream)	
Physical Infrastructure	• Air transport (Purpose Code 21050) • Biofuel-fired plants (Purpose Code 23070) • Coal-fired electric power plants (Purpose Code 23320) • District heating and cooling (Purpose Code 23620) • Electrical transmission/ distribution (Purpose Code 23630) • Energy conservation and demand-side efficiency (Purpose Code 23183) • Fossil fuel electric power plants with carbon capture and storage (CCS) (Purpose Code 23350) • Gas distribution (Purpose Code 23640) • Natural gas-fired power plants (Purpose Code 23340) • Geothermal energy (Purpose Code 23260) • Heat plants (Purpose Code 23610) • Hybrid energy electric power plants (Purpose Code 23410) • Hydro-electric power plants (Purpose Code 23220) • Information and communication technology (ICT) (Purpose Code 22040) • Non-renewable waste-fired electric power plants (Purpose Code 23360) • Nuclear energy electric power plants (Purpose Code 23510) • Marine power (Purpose Code 23250)

	• Oil-fired electric power plants (Purpose Code 23330) • Energy generation, non-renewable sources, unspecified (Purpose Code 23310) • Energy generation, renewable sources multiple technologies (Purpose Code 23210) • Radio/television/print media (Purpose Code 22030) • Rail transport (Purpose Code 21030) • River basins' development (Purpose Code 14040) • Road transport (Purpose Code 21020) • Solar energy (Purpose Code 23230) • Storage (Purpose Code 21061) • Telecommunications (Purpose Code 22020) • Waste management / disposal (Purpose Code 14050) • Water supply and sanitation - large systems (Purpose Code 14020) • Water supply - large systems (Purpose Code 14021) • Water transport (Purpose Code 21040) • Wind energy (Purpose Code 23240)
Productive Capacity	• Agricultural land resources (Purpose Code 31130) • Agricultural financial services (Purpose Code 31193) • Agricultural services (Purpose Code 31191) • Agricultural water resources (Purpose Code 31140) • Business support services and institutions (Purpose Code 25010) • Fishery services (Purpose Code 31391) • Formal sector financial intermediaries (Purpose Code 24030) • Informal/semi-informal financial intermediaries (Purpose Code 24040) • Livestock/veterinary services (Purpose Code 31195) • Trade facilitation (Purpose Code 33120)
Enterprise resources (Downstream)	
Productive Capacity	• Advanced technical and managerial training (Purpose Code 11430) • Agricultural co-operatives (Purpose Code 31194) • Agricultural development (Purpose Code 31120) • Agricultural education/training (31181) • Agricultural extension (Purpose Code 31166) • Agricultural inputs (Purpose Code 31150) • Agricultural research (Purpose Code 31182) • Agro-industries (Purpose Code 32161) • Basic metal industries (Purpose Code 32169) • Cement/lime/plaster (Purpose Code 32166) • Chemicals (Purpose Code 32164) • Cottage industries and handicraft (Purpose Code 32140) • Education/training in banking and financial services (Purpose Code 24081) • Energy manufacturing (Purpose Code 32167) • Engineering (Purpose Code 32171) • Fertilizer plants (Purpose Code 32165) • Fishery development (Purpose Code 31320) • Fishery education/training (Purpose Code 31381) • Fishery research (Purpose Code 31382) • Food crop production (Purpose Code 31161) • Forest industries (Purpose Code 32162) • Industrial crops/export crops (Purpose Code 31162) • Industrial development (Purpose Code 32120) • Livestock (Purpose Code 31163)

	• Non-ferrous metal industries (Purpose Code 32170) • Pharmaceutical production (Purpose Code 32168) • Plant and post-harvest protection and pest control (Purpose Code 31192) • Small and medium-sized enterprises development (Purpose Code 32130) • Technological research and development (Purpose Code 32182) • Textiles, leather and substitutes (Purpose Code 32163) • Trade education/training (Purpose Code 33181) • Transport equipment industry (Purpose Code 32172) • Vocational training (Purpose Code 11330)

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