

# Evaluation Report

Independent evaluation on the engagement of  
SECO's economic cooperation division with the  
private sector during 2013-2021

20 September 2022



# Imprint

## **Evaluation Report**

Independent evaluation on the engagement of SECO's economic cooperation division with the private sector during 2013-2021

20 September 2022

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# Abbreviations

DAC	Development Assistance Committee
DCED	Donor Committee for Enterprise Development
EQ	Evaluation Question
HQ	Headquarter
IDB	Interamerican Development Bank
OECD	Organisation for Economic Development
PSD	Private Sector Development
PSE	Private Sector Engagement
SDC	Swiss Agency for Development and Cooperation
SECO	State Secretariat for Economic Affairs
ToC	Theory of Change
WE	Economic Cooperation and Development
WEIF	Private Sector Development
WEIN	Infrastructure Financing
WEHU	Trade Promotion
WEMF	Multilateral Cooperation
WEMU	Macroeconomic Support
WEPO	Policy and Services

## Projects and programmes referenced in the report

ECA PPP	Public-Private Partnerships in South-Eastern Europe and Central Asia
PIDG	Private Infrastructure Development Group
RGF	Remittance Grant Facility
SEC017	SEC017 – Partnerships to Support the UN Sustainable Development Goals
SIFEM	Swiss Investment Fund for Emerging Markets
SIFI	SDG Impact Finance Initiative
SWISSCO	Swiss Platform for Sustainable Cacao

# Executive Summary

## Background

Private Sector Engagement (PSE) is an approach that has gained in importance over the past decade. It is driven by the idea that public and private sector actors collaborate towards achieving a common development objective relevant to attaining the Sustainable Development Goals (SDG). The Economic Cooperation and Development division of the State Secretariat for Economic Affairs (SECO) commissioned an independent evaluation on SECO's engagement with the private sector. The evaluation was conducted by the firm orange & teal in cooperation with the iff - institut für finanzdienstleistungen between November 2021 and September 2022.

## Purpose

The evaluation shall serve accountability and contribute to institutional learning. As a thematic evaluation, it assesses the PSE modality as one of the approaches with which SECO intends to generate development impact. The evaluation consists of two main strands: **1.** review of the OECD DAC criteria relevance, effectiveness, coherence, efficiency, impact, and sustainability<sup>1</sup> and **2.** analysis of SECO's PSE conceptualisation with a focus on clarity, systems, and processes. The PSE modality is used in practically all of SECO's thematic areas and priority countries, and by most of its sections. The focus of the evaluation lies in identifying common issues and challenges, at an overarching level.

## Methodology

The following methods and sources of information were used to respond to the evaluation questions:

- **Document review:** Design documents, progress reports, completion and project reports, as well as other documents of 15 projects were reviewed.
- **Data review:** We used three sources for the portfolio analysis and the review of the OECD DAC evaluation criteria. First, an excerpt of SECO's SAP database, covering all projects implemented in the timeframe 1.1.2013 to 1.1.2022. Second, 316 assessment grids in which evaluators assign a score to the OECD DAC evaluation criteria. Third, data for SECO's Standard Indicators for the year 2020.
- **Online survey:** A survey was distributed to 236 implementing partners of 18 PSE projects. With 112 participants, the response rate amounted to 47%.
- **Interviews:** We carried out 83 conversations with internal (SECO HQ and field) and external (intermediaries, private sector companies and their organisations, non-governmental organisations, development partners, beneficiaries) PSE stakeholders.
- **Case studies:** Four case studies were conducted, two comprehensive, two short ones, to illustrate the causal links and their underlying assumptions of PSE projects; to give voice

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<sup>1</sup> Applying Evaluation Criteria Thoughtfully, Organisation for Economic Cooperation and Development (OECD), 2021



to the project beneficiaries; and to explore how PSE contributes to reduced migration by promoting economic opportunities.

Major milestones of the evaluation were the kick-of meeting with SECO, the approval of the Evaluation Concept, the submission of the draft Evaluation Report, the capitalisation workshop with representatives from SECO, as well as the incorporation of SECO's feedback into this final version of the Evaluation Report.

## Evaluation conclusions

The evaluation was guided by 14 evaluation questions that were identified jointly with SECO as priorities, covering all six of the OECD DAC criteria for evaluating international development. The evaluation results and conclusions are summarised in the following:

**Relevance:** Relevance, the first of six OECD DAC criteria to evaluate development interventions, is about whether interventions are doing the right thing. In the scope of this thematic evaluation, the analysis is led by two questions: **1.** Does SECO's PSE approach respond to needs and priorities of partners and partners countries? (EQ 3) **2.** When is PSE the right modality? (EQ 4)

Studying past evaluation reports, and asking interviewees about selected projects, the evaluation team concludes that there is consensus that SECO's PSE projects do respond to important needs and priorities. There are signs that interventions with PSE modality do so better than those working without it. This was often explained by the observation that the private sector can provide solutions which otherwise would not have been created or does so in a more sustainable manner.

What is special about the PSE modality is that in addition to the interests and priorities of partner countries, interventions also need to address the needs of private sector partners. Only in this way effective partnerships can be forged. SECO has managed to achieve good working relationships with its current partners, as the results of the survey and interviews show. Two caveats need to be born in mind: on the one hand, the motivation of the private sector partners is currently, in their self-assessment, a mix of different motives, ethical considerations being one of them – this is not sufficiently recognised by SECO and other projects partners. On the other hand, broadening PSE interventions and partners would likely also mean to engage with companies who are less driven by ethical considerations. Both reservations indicate that understanding motivations is crucial, a fact which was frequently underlined by stakeholders. SECO's processes in partners selection, assessment of potentials and risks, seem adequate to addresses the reservations.

The responses to the second evaluation question indicate that PSE makes sense when there is a comparative advantage of the private sector over other partners – for instance when innovation and risk-taking are required. This is what the SECO PSE principle "additionality" refers to; PSE should be deployed when it brings added value. Because of this core role in the application of PSE, the evaluation team believes that relevance (and other OECD DAC criteria) could be strengthened by discussing the principles, and reasons to apply PSE, much more explicitly in design reports than this is currently the case. Conversely, systematically discussing the experiences with the principles retrospectively in evaluation reports, would boost institutional learning.

**Coherence:** The OECD DAC evaluation criterion coherence asks the question "How well does the intervention fit?" In the scope of this thematic evaluation the analysis is led by three evaluation

questions that ask **1.** whether the PSE approach is coherent with Switzerland's strategies and norms (EQ 5) and **2.** with private sector initiatives (EQ 6) and **3.** how the PSE-related knowledge and information sharing between SECO and SDC works (EQ 7).

The analyses shows that SECO's PSE modality fits well with Switzerland's strategies, foremost *Switzerland's International Cooperation Strategy* and the *Foreign Economic Policy Strategy*. The cooperation strategy emphasises the importance of the private sector in producing innovation, developing skills, and providing investment opportunities, among other things. SECO's PSE modality is well aligned with this overall vision. At the same time, the cooperation strategy underlines a number of ambitions, including strengthened collaboration with the private sector, diversified collaboration and development of new instruments. These elements do not seem to be mirrored in significant shifts across the portfolio. One reason could be that SECO has not set itself targets for the application and development of its PSE modality. While acknowledging that the elements in the cooperation strategy are not formal targets, the evaluation team believes that they offer the opportunity for SECO to set targets for the modality. This would further strengthen coherence, but just as importantly, result orientation, and learning.

In terms of private sector initiatives, the evaluation indicates high alignment with projects and initiatives the interviewees themselves are familiar with. Given its size and heterogeneity, it is not possible nor desirable for SECO's objectives and actions to be coherent with all private sector initiatives. What can be observed is that there is no obvious misalignment with other private sector led initiatives which aim at similar objectives.

Finally, in terms of the collaboration with SDC, the evaluation looked at a very specific sub-topic, namely knowledge sharing. The interviews showed that there is interest by both SECO and SDC to continue and strengthen collaboration in this field. Beyond this, however, coherence between SECO and SDC was not part of the evaluation scope.

**Effectiveness:** Effectiveness attends to whether interventions achieve their intended objectives. The assessment of this OECD DAC criterion is here based on three evaluation questions, namely: **1.** whether SECO achieves its PSE ambitions (EQ 8), **2.** which success factors there are in implementation (EQ 9), and **3.** what innovations have been pursued through PSE interventions (EQ 10).

Various methods and sources were consulted to assess whether SECO's PSE ambitions are achieved – and all of them show consistently that effectiveness of interventions in which SECO engages with the private sector is considered high. SECO's implementing partners overwhelmingly agreed that objectives were achieved across all three PSE dimensions ranging from leveraging private capital, to solutions, and commitment. It is therefore not surprising that there is a common sentiment among the interviewees that SECO is overall successful with its PSE modality – certainly at the level of the PSE interventions where objectives are clearly formulated. However, as mentioned above, the absence of clearer circumscribed targets renders it hard to assess whether the undeniable achievements in the PSE portfolio are “just right” or whether another level of performance was strived for. This is an important learning of this evaluation that is mirrored in its recommendations.

Turning our attention to the factors that contribute to successful PSE interventions, more than 80 such factors were shared by PSE stakeholders in interviews and surveys – the heterogeneity is a reflection on the diverse contexts in which PSE takes place. There are some common themes,

however: The experiences of stakeholders suggest that for PSE to be successful, it is essential to align development policy and private sector objectives – a process that requires much understanding of the incentives and interests of the private sector (see above, relevance) as well as sound partner selection. Furthermore, knowledge of the political, economic, regulatory, and social context in which the PSE modality shall unfold are key. Our findings show that the project approval process as well as risk monitoring during project implementation are adequate to take these critical success factors into account.

Supporting innovative private-sector initiatives is one of the strategic orientations of SECO and one of the main reasons to apply the PSE modality. SECO uses various approaches to gauge the interest of the private sector and to de-risk innovation with a view to reap private sector innovation potential. In practice, this is evidenced by the large scale SECO17 call, by setting up challenge funds, by creating social impact bond vehicles, or by supporting multistakeholder platforms in infrastructure or manufacturing. Indeed, the evaluation revealed a wide array of process and product related innovations, all of which fall into the remit of SECO's understanding of innovation. However, as is the case with other PSE elements, we conclude that sharpening what kind of innovation SECO strives for (processes, products, scale etc.) could be helpful to seize additional innovation potentials, a conclusion also drawn in the 2019 OECD's Development Assistance Committee (DAC) peer review<sup>2</sup>. Another issue to reflect on is whether more flexibility as well as more space for risk-taking could foster a culture of innovation. Against this background, the recently launched informal working group with which WEIN exchanges on innovation issues, is a promising development.

**Efficiency:** This OECD DAC criterion covers the question “How well are resources being used?”. In the scope of this thematic evaluation there is one evaluation question tending in this regard, namely **1**. whether the different forms of engagement are efficient (EQ 11).

The main forms in which SECO engages with the private sector are multi-stakeholder approaches, technical assistance and capacity building, matching funds, and results based financing. While it turned out to be difficult for stakeholders to compare the different forms as part of a comprehensive discussion across PSE topics,<sup>3</sup> it can be inferred from the feedback that respondents confirm a good cost-benefit ratio of multi-stakeholder approaches as well as technical assistance and capacity building.

The evidence we collected with regard to efficiency overall is mixed: While some PSE stakeholders noted that more time and resources are needed in design and implementation of PSE interventions, others argued that these investments are offset with the expectation that working with the private sector renders projects more effective and more sustainable, thus resulting in a better cost-benefit ratio. Indeed, in past SECO project evaluations, PSE interventions are somewhat better assessed in terms of their overall efficiency than projects applying another modality. However, the evaluation reports and justifications therein do not allow drawing conclusions whether and to what extent the use of the modality itself – let alone a specific form of PSE engagement – was instrumental for achieving higher efficiency.

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<sup>2</sup> OECD Development Co-operation Peer Reviews: Switzerland 2019, Paris, 2019

<sup>3</sup> It is important to make this distinction because stakeholders might be able to engage with the topic in more depth if space and time is available, for instance, in a more detailed assessment of the forms of engagement.

**Impact:** Impact asks the questions “What difference does the intervention make?”, meaning the extent to which PSE projects contribute to higher level results. The OCED DAC criterion is addressed with two evaluation questions, namely **1.** whether PSE interventions contribute to SECO’s long-term goals / SDG (EQ 12) and **2.** how the PSE principles are ensured (EQ 13).

The information stemming from project and programme evaluations as well as the views of a range of PSE stakeholders, suggest that the PSE projects are effective in contributing to SECO’s long-term goals and SDG. The data stemming from SECO’s Standard Indicators shows that the PSE modality is serving to achieve various SDG outcomes. Both these findings fit into the narrative that for the SDG to be achieved, it is essential that the private sector engages consistently and at scale. Taking a closer look on impact at the project level, including through the case studies, shows several examples of change through improved infrastructure, enhanced opportunities, or better services – but also, that creating lasting impact remains a challenge.

Given the difficulties to assess impact in practice renders applying the PSE principles thoughtfully all the more important. They play an important role because developmental impact is more likely to be achieved if the PSE principles are ensured in the design and implementation of a project. Judging from the findings the evaluation team concludes that there is much awareness and implicit knowledge about the PSE principles among SECO staff – but the complexity of ensuring the principles might be underestimated, at least in parts. More could be done to document, monitor, and analyse the PSE principles practically and pragmatically.

**Sustainability:** Sustainability, the last of six OECD DAC criteria to evaluate development interventions asks: “Will the effect last?”. In the scope of this thematic evaluation, the analysis is led by the evaluation question, **1.** whether results are sustainable (EQ 14).

The findings regarding sustainability are mixed: While the vast majority of the survey respondents stated that the PSE modality made their project more sustainable, this is not evidenced by the sustainability assessments done in evaluation reports and completion notes. To the contrary, sustainability is considered the most problematic evaluative dimension for PSE projects. Given that sustainability is a prime reason to use the PSE modality, this is a concerning finding and one that is consistent with SECO-internal evaluation results.

A strategy to address this concern is to focus on the conducive factors for sustainability, several of which could be identified. They include addressing core business issues in the projects, having adequate duration of the project, or an enabling environment that contributes to sustainability too. Another strategy proposed by the evaluation team is to build on SECO’s ongoing efforts to adapt its processes towards sustainability (based on the 2019 Sustainability Review), by assessing the reasons for existing or lacking sustainability of PSE interventions.

## Recommendations

Based on the findings and conclusions, we formulate the following recommendations:

- 1. Clarify and operationalise the ambitions and plans that SECO aspires with PSE:** Without formulated ambitions what the PSE modality is expected to reach and how that supportive role should look like, it is very difficult to develop and strengthen the modality, to decide whether and where portfolio shifts are necessary, and where investments

(including into learning) are required. We therefore recommend defining and operationalising the short- and long-term ambitions and plans more clearly.

2. **Enhance common understanding of key concepts related to the PSE modality:** The evaluation showed that there is no common understanding of the PSE concept and its core elements (partners, forms of engagement, principles, to name a few). This makes it harder to communicate and learn, especially between teams who deal with different thematic aspects of PSE, and different types of partners. With a view to facilitate communication and to reflect changes in the IC Strategy as well as learnings from the past years, it seems important to update the description of key concepts of the PSE modality.
3. **Support the application of PSE principles:** As "rules of engagement", the principles are the main conceptual mechanism to ensure that PSE projects add value and create impact. The evaluation shows that some of the principles are complex to understand, identify, and operationalise as well as difficult to safeguard during implementation. We deem it necessary to better define the principles, operationalise, and document them in a format that facilitates their use.
4. **Enhance support and learning structures:** Exploration and implementation of the PSE portfolio come along with many challenges and learnings; addressing and disseminating the latter can be essential to enhance the performance across the PSE portfolio. Furthermore, to the extent that SECO concurs with the aforementioned recommendations, acting upon them will necessitate additional resources in the short- to medium-term. With a view to optimise the mechanisms that facilitate the use and impact of the PSE modality and to further strengthen the learning orientation of SECO, we recommend clarifying and broadening the support structure.
5. **Conduct a sustainability review:** The evaluation shows that sustainability of PSE interventions is often seen as problematic. These results are consistent with the findings in SECO's 2019-2020 Performance Report, which stated that sustainability is a constant challenge. We recommend carrying out a sustainability review of a sample of PSE interventions. In this context SECO could strengthen ex-post results measurement and build up on the experiences of its 2019 Sustainability Review.

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# 1. Introduction

The Economic Cooperation and Development division of the State Secretariat for Economic Affairs (SECO) commissioned an independent evaluation on SECO's engagement with the private sector. The evaluation was conducted by the firm orange & teal in cooperation with the iff - institut für finanzdienstleistungen between November 2021 and September 2022.

Private Sector Engagement (PSE) is an approach that has gained in importance over the past decade, for SECO, the Swiss international cooperation as a whole, as well as internationally, a trend likely to continue for the years to come. The main idea of PSE is that public and private sector actors collaborate towards achieving a common development objective relevant to attaining the Sustainable Development Goals (SDG). As a modality, PSE is applied in various geographies and thematic areas, comes in different forms, and is evolving continuously. For SECO, PSE is a means to increase effectiveness and sustainability of its development work.

Against this background the evaluation shall serve accountability and to contribute to institutional learning. As a thematic evaluation, it assesses the PSE modality<sup>4</sup> as one of the approaches with which SECO intends to generate development impact. The evaluation consists of two main strands: **1.** review of the OECD DAC criteria relevance, effectiveness, coherence, efficiency, impact, and sustainability and **2.** analysis of the SECO's PSE conceptualisation with a focus on clarity, systems, and processes.

Reflecting on the portfolio of 117 PSE projects and programs which were implemented since 2013, the evaluation aims to show aggregate results and learnings emphasising issues that have significance beyond a particular project or program (note: in the following we use the term "project" for any type of intervention). The evaluation puts PSE stakeholders at centre stage and draws heavily on their experiences, observations, and appraisals. These were collected in semi-structured interviews and an online survey among project partners. Case studies, documents, and data were used to deepen and contextualise findings.

With a view to enhance learning and ensuring utility of the evaluation, a sounding board was instituted.<sup>5</sup> This process ensured that the organisational units in the Economic Cooperation and Development division that are most often applying the PSE modality – Infrastructure Financing (WEIN), Private Sector Development (WEIF), and Trade Promotion (WEHU) – were included throughout. The board contributed to finetuning the evaluation questions, developing a PSE Theory of Change for the evaluation, and reflecting on the evaluation concept.

The evaluation report is structured as follows: Chapter 2 describes the evaluation purpose and scope as well as the evaluation questions; Chapter 3 gives an overview on SECO's approach to PSE, including the main concepts, the Theory of Change that guided the evaluation, as well as a portfolio analysis; Chapter 4 contains the findings and conclusions of the evaluation; and Chapter 5 the recommendations of the evaluation team.

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<sup>4</sup> The report uses the terms PSE "approach" and PSE "modality" invariably.

<sup>5</sup> The "light sounding board" was composed of Massimo Bloch (WEIF), Stefan Brantschen (WEPO), Barbara Buser (WEIN), and Daniel Lauchenauer (WEHU). We thank them for their support and guidance throughout the evaluation.

## 2. Evaluation approach

The present evaluation is a thematic evaluation dedicated to the PSE modality and its application across SECO's PSE portfolio. The PSE modality is used in practically all of SECO's thematic areas and priority countries, and by most of its sections. The evaluation therefore covers diverse themes, stakeholders, activities, instruments, and contexts. By nature, it showcases and discusses the realities of some but not all projects. The focus of the evaluation lies in taking a broader perspective, in providing answers, and identifying common issues and challenges, at an overarching level. It shows the range of observations related to the PSE modality and its performance but cannot identify how these observations vary depending on the context of the application. Such more detailed evaluation interests are better served by alternative instruments such as dedicated studies, project evaluations, or case studies.<sup>6</sup>

The approach to the evaluation, the methods employed, as well as the delivery plan were defined in a detailed evaluation concept. In this chapter we thus focus on describing the main elements of the evaluation approach.

### 2.1. Evaluation questions

The evaluation is based on 14 evaluation questions, which were formulated in a participatory process together with SECO staff.<sup>7</sup> The questions are summarised in the following table, together with their main sources.

Table 1: Evaluation questions and sources

#	Theme and question	Inter.	Surv.	Doc.	Data
	Concept and systems				
1	Is the approach conceptualised clearly enough?	●	●	●	
2	Is the approach supported by SECO's steering, monitoring and collaboration processes?	●	●		
	Relevance				
3	Does the approach respond to needs and priorities of partners and partner countries?	●	●		●
4	When is PSE the right modality, when not?	●	●		
	Coherence				
5	Is the approach coherent with Switzerland's strategies and norms?	●		●	

<sup>6</sup> Indeed, four case studies of different scope and focus are included in this evaluation to offset the inherent limits of thematic evaluation.

<sup>7</sup> The Terms of Reference contain a set of questions, which were – along some additional questions proposed by the evaluation team – rated by SECO HQ staff to identify their relative importance for learning purposes. 27 of these questions were rated as being of medium or high importance, on average, or were deemed as essential by the evaluation committee despite their low survey rating. To arrive at a manageable number of evaluation questions, these questions were aggregated to more generalised, higher-level questions.



6	Is the approach coherent with private sector initiatives?	●			
7	How does the PSE-related knowledge and information sharing between SECO and SDC work?	●			
	Effectiveness				
8	Does SECO achieve its PSE ambitions?	●	●	●	●
9	What are success factors in the implementation?	●	●		
10	What innovations have been pursued through PSE interventions?	●	●		
	Efficiency				
11	Are the different forms of engagement efficient?	●	●	●	●
	Impact				
12	Do the PSE interventions contribute to SECO's long-term goals / SDG?	●	●		●
13	How are the PSE principles ensured?	●	●	●	
	Sustainability				
14	Do interventions provide results sustainably?	●	●	●	●

## 2.2. Methods and sources

The following methods and sources of information were used to respond to the evaluation questions:

- **Document review:** Design documents, progress reports, completion and project reports, as well as other documents of 15 projects were reviewed to find answers to the evaluation questions and to contextualise the findings, conclusions, and recommendations.
- **Data review:** We used three sources for the portfolio analysis as well as the review of the OECD DAC evaluation criteria. First, an excerpt of SECO's SAP database, which covers all projects implemented in the timeframe 1.1.2013 to 1.1.2022 and contains altogether 940 entries with unique SAP numbers.<sup>8</sup> Second, 316 assessment grids in which evaluators assign a score to the OECD DAC evaluation criteria, along with a short narrative that explains the score. Third, data for SECO's Standard Indicators for the year 2020.
- **Online survey:** A survey was distributed to 236 implementing partners of 18 PSE projects. The survey was launched iteratively and open for all respondents for three weeks; one reminder was sent to engage respondents and achieve a higher response rate. With 112 participants, the response rate amounted to 47%.
- **Interviews:** Using semi-structured interview guides, we carried out 83 conversations with internal (SECO HQ and field) and external (intermediaries,<sup>9</sup> private sector companies and their organisations, non-governmental organisations, other development partners,

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<sup>8</sup> "Project" can represent a project, a project phase or a project component.

<sup>9</sup> The term "intermediary" denotes entities that are commissioned to implement an intervention on behalf of SECO.



beneficiaries) PSE stakeholders, most of whom were recommended by SECO. Annex 2 contains the list of the interviewees, including those conducted for the case studies.

- **Case studies:** Four case studies were conducted, two comprehensive, two short ones, to illustrate the causal links and their underlying assumptions of PSE projects; to give voice to the project beneficiaries; and to explore how PSE contributes to reduced migration by promoting economic opportunities. The case studies were identified together with SECO, based on pre-defined criteria.

This mixed methods approach was used to understand and assess the PSE modality from different perspectives, to triangulate the data and information stemming from different sources, with a view to strengthen the basis for our findings, conclusions, and recommendations.

## 2.3. Scope

The evaluation covers all PSE projects implemented since 2013. Initially, SECO identified a sample of 26 recently closed and well-advanced interventions which together constituted the portfolio subject for the evaluation. During the implementation of the evaluation, this sample was extended to the entire portfolio of 117 PSE projects, to make use of all available data.<sup>10</sup>

The Swiss Investment Fund for Emerging Markets (SIFEM), the SECO Start-up Fund and the Private Infrastructure Development Group (PIDG) are marked as non-PSE projects in the database. While they fall within the scope of SECO's PSE definition (see section 3.1), they are considered as "stand-alone investments vehicles" (Definition PSE Marker). In the statistical analysis and the evaluation as a whole, we discuss SECO Start-up Fund and PIDG under the category PSE. The SIFEM entries are included in clearly marked parts of the statistical analysis but excluded in others. SIFEM would dominate the overall results, because of its financial size and number of SAP entries associated with the project. SIFEM was not given a particular focus in the evaluation, despite its size, because the decision was taken with SECO's Evaluation Unit to focus on "regular" PSE projects from which it is easier to extract and disseminate learnings; furthermore, because SIFEM is otherwise regularly monitored.<sup>11</sup>

## 2.4. Limitations

The evaluation was implemented in accordance with the evaluation concept, with minor deviations. Stakeholders engaged in an active and frank way which allowed us to gather many relevant observations and reflections. Together with other data and document sources, we believe that we have the basis for a thorough evaluation of the PSE modality. Notwithstanding, there are also some limitations that we wish to document transparently:

- For many conceptual elements and terms, there is no shared understanding among stakeholders, which meant that it took considerable time in interviews to explore how the elements are understood. While this was important both to assess conceptual clarity and

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<sup>10</sup> Notwithstanding, the interviews and survey focused on ongoing or recently completed projects.

<sup>11</sup> This includes, for instance, annual impact (development effect) reports and financial reports that are publicly accessible.

form a basis for the follow-up discussions, it also meant there was less time in the interviews to then discuss other evaluation questions.

- The PSE modality is used in many different contexts and in various ways. What seems to work well in one situation, might not do so in others, resulting in a variety of views. This makes generalisation and learning difficult. While true in many evaluative settings, particularly for those tending to programs and thematic areas, this seems especially pronounced in this case because of the breadth and heterogeneity of the PSE portfolio.
- The data and information that we collected at the portfolio level, specifically in the survey and from project evaluation scores, showed overall very positive results with approval rates often well above 85%. While these are encouraging results, they render it difficult to identify and pinpoint areas of optimisation and to differentiate the analysis (e.g., according to geographies or forms of engagement).<sup>12</sup>
- Both of these issues also worked against expectations that the evaluation could deliver insights on specific and technical issues (e.g., on the relative costs and benefits of different forms of engagement).
- Here we also note that some of the questions were responded to by only a few survey participants, which needs to be taken into consideration when interpreting the results especially when showing results for one group of stakeholder only.
- Data quality from the SECO SAP database limited our ability to use quantitative analysis or to conduct intertemporal assessments, or to identify trends across the PSE portfolio during the entire 2013-2021 period. With regard to the PSE portfolio analysis there is also uncertainty (described further in section 3.3) which entries in SECO's SAP database can be considered as PSE interventions, particularly regarding older entries before the introduction of the PSE Marker.
- With the mixed-methods that we used for this evaluation it was possible to reach a range of private sector actors in Switzerland and abroad that are already involved in SECO projects and programs. Covering different industries, sizes (small to large), types (firms, foundations) etc. they provide a sound basis for the evaluation. Nonetheless, and while not a limitation per se, we note that when reference is made to "the private sector" this is done with the understanding that there is not "a single" private sector and that the sample does not cover the entire spectrum of private sector actors SECO collaborates and engages with.

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<sup>12</sup> The extent of satisfaction means that it is difficult, apart from a few clear-cut criticisms, to find comments which are based on several interviewees. This is the same for statistical analysis; there are too few problematic projects to identify what condition or characteristics lead to problems.

# 3. SECO's Approach to PSE

The "SECO Approach to Private Sector Engagement" paper describes how SECO conceptualises and operationalises the PSE modality.<sup>13</sup> Based on the "Approach Paper", we explain the key concepts of the modality below (section 3.1). For the evaluation, an additional Theory of Change was produced, to discuss, for instance, results achievement with PSE stakeholders (section 3.2). We conclude the chapter with an overview of the PSE portfolio (section 3.3).

## 3.1. Key terms

### Private Sector Engagement

SECO's Approach Paper defines Private Sector Engagement as:

*"PSE is a collaborative arrangement between public sector and private sector actors aiming at achieving a common development objective. SECO defines the private sector as private companies or business associations. A collaborative arrangement can range from a memorandum of understanding to a commercial contract.*

*Development cooperation approaches realised with and through the private sector span a large spectrum. They include arrangements to leverage private finance and know-how, engagements with companies with regard to core business investments that generate development outcomes, and public-private partnerships. The latter cover contractual agreements under which the private sector delivers an infrastructure product or service.*

*Private Sector Engagement (PSE) is different from private sector development (PSD), which is a thematic focus of SECO. Private sector development focuses on supporting the local private sector by improving the business environment or strengthening entrepreneurial skills in partner countries."*

In the evaluation, we used a slightly modified definition, to align with the terminology used in the evaluation's Theory of Change and to clarify that implementers and consultants are not part of what is referred to as PSE.<sup>14</sup>

### Approach Dimensions

The Approach Paper describes six ways ("dimensions") how PSE can take place:

- Sharing information and knowledge for joint solutions
- Influencing the behaviour of companies
- Leveraging financial resources and mobilising expertise from the private sector

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<sup>13</sup> SECO Approach to Private Sector Engagement, Bern, 2019

<sup>14</sup> This definition was used for the communication during the evaluation: "Private Sector Engagement (PSE) is a collaborative arrangement between public sector and private sector actors aiming at achieving a common development objective. SECO defines the private sector as private companies or business associations. A collaborative arrangement can range from a memorandum of understanding to a commercial contract. As part of the collaboration, private sector actors provide capital, know-how, or commit to comply with sustainable standards. The collaboration can be direct or indirect via an intermediary. Not part of the PSE are contracts with private sector actors commissioned to design, implement or evaluate a development project / program. PSE is also different from private sector development (PSD), which focuses on improving the business environment or strengthening entrepreneurial skills in partner countries."

- Linking businesses
- Sharing investment costs for innovation
- Using the private sector business model

As part of the preparations and in exchanges with the evaluation sounding board it became apparent that it would be beneficial to elaborate a more comprehensive Theory of Change, thereby also revising and re-ordering the Approach Dimensions. The evaluation's Theory of Change (ToC) contains three Approach Dimensions, which are understood this way:

- **Approach dimension 1 – Capital:** Intends to create and strengthen funding vehicles (e.g., grants, first loss tranches, blended financing, impact investing) to contribute to leveraging additional private capital for development purposes.
- **Approach dimension 2 – Solutions:** Intends to create and strengthen networks with and among private sector actors to share ideas, experiences and expertise to contribute to enlarging the pool of ideas to address development challenges (e.g., access to global value chains).
- **Approach dimension 3 – Commitment:** Intends to strengthen initiatives and frameworks for responsible business conduct to contribute to enlarging the number of market actors who (voluntarily) comply with sustainable standards (e.g., ESG certificates).

#### ***Mobilising capital for better infrastructure: Public-Private Partnerships in South-Eastern Europe and Central Asia (ECA PPP)***

The ECA PPP program, funded by SECO with an amount of USD 7.5 million for a five-year duration, is managed by the International Finance Corporation (IFC). The program intends to bridge between public and private sector actors to increase the availability of well-prepared and mutually attractive infrastructure projects. With its focus on the identification and implementation of PPP transactions in various sectors the project received the SECO-internal PSE Marker "principal". This means that private sector partners directly engage to reach certain development goals and that the program would not have been undertaken without this modality. With regard to the three PSE Approach Dimensions, the program has "Capital" as its principal dimension (considering PPP as a funding vehicle). Since 2005, 31 Financial Advisory Services Agreements were signed with governments and nine projects were successfully closed commercially. Among other in Albania, Kazakhstan, and Ukraine. The program mobilised EUR 1.5 billion of private sector investment according to the IFC. The IFC also reports that there has been "positive fiscal impact" (understood as "fiscal savings") to the client governments of EUR 31.2 million and that some 4.9 million people were reached with new or improved infrastructure services. The external evaluation of the program from 2020 reports that the investments for the nine projects break down as follows: commercial providers provided 37% equity investment, while 63% has been provided as debt. In comparison to other projects in this region, which have equity financing of 27% on average, equity financing is quite high. Of the debt that has been raised about 80% is provided by International Finance Institutions, mostly by the EBRD, and thus only to a lesser extent by lenders of the private sector.

For the full case study, please see Annex 7.

## Principles

SECO defines five principles in its Approach Paper, which can be understood as "rules of engagement" and necessary conditions to enhance development impact or, conversely, avoid negative unintended effects from SECO's engagement with the private sector. Specifically, the principles set out that SECO's intervention does provide value addition to what is already provided by the sector itself (**subsidiarity**), that the application of the PSE modality leads to a more effective, efficient, or sustainable intervention (**additionality**), that this strengthens other SECO interventions (**complementarity**), that no harm is done to the market (**avoiding market distortions**), and beyond, to environment and society (**assessing environmental and social risks**).

## 3.2. Theory of Change

The Approach Paper describes the approach along the lines of six Approach Dimensions (see above) which are visualised in a simple result chain, leading from the Approach Dimensions to "competitiveness and integration into the global economy", "sustainable inclusive growth", and "reduction of poverty and global risks, peace and human rights".

As explained, it was decided with the evaluation sounding board to elaborate a more comprehensive ToC for the evaluation, to support the evaluation process by clarifying how PSE interventions are expected to lead to the intended results, setting out the steps along the way from outputs to outcomes and impact, and how these relate to each other. Furthermore, the ToC should show the assumptions and conditions that need to be fulfilled to bring the desired change about. We have subsequently reviewed documents,<sup>15</sup> screened the PSE portfolio, and iteratively developed and tested the ToC. The sounding board was involved throughout this process.

Consistent with the programmatic and strategic character of the evaluation, the ToC focuses on the "core narrative" of PSE rather than the specific realities of each of the projects and programs that are subject of this evaluation. The elements of the ToC in Figure 1 are

- intended objectives (green) that correspond to the PSE Approach Dimensions of capital, solutions, and commitment;
- main intermediary outcomes (blue) of the main result chain;
- assumptions (grey) which describe the most important assumptions and conditions that are needed for the causal links to work.

Together, the three Approach Dimensions shall result in SDG relevant solutions and development outcomes. Such outcomes can be, for instance, improved access to better (public) infrastructure, the creation of more and decent jobs, or the reduction of greenhouse gas emissions to address the climate crisis. Sometimes, the three Approach Dimensions are covered in a single intervention, but more often than not they are used in a range of projects.

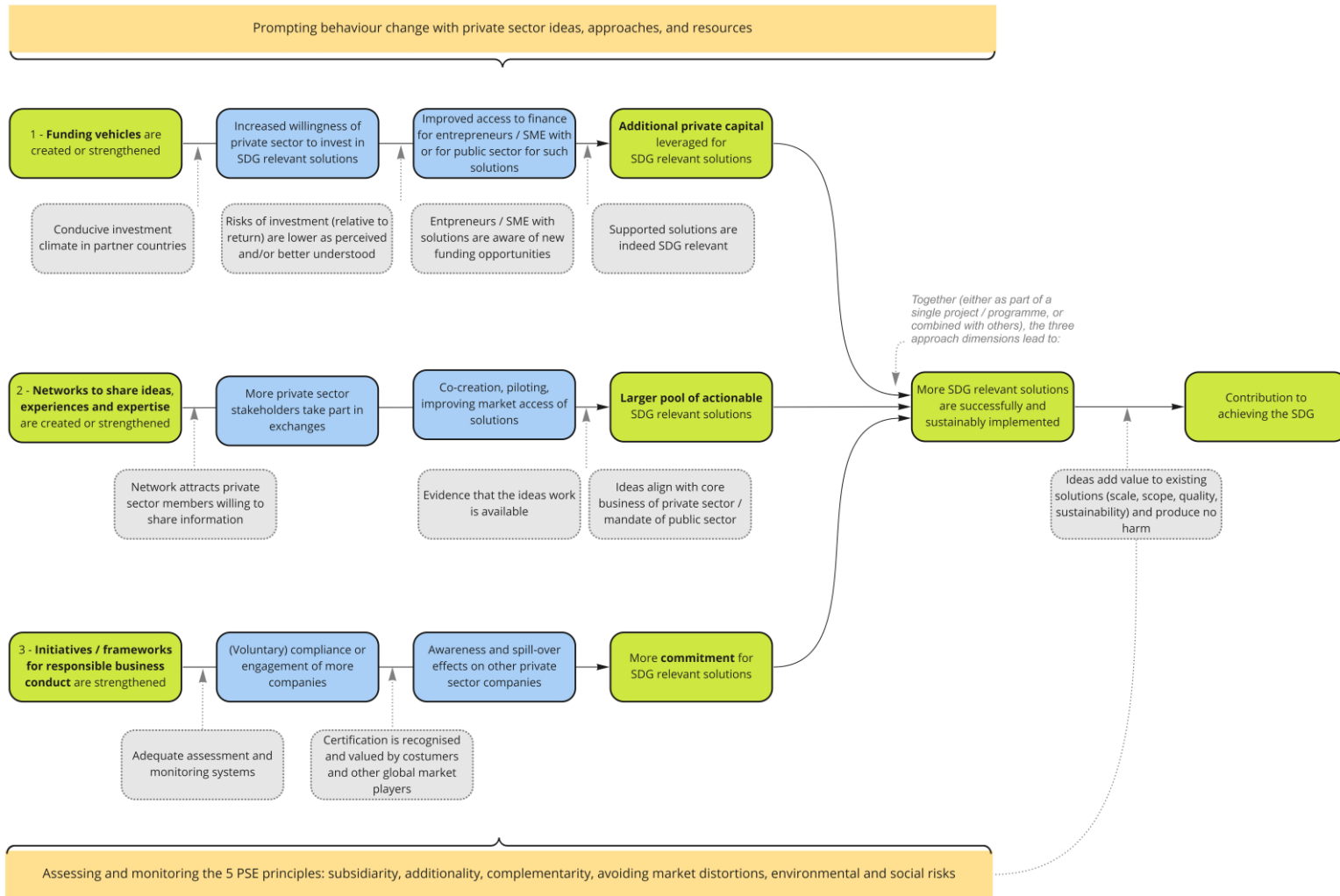
Each of the result chains contains assumptions that are needed for the causal links along the result chain to work. The ToC contains the most important of these assumptions, being mindful that there are many more assumptions depending on the specific context and intervention. Where such assumptions are "at risk", support activities are needed to make them hold true. The latter can but do not have to be part of the same PSE intervention; oftentimes it will be other interventions of SECO or other development partners that aim to provide the needed support.

Finally, the ToC has two cross-cutting elements: The first are the five PSE principles. The second cross-cutting element is behaviour change, which shall be prompted by applying private sector ideas, approaches, and resources.

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<sup>15</sup> This included among other SECO's PSE Approach Paper, a 2018 SECO-internal paper on "Options for SECO's Private Sector Engagement", as well as documents from the Donor Committee on Enterprise Development (DCEd) and the Organisation for Economic Development (OECD).

Figure 1: PSE Theory of Change





## 3.3. Portfolio

This section summarises some of the main characteristics of SECO's PSE portfolio. The analysis is based on an excerpt of SECO's SAP database.<sup>16</sup> The database covers altogether 940 entries with unique SAP numbers, of which 117 are considered PSE projects by SECO.<sup>17</sup> Further 31 entries are related to SIFEM, which is by far SECO's largest PSE investment. 792 are classified as non-PSE.

As mentioned above, a limitation of the assessment is that there is uncertainty which entries can be considered as PSE, particularly regarding older entries before the introduction of the PSE Marker.<sup>18</sup> The figures presented below capture the number of project phases and components that likely have at least a small PSE component.

Looking at the changes between 2014, 2018, and 2022, the **number of PSE projects** increased first and then decreased again (see Figure 2). The number of non-PSE projects, on the other hand, fell over the entire period.

The proportion of PSE projects (incl. SIFEM) increased from 13% (2014) to 18% (2018) and 19% (2019). When expressing the overall portfolio in financial terms, rather than number of projects, the proportion of SECO PSE projects increased from 19% (2014) to 33% (2018) to 39% (2022), when including SIFEM. Excluding SIFEM, the proportions are 11%, 15%, and 19%. While the early expansion (2014 to 2018) is due to the investment in both SIFEM and other PSE projects, in later years the share of PSE has mostly increased because non-PSE investments have fallen.

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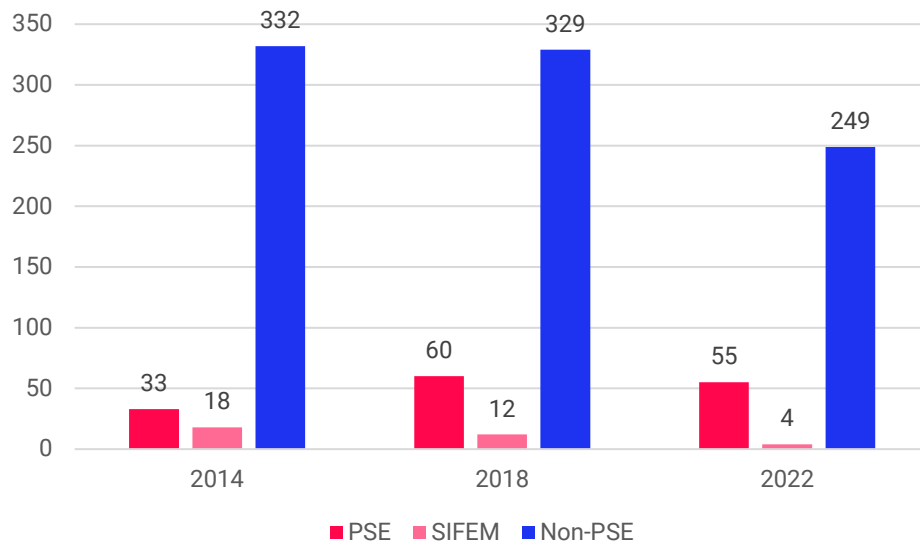
<sup>16</sup> The excerpt contains projects which started on or before 1.1.2022, and ended on or after 1.1.2013 (or are still ongoing). Projects without start or end date information are omitted. Further excluded are projects which are marked as "not realised" or "idea", or projects which are documented with a 0 CHF SECO contribution. The figures are presented for the overall period, as well as for the portfolio at three points in time, namely 1 January 2014, 2018, and 2022. The projects on 1.1.2014 are projects which started on or before 1.1.2014, and ended on or after 1.1.2014 (or are still ongoing). The same rule applies for 2018 and 2022. Some longer projects might feature in two or even three of these years.

<sup>17</sup> Basis for the analysis are SECO's 7-digit codes, e.g., UR\_00559-01 for Better Gold Initiative, Phase 1. In the statistical analysis and the evaluation as a whole, we discuss both SECO Start-up Fund and PIDG under the category PSE (see section 2.1). The SIFEM entries are included in the analysis of the size of the portfolio but are excluded in the rest of the analysis; due to their number and financial volume these entries would have dominated the assessment.

<sup>18</sup> Building on SECO's own classification, we classify entries as PSE if they have a PSE Marker of 1 or 2, or if they were listed as PSE entries in past assessments conducted by SECO. In addition, all phases and components of a project are considered PSE, even if only one of them had a PSE marker of 1 or 2, or was included in a prior assessment.

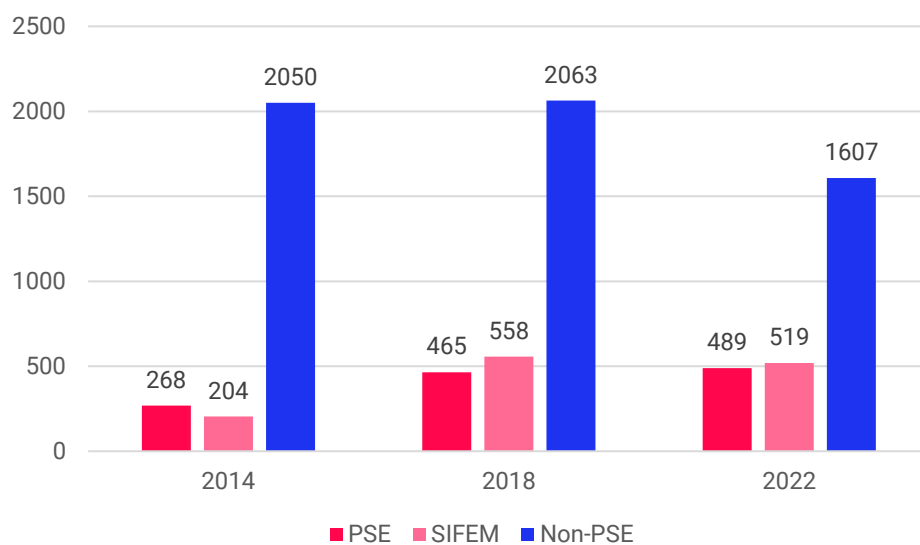


Figure 2: Number of PSE projects



Source: Own calculations by evaluation team, based on SAP data provided by SECO.

Figure 3: SECO contribution (Mio. CHF)



Source: Own calculations by evaluation team, based on SAP data provided by SECO.

It should be noted that the above financial values represent SECO's contribution, not the total **size** of the projects. PSE projects are considerably larger than non-PSE projects. On average since 2013, PSE projects (without SIFEM) received a SECO contribution of 7.6 Mio. CHF, while non-PSE projects entailed an investment of 5.0 Mio CHF. This is due to shifts across the entire distribution:





There are fewer small projects and more big ones. The share of "mega-size" projects with a contribution of more than 50 million CHF is 24% for PSE and 11% for non-PSE projects.<sup>19</sup>

**SECO's share in PSE projects** is smaller than in non-PSE projects: Even though the typical SECO investment into PSE projects, in absolute terms, is larger than into non-PSE projects, this is offset by the fact that PSE projects are often particularly large. Among PSE projects, about half of them have a majority contribution by SECO (51%) with a third (30%) of the projects being SECO-only projects. For non-PSE projects, these proportions are 63% and 47%.

Looking at where resources are invested, the analysis in Table 2 shows that there is a similar number of projects tending to each **Approach Dimensions**: the range varies between 58% of projects for Approach Dimension 3 to 76% of projects for Approach Dimension 2 (total since 2013). Lately, the importance of Approach Dimension 3 has fallen further; in 2022, it was part of 51% of all ongoing PSE projects.

The most common version over the entire period since 2013 is a combination of Approach Dimension 2 and 3 (31% of all projects). Focussing on the current situation (2022), it is a combination of all three dimensions which can be most commonly observed. It should be noted that based on the data, we cannot show how important each of the dimensions was in such combinations, or what budget share they captured.

Table 2: Approach Dimensions

	Total since 2013	2022
<b>Overall coverage</b>		
Approach Dimension 1 (Capital)	64%	73%
Approach Dimension 2 (Solutions)	76%	78%
Approach Dimension 3 (Commitment)	58%	51%
<b>Combinations</b>		
only Approach Dimension 1 (Capital)	20%	16%
only Approach Dimension 2 (Solutions)	5%	8%
only Approach Dimension 3 (Commitment)	0%	0%
Approach Dimension 1 + 2	17%	24%
Approach Dimension 1 + 3	3%	5%
Approach Dimension 2 + 3	31%	19%
Approach Dimension 1 + 2 + 3	24%	27%

<sup>19</sup> Excluding the SAP entries related to SIFEM, another such "mega-sized" project with a contribution of more than 50 million CHF is the Private Infrastructure Development Group project Phase VII.



The distribution of projects along the **business lines** gives the best indication where the projects take place, thematically. Since 2013, most projects tended to urban development, access to financing, and integration in value chains (in total, these three areas capture 67% of the overall investments). This share has increased further to 76% in 2022.

With regard to access to finance and integration in value chains, the distribution might be explained by the fact that in both thematic fields companies and their associations play a pivotal role in addressing challenges. Interventions are often implemented with industry-specific solutions in mind, which makes it easier to include companies as project partners. In other thematic fields such as "rules-based trade system", a participation of selected companies is less possible and oftentimes less welcome because it could undermine the idea that solutions have to be fair to all market participants (SECO PSE principle "avoiding market distortion").

Assessing in turn how often PSE is used in each of the business lines, integration in value chains tops the list. In this business line, every second project applies the PSE modality (50%). A close second is access to financing (42%).

*Table 3: Business lines as per SECO's storyline for the international cooperation strategy 2021-24*

	Distribution of PSE projects across business lines		Proportion of PSE projects per business line	
	2013-2022	2022	2013-2022	2022
Access to financing	22%	29%	42%	62%
Corporate social responsibility	8%	9%	24%	33%
Growth-promoting economic policy	3%	4%	2%	3%
Innovation-friendly business environment	3%	2%	29%	14%
Integration in value chains	16%	20%	50%	55%
Market-oriented skills	3%	4%	14%	18%
Rules-based trade system	0%	0%	0%	0%
Urban development and infrastructure	28%	27%	15%	14%
None	16%	5%	7%	9%

Finally, it is interesting to see how SECO works together with its **partners**, starting with the distinction of direct and indirect partnerships. Out of the 117 PSE projects, 41 are based on a contract with the private sector, which is a share of 23%. It should be noted that some of these are intermediaries that are commissioned to implement and manage an intervention on SECO's behalf. The actual proportion of direct partnerships is likely much smaller but cannot be



determined with the SAP data.<sup>20</sup> About a third of all projects are implemented via the World Bank Group, with additional 8% going to regional development banks. The proportions have hardly changed over the years.

The most common partner is by far the International Finance Corporation (IFC) (16 projects), followed by International Bank for Reconstruction and Development (IBRD) (9). All four of the most common partners are implementing both PSE and non-PSE projects for SECO, with Swisscontact being the most PSE-focused partner of SECO (44% of projects are implemented with PSE).

Table 4: Type of contract partners

	Distribution of PSE projects across partners		Proportion of PSE projects per partner	
	2013-2022	2022	2013-2022	2013-2022
World Bank Group (WB)	32%	31%	18%	21%
Donor country-based NGO	9%	11%	17%	43%
Regional Development Bank	8%	9%	11%	11%
Private sector in third country	10%	9%	24%	28%
Private sector in provider country	15%	11%	23%	29%
Others	26%	29%	7%	13%

Some other observations based on the portfolio analysis are:

- **Geographically**, PSE has been applied most often in (descending order) Indonesia, Peru, Colombia, Ghana, and Vietnam. In these countries, the share of PSE has been, since 2013, 26% (Vietnam) to 35% (Indonesia).
- Among WE's **sections**, WEIF has been the most active in regard to the number of PSE projects, looking at the period since 2013 overall – WEIF was (co-)managing 56 PSE projects and was involved in 48% of all PSE projects – but WEHU (30 projects), and WEIN (38 projects) are not far behind. WEMF (4 projects) has a smaller PSE portfolio. WEIF has also the most relative exposure; the section implements about a third of its projects with PSE (30%). For WEHU, WEIN, and WEMF this proportion is 13 to 15%.<sup>21</sup>
- It is noteworthy that the proportion of projects which are **co-managed** by the sections is much higher for PSE projects (14%) than for other projects (3%). Most collaborations are

<sup>20</sup> The SAP data entails 25 projects with "private sector in provider country", 12 with "private sector in third country", and 4 with "private sector in recipient country". The partners are at times mentioned by firm name, at times summarised in categories such as "Swiss consultants" or "Foreign consultants".

<sup>21</sup> WEMU co-managed 8 projects with PSE components (4% of all projects with involvement by WEMU); yet WEMU is not involved itself in these PSE components.



between two sections.<sup>22</sup> The projects with co-management have increased over time (PSE: 9% in 2014, 20% in 2022, non-PSE: 2% in 2014, 7% in 2022).

- It is noticeable that **markers** are more often used for PSE than non-PSE projects – for all markers but good governance. This could be due to their thematic focus but also due to better documentation of these projects (for instance, due to their larger size etc.). The three most commonly set markers are climate mitigation (56% PSE versus 26% non-PSE), good governance (51% versus 66%), and gender (42% versus 18%).<sup>23</sup>

## 4. Findings

This chapter contains the most relevant findings to the evaluation questions (EQ) as presented in the Evaluation Matrix (see chapter 2); Annex 3 contains a more comprehensive version of the findings for interested readers. Each evaluation question ends with a concluding paragraph that contains the evaluation team's critical appraisal of the findings. The chapter is structured along the DAC criteria and includes a discussion of concepts and systems as well as reflections on the Theory of Change and what has been learned in the evaluation. Before addressing each EQ in detail, we present summative assessments in section 4.1 which cover several evaluative dimensions.

### 4.1. General perception of the PSE approach

#### Survey participants

Using the OECD DAC criteria, the first summative assessment shows whether the project partners believe that working with the private sector made their project more relevant, effective, efficient, impactful, and sustainable. The results (see Figure 4) show that the respondents do believe that this was the case, with regard to all the evaluative criteria. There are very few stakeholders who disagree or somewhat disagree with the statement.

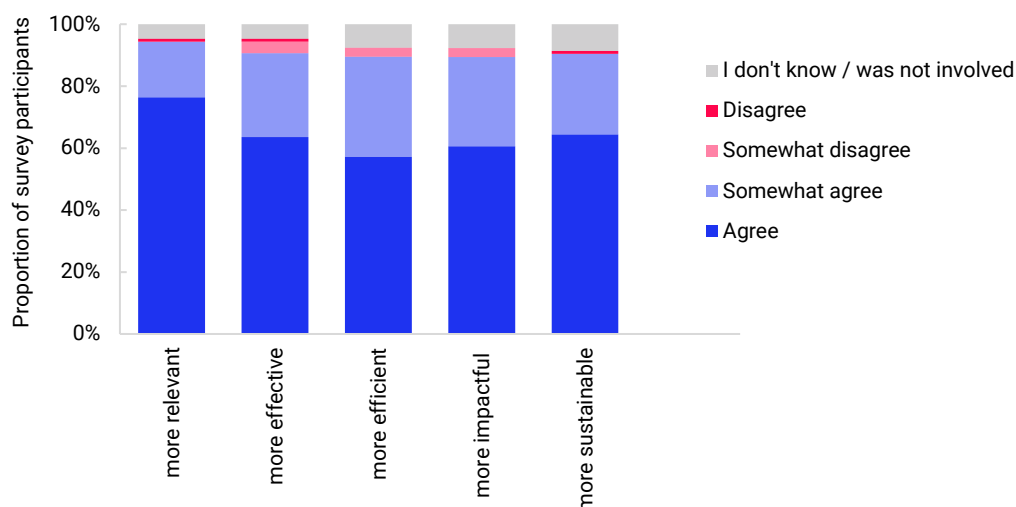
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<sup>22</sup> There is the rare project in which three (World Bank Capital Markets Strengthening Facility Phase I, Sustainable Long-Term Finance Facility) or even four sections (Local Economic Development South Africa, Phase I) are involved.

<sup>23</sup> Missing markers are considered as 0 for this analysis.



Figure 4: Working with the private sector made the project ... (Survey)

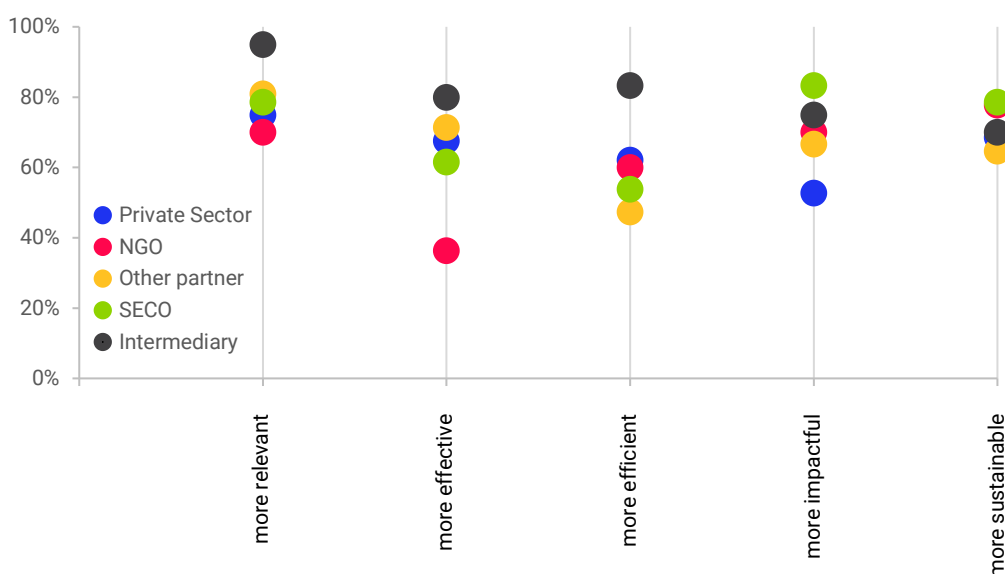


Question: Do you agree or disagree with the following statements? Working with the private sector made your project ... more relevant, more effective (immediate project results), more impactful (long-term contributions to SDG), more efficient, more sustainable.

Number of responses: 101, 102, 97, 96, 95

In all stakeholder groups – SECO, intermediaries, private sector, NGOs, others – the majority takes a positive view. The most critical view is that by NGOs on effectiveness, but even that item is rated with an 82% agreement rate when considering both “agree” and “somewhat agree” responses. There is more variation when just focusing on the “agree” responses (see Figure 5): 36% of survey participations working for NGOs believe the PSE approach has made a project “more effective”, while 80% of intermediaries agree. The variation between different stakeholder groups is smallest regarding sustainability (65% for “other partners” vs. 79% for SECO).

Figure 5: Working with the private sector made the project ... (Survey; sub-groups)



Note: The percentage values show the share of survey participants which indicated “agree”.

Number of responses: 101, 102, 97, 96, 95



Differentiating the analysis within Stakeholder groups, we noted that there are some differences between answers from large companies and those from small and medium-sized ones. While both large and small companies were very positive about the cooperation, the feedback from large companies was noticeable better still (vast majority “agree” responses).

### **Assessment evaluation reports and project completion notes**

The second assessment summarises existing scores in evaluation reports and so-called project completion notes of PSE and non-PSE projects on the OECD-DAC evaluation criteria.<sup>24</sup> There are some interesting differences between PSE and non-PSE projects: The most noteworthy of them is that sustainability is rated a bit lower for non-PSE projects, if focusing on the highest scores (1 = very satisfactory). The difference is large enough to exceed the margins of error and reflects both internal and external ratings. The other differences are either smaller or based on a small number of observations (coherence, impact) and should therefore not be over-interpreted.<sup>25</sup>

It is remarkable that none of the 31 reviewed PSE projects has been deemed as unsatisfactory, overall. Among the 282 non-PSE projects there are 36 with an unsatisfactory or highly unsatisfactory rating. There are several interpretations for this result: One interpretation is that this as an exemplary success, nurtured by SECO’s rich experience and competence with regard to collaborating with the private sector; another one that SECO takes risks only to the extent that the align with its risk framework. Interviewees also argued that because PSE interventions are perceived to be under more scrutiny, SECO is particularly cautious and diligent, which does not bring down risks themselves, but changes the way risks are mitigated. A more critical interpretation is that SECO is not innovative and risk-taking enough in its PSE interventions – since both innovation and risks would lead to some of the ideas failing<sup>26</sup> – though it must be acknowledged that higher risk does not by default mean more innovation.

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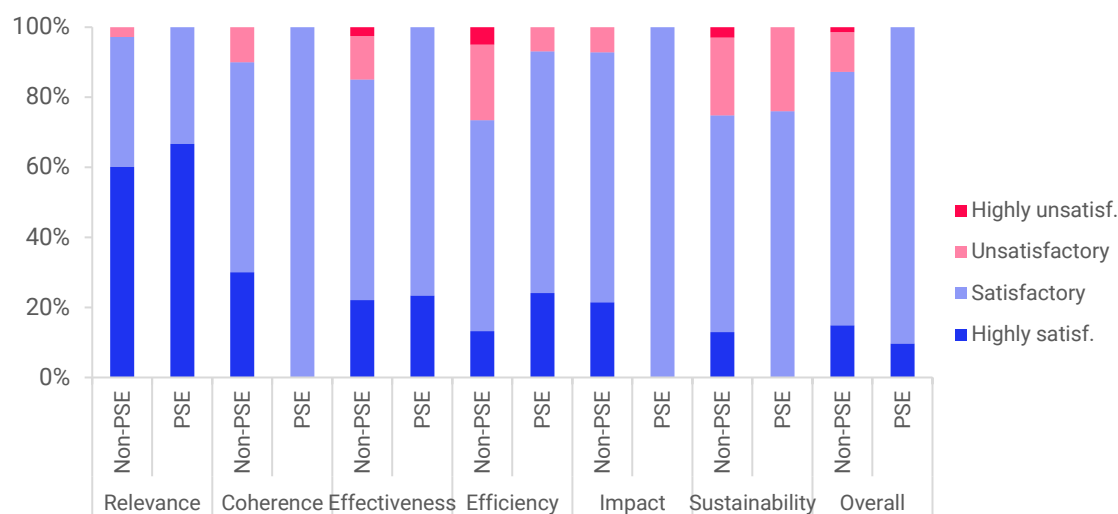
<sup>24</sup> SECO evaluations are typically accompanied by an “Assessment Grid”, in which evaluators give a score for the OECD DAC criteria. The scores are given using a four-point scale: very satisfactory, satisfactory, unsatisfactory, very unsatisfactory. The Assessment Grids main purpose is to calculate overall performance of evaluated SECO projects and programs.

<sup>25</sup> The assessment combines internal and external scores, to maximise the number of observations: For projects without an external evaluation report, the internal score is used. The proportion of external scores is considerably higher for PSE (75%) than for non-PSE projects (34%). External and internal scores are quite similar for non-PSE projects. The internal scores for PSE projects are more positive than the external ones, yet few in numbers. The comparison should therefore be robust, despite the different combinations of source documents. Overall, there are 31 PSE projects in the Assessment Grid database and 282 non-PSE projects.

<sup>26</sup> Additional interpretations are linked to the fact that PSE projects are larger than non-PSE ones and that a large number is implemented by multilateral organisations such as IFC; these projects might be managed and/or reported on differently than smaller projects. Another question is whether evaluators of PSE projects are not critical enough (or at least less so than evaluators of non-PSE projects). It is difficult to assess how much these factors influence the overall results.



Figure 6: Scores from external evaluation reports and internal project completion notes



Number of projects: For most dimensions, the number of projects varies between 25 and 31 (PSE) and 270 and 286 (non-PSE). Coherence is based on 4 (PSE) and 20 (non-PSE) projects, respectively, impact on 2 and 14.

## 4.2. Concepts and systems

### EQ1: Is the approach conceptualised clearly enough?

**Findings:** The Approach Paper describes how SECO conceptualises and operationalises the PSE modality. As explained in chapter 3, it contains a PSE definition, explains the rationale for engaging with the private sector, and discusses the principles that guide the engagement.

While some interviewees appreciate the broad overview the paper offers, many others find that the paper does not offer much guidance, for instance in terms of theory of change; outlining what is “expected” from the private sector; what thresholds of “co-financing” would lead to a classification as PSE (whether there is even such a threshold); and how to deal with the complexities of understanding, identifying, and ensuring the principles.<sup>27</sup>

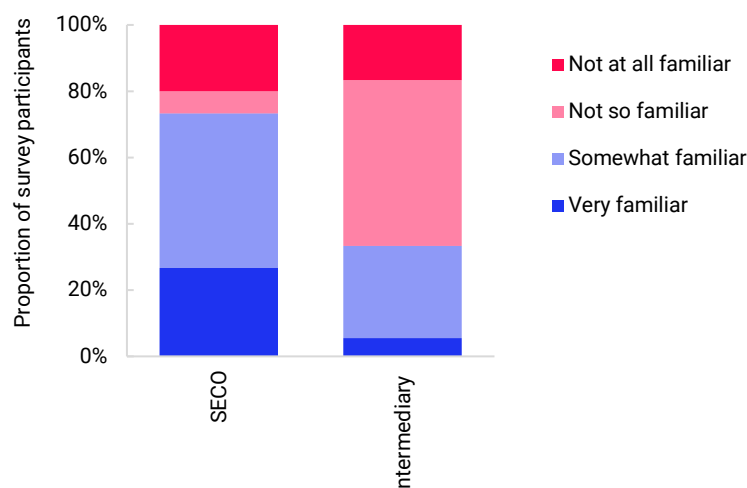
Accordingly, there are diverging views whether it is necessary to invest resources, and how much thereof, into more formalisation and conceptualisation. There was consensus among SECO staff, however, that it must neither lead to more administration nor to narrow down the ability for SECO to engage with the private sector.

<sup>27</sup> While not referring to the Approach Paper per se, we note in this context that the most recent OECD DAC peer review noted that SECO has “developed a pragmatic approach to partnering with the private sector, and SECO has set a holistic strategy with clear objectives”, thereby referring to the theory of change in the Approach Paper. OECD Development Co-operation Peer Reviews: Switzerland 2019, OECD Development Cooperation Peer Reviews, Paris.



One of the objectives of the Approach Paper was to communicate SECO's PSE understanding externally.<sup>28</sup> The survey asked SECO staff and intermediaries how well they know the paper. The results in Figure 7 show clearly that the paper is largely unknown to the most important project partners, the intermediaries. One SECO staff mentioned that the document *"does (likely) insufficiently explain PSE (...) and is not relevant for private sector partners"*. Another one mentioned that *"no one is in charge at WE"* to promote SECO's PSE understanding as one of the reasons why the paper is largely unknown.

Figure 7: How familiar are you with the SECO PSE Approach Paper? (Survey)



Question: As stated above in the caption.

Number of responses: 15, 18

The primary effect of the Approach Paper is seen in conceptual clarity and awareness, as well as making PSE a more prominent modality, according to survey participants. However, few people associate direct improvements of the PSE portfolio with the paper. The result is surprising, since it could be argued that conceptual clarity and awareness would lead to such improvements, at least in the medium and long-run.

**Reflections:** The interviews with stakeholders make clear that there is much room to sharpen and align the understanding of the approach and its main conceptual elements: definition / scope, Approach Dimensions, Theory of Change, principles, pre-conditions for PSE to work, and rules of engagement. Given SECO's understanding and application of the modality, this is not entirely surprising. It also does not seem problematic for all elements. For instance, having a common understanding where PSE starts and ends in relation to Private Sector Development, might help in communication but is unlikely to make a big difference how well the interventions work. Other elements of the approach, however, are directly relevant for the overall performance of the

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<sup>28</sup> While the Approach Paper was published in 2019, earlier versions go back to as far as 2014, which makes it difficult to retrospectively pinpoint the original ambitions around the paper. However, we learned that its purpose included to take stock of the PSE experiences and portfolio, to establish an internal reference framework particularly in relation to principles of engagement, and to communicate SECO's approach internally and externally.





portfolio. The principles and pre-conditions for PSE to work (well) are such elements. They are complex in nature and would benefit from repeat discussion and learning within SECO as well as with SECO's main partners. The Swiss Platform for Sustainable Cacao, which we discuss in detail in a case study in Annex 5, can serve as a good example how the PSE principles influenced the motivation and design of an intervention.

## **EQ2: Is the approach supported by SECO's steering, monitoring, and collaboration processes?**

**Findings:** In this chapter we summarise our findings regarding several processes related to the use of the PSE modality. In addition to steering, monitoring and collaboration mechanisms, we also discuss learning as a core support mechanism. As we focus on the portfolio level, we leave aside the manifold intervention-specific steering, monitoring, and collaboration processes that we learned about in interviews.

**Steering and monitoring:** The Operations Committee (OPK) is the format in which SECO deliberates, reflects, and approves projects. It is preceded by the Concept Meeting, which "greenlights" projects before being submitted to the OPK. The OPK examines the rationale and opportunities of applying the PSE modality and its discussions help to identify and address potential risks or hindering factors. Notwithstanding, some interviewees noted that time constraints limit the extent to which the OPK can deliver on this function and that there are "*little (if any) other mechanisms with which consistency of the PSE approach application across SECO could be ensured*".

As we discuss below, SECO has not defined targets for applying the PSE modality. Accordingly, there is also no monitoring for the application of the PSE modality, though several standard-indicators in SECO's results framework for the current IC Strategy lend themselves directly or indirectly to being achieved with projects with a PSE modality. In mid-2021, SECO introduced an SAP marker that indicates whether a project engages with the private sector, and to what extent.<sup>29</sup> Going forward, the marker can become a source for steering.

**Learning:** Learning regarding PSE takes place in many forms. These mechanisms include regular exchanges with intermediaries and project reviews and evaluations, which at times also include debriefing sessions in which different SECO staff participate. The annual report or the participation in knowledge platforms such as the DCED were mentioned too. Peer to peer exchanges, brown-bag-lunches, and events, in which experience with regard to collaboration with the private sector are discussed, is where learning takes place informally. The frequency and quality of these learning activities and specifically the effects that result from them are hard to pin-point, however. There are mixed views as to whether more or other forms of learning are necessary.

Starting 2021 SECO appointed a PSE Focal Point, who acts as advisor on and reference point for PSE-related questions both internally and externally. Organisationally, the PSE Focal Point is part of WEIF. Demand for support and advice by the Focal Point fluctuates but is generally low and

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<sup>29</sup> Introducing the marker gave, as we learned in several interviews, an impetus for SECO staff to read and reflect on the PSE modality.



estimated to about one day per month or 0.05 full-time equivalent (FTE).<sup>30</sup> This estimate does not include support provided for the creation of the SAP Marker or for the PSE evaluation.

Several reasons were given why the Focal Point is not used more often, including that the role is not known yet, and that the focal person assumes the role on top of daily business so that colleagues are reluctant to ask for advice. The self-perception that there is a shared common understanding and corporate culture of PSE among SECO staff could also be a reason why few questions and issues regarding PSE are raised. Another factor might be that questions are discussed section-internally. While none of the reasons can fully explain the small amount of support requests, it might just be the combination of all of them.

While it may have been, as one interviewee put it, “*convenient to operate like this so far*”, the person also raised the question whether the way PSE is implemented by SECO is still appropriate. Compared to other development partners that have dedicated PSE managers, specific legal and financial expertise related to innovative financing schemes, complex transactions in PPP projects etc. inhouse, this is not the case to sufficient extent at SECO, interviewees said. In addition, the growing importance of PSE, as mandated by the *IC Strategy*, and the fact that SDC invests considerable resources in developing and implementing its PSE modality add weight to the question of whether SECO needs to rethink its structures and resources for PSE.

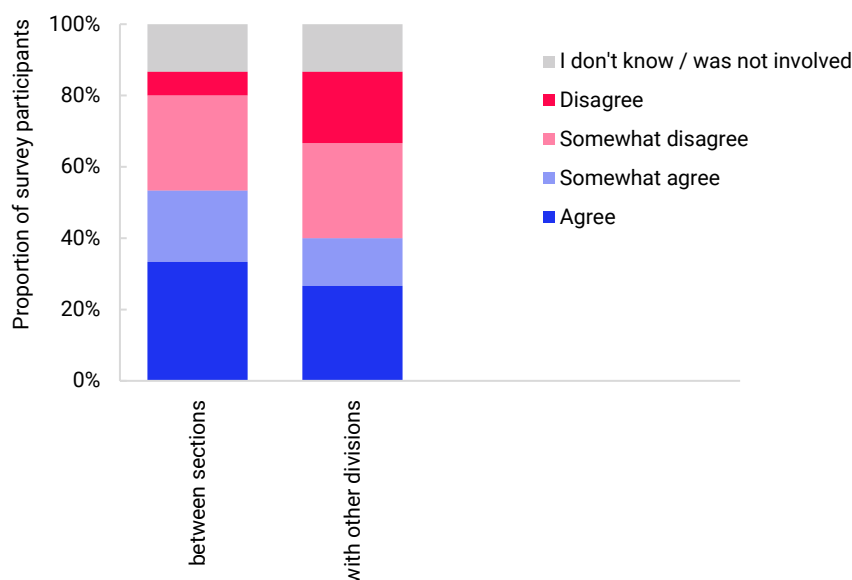
**Collaboration:** Data from the portfolio analysis shows that formal collaboration, as expressed by the number of interventions co-managed by two and more sections, is high. SECO staff also expressed satisfaction with the way the approach is supported by collaboration, yet two qualifications must be made: One is that some of the interviewees questioned whether the lean approach used so far is still effective. A pertinent example is the PSE Focal Point role which is principally welcomed but considered to be much under-resourced. The other qualification is that while sharing positive comments regarding collaboration between the operational sections, as well as with other divisions within SECO, there was also the feedback by many survey participants that collaboration should be extended as shown in the figure below. Regarding the collaboration with SDC, we refer to the findings in EQ7 below.

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<sup>30</sup> This is in contrast with the SDC who currently deploy 4.5 FTE in the PSE competence centre.



Figure 8: Enough level of collaboration within SECO (Survey)?



Question: Do you agree or disagree with the following statements? There is enough collaboration ... between SECO sections in the context of PSE projects/programs; with other SECO divisions in the context of PSE projects/programs.

Number of responses: 13, 13

**Reflections:** Monitoring, learning, and collaboration mechanisms regarding the PSE modality are characterised by a large degree of non-formalisation. The most formalised steering process, through the OPK, relates to steering at the level of interventions, not at the level of the PSE modality. The risk of this approach is that there could be (too) little attention to how the portfolio should look as whole, and where additional investments and learning efforts should be directed to. The creation of a dedicated PSE Focal Point is beneficial, yet the role seems woefully underfunded in light of a) the importance the current cooperation strategy lends to PSE, b) the current fast pace of the policy dialogue around PSE internationally, and c) in Switzerland, with SDC having invested many resources in recent times. Given its longstanding experience with regard to PSE, more formalisation could further enhance SECO's ability to share its extended knowledge on PSE, and contribute to policy dialogue, collaboration, and learning. The fact that there is little demand for support from the PSE Focal Point should not be interpreted that there is little need for such support; it seems to signal rather that the role is not yet much understood, both within and outside SECO, and therefore not exploiting its full potential.

## 4.3. Relevance

Two evaluation questions address the evaluation criterion relevance, namely whether the approach responds to needs and priorities of partners and partner countries (EQ 3) and when PSE is the right approach (EQ4). In assessing the first question, we distinguish between partner countries and partners from the private sector.



## EQ3: Does the approach respond to needs and priorities of partners and partner countries?

**Findings:** There is much consensus among development partners about the need to engage with the private sector and to leverage its resources and creativity to meet the SDG. The view regarding the need for PSE was ubiquitous in the interviews and survey (see Figure 4 above), in which we heard only few critical voices.

Regarding the needs and priorities of **partner countries and beneficiaries**, data from external evaluation reports and internal project completion notes (assessed in section 4.1 above) show that relevance is considered very high overall.<sup>31</sup> This is true for non-PSE projects and PSE projects alike, but it is notable that all 30 PSE projects received a “highly satisfactory” or “satisfactory” rating.<sup>32</sup> Likewise, the survey showed that the vast majority of the survey participants believe that the PSE modality made their project more relevant (also see section 4.1 above). This was further reflected in the interviews, which pointed both to the alignment of the projects with needs of countries and beneficiaries, and the processes ensuring relevance. There were a few critical voices, which primarily point out that the interventions, including their assumptions and principles, are not fully or differently understood by SECO and its implementing partners.

Regarding the needs and priorities of the **private sector partners**, the survey asked if the projects are well aligned in terms of three dimensions, namely 1. practices and processes, 2. concepts and terminology, and 3. dynamism and adaptability (see Figure 9). The results are very similar to the ones presented above, in that practically all participants believe (97% “agree” or “somewhat agree” responses) that the projects are aligned with the interests of its private sector partners. It seems worthwhile to recall that the level of relevance is based on self-reported assessments from the stakeholders currently taking part in projects.<sup>33</sup> Splitting these results according to stakeholder group, the agreement seems to hold across the groups, with a few notable exceptions: The NGO representatives are oftentimes a little more critical.

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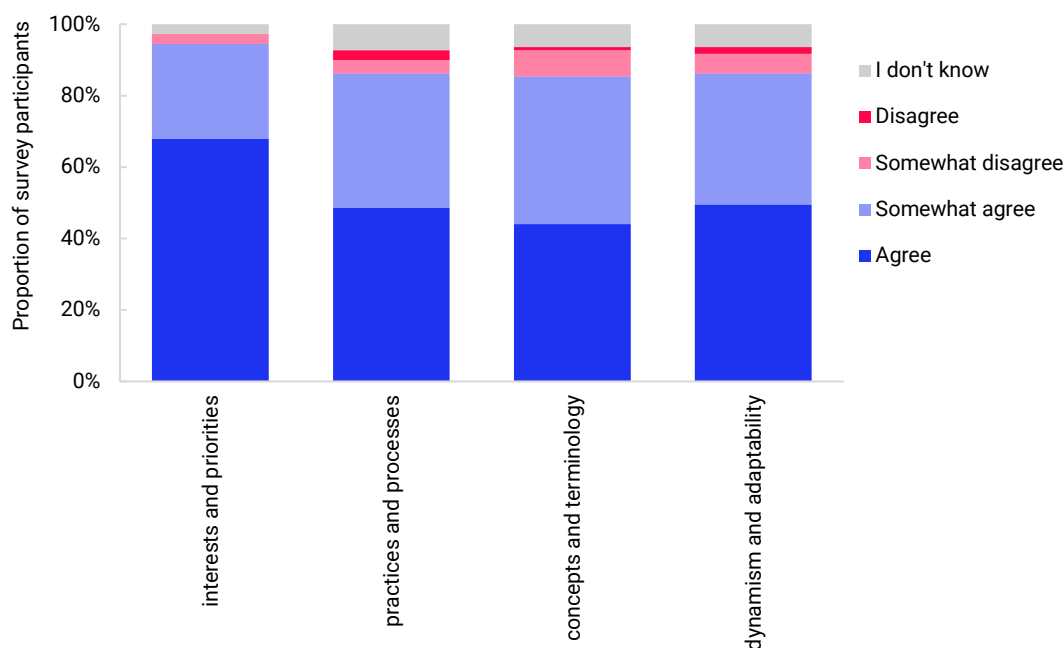
<sup>31</sup> Typically, the justifications provided behind the scores refer to strategies of partner countries and needs of beneficiaries. In some instances, reference is also made to strategies of SECO (and other donors) and the implementing agencies.

<sup>32</sup> The project completion notes included “highly satisfactory” ratings for all PSE projects, while the evaluation reports contained both “highly satisfactory” and “satisfactory” scores.

<sup>33</sup> The high approval rate might therefore also be a result of selecting partners who have similar interests, and / or a process in which PSE stakeholders jointly define a common development objective of their interventions. Depending on the form of engagement, project partners might sometimes closely represent the overall interest of their respective industries (e.g., multi-stakeholder engagement process), and sometimes less so (e.g., call for proposals). Also, many of the respondents from the private sector work in social businesses, have a role in a CSR or sustainability unit or may otherwise be “champions for development” in their organisations and may thus by default be inclined to assess the relevance of their engagement positively.



Figure 9: Your project is well aligned with its private sector partners, in terms of ... (Survey)



Question: Do you agree or disagree with the following statements? Your project is well aligned with its private sector partners, in terms of ... interests and priorities, practices and processes, concepts and terminology, dynamism and adaptability.

Number of responses: 105, 100, 101, 101

Some feedback of interviewees and survey respondents suggests that even if a common development objective is defined in a PSE project, there can still be much debate on how to achieve the objective and that it therefore requires to align mindsets, practices, and processes. Some of the practical examples that were shared range from finding a common language, agreeing on performance metrics and monitoring frameworks, including those related to gender, and retaining flexibility when context or markets change. An example of a project addressing such alignment difficulties, namely through transaction advisory services, is the Public-Private Partnerships in South-Eastern Europe and Central Asia (ECA PPP) program (which we discuss in a case study in Annex 7).

With regard to the motivation of the private sector partner to engage the survey revealed responses that are interesting in a number of ways (see Figure 10). The most noteworthy result is that the private sector indicates **ethical considerations** as its most important motivation to engage in a project.<sup>34</sup> The other stakeholder groups conversely think that “market position or access” is the main motivator for the private sector.

The 17 participants from SECO held quite different views on the motivations of the private sector. There is usually a spread of about 30 percentage points in the responses from WEHU, WEIN, and

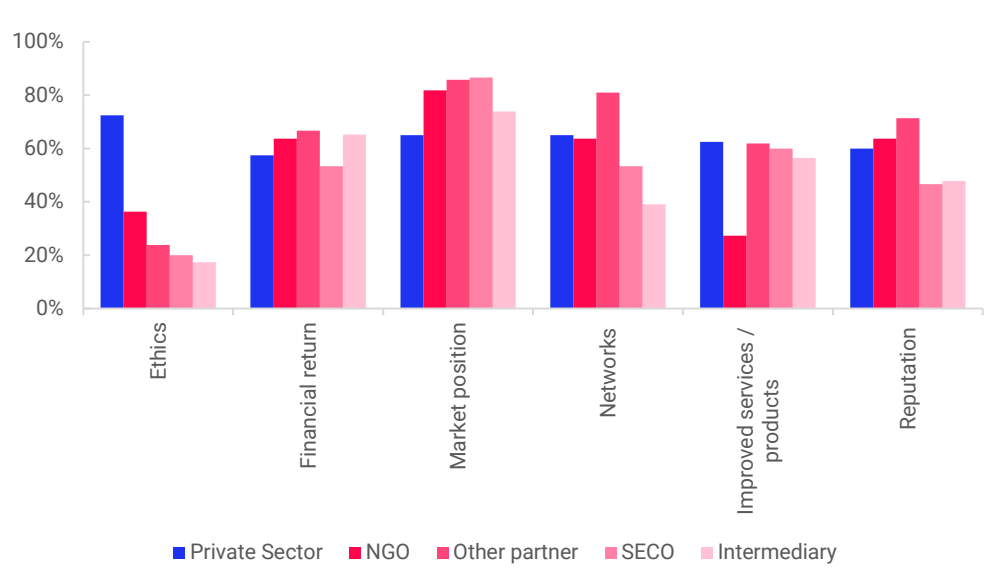
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<sup>34</sup> It must be mentioned that private sector representatives selected the other response options almost as often. The other groups had more variety in their responses, with ethical considerations usually selected least often.



WEIF. For instance, ethical considerations were selected by a third of WEHU participants, and by none from the WEIN and WEIF teams.

Figure 10: What motivates the private sector partners to participate in the project? (Survey)



Question: What do you think primarily motivates the private sector partner to participate in the project? And, for private sector representatives: What motivates you as a private sector partner to participate in the project? Desire to "give back" / ethical considerations; financial return / improved relationships; market position or access; networks; new or improved services / products; reputation / brand management; other – please clarify.

Number of responses: 29, 4, 5, 3, 4, 23, 7, 14, 8, 15, 27, 9, 18, 13, 17, 27, 7, 17, 8, 9, 26, 3, 13, 9, 13, 24, 7, 15, 7, 11

**Reflections:** There is no doubt that SECO's PSE projects address important needs of beneficiaries, from inclusive growth to climate change; needs which are also high on the agenda of partner countries, at least formally. In the conversations, some examples of partner countries were brought up where there was little interest in the projects, for example, to implement regulatory reforms that were developed as part of the Remittance Grant Facility in Ghana. However, that seems normal given the variety of context SECO operates in. "Serving needs and priorities" is not just about the alignment of objectives, but also about *how* the interventions try to serve the needs and priorities (adequacy of design). The fact that there is often little discussion in the design documents why the PSE modality is chosen, and how the principles are safeguarded, could be read as a sign that project stakeholders should be more conscious and critical in this respect.

Stakeholders, including those from the private sector, perceive a high alignment with private sector partners, in regard to priorities, terminology, and adaptability. This is an important finding as public sector representatives regularly perceive themselves as "at odds" with how the private sector operates. The feedback shows that the selection and design processes ensure that private sector partners are found and positively engaged. The motivation of the current partners is unlikely the same as those of the private sector in its entirety; yet such an alignment is not necessary or even possible, given the heterogeneity of the sector. The fact that ethical considerations are much more important to private sector partners than perceived by the other



project partners could be problematic when the opportunity to motivate partner with ethical considerations is missed.<sup>35</sup>

## EQ4: When is PSE the right modality, when not?

**Findings:** Interviewees and survey participants were asked this question. Synthesising the close to sixty responses, four broad groups of comments and related questions can be distinguished:

**1. Contribution to the SDGs:** A recurrent theme in the interviews and survey responses was that PSE can only be the right modality when private sector solutions have the potential to be effective for the challenges met in a specific sector and thematic area. Projects to enhance access to finance or to innovate services/products lend themselves to PSE, whilst this is less the case in projects on policy or regulatory aspects. In terms of commodities, PSE is thought of as the right modality particularly when a given commodity plays an important role in a country<sup>36</sup>, and when a contribution can be made which leads to inclusive growth and does not disrupt the supply chain.

**2. Political feasibility:** Specifically with regard to infrastructure projects<sup>37</sup>, it was mentioned that political feasibility (or the opportunity to manage political risk) is especially important in projects for utilities (water, waste) because they are prone to political interventions. Conversely, interviewees observed that private sector engagement tends to be the modality of choice in the transport, energy, or telecom sectors.<sup>38</sup>

**3. Market maturity:** The comments in this group either relate to the market dynamics, or the enabling (regulatory) environment, and the commitment from the government to work towards improving the environment. The experience of interviewees indicates that “*PSE requires a minimum threshold of a functioning economic system*” which limits the opportunities specifically in less/least developed countries that are oftentimes characterised by poorly developed institutions. The enabling regulatory environment or the government commitment is considered key, but often at risk, and hard to influence. That is why it is important for SECO to: **1.** seek to gauge commitment in discussions, looking for plausible clues and signals, and corroborating with

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<sup>35</sup> In this context various examples of behavioural economics can be cited of what can happen when motivations are poorly understood – they relate to individuals rather than companies, but their cautionary tale still seems relevant: remunerating blood donations, for instance, has reduced donations as this was crowding-out intrinsic motivation; paying for late pick-up at Kindergarten has led to increase in overtime as extending caretaking time was now understood as a service.

<sup>36</sup> A case in point in the portfolio is SECO’s support to SWISSO, given that Ghana is one of the key contributors to the global cocoa sector.

<sup>37</sup> “Urban development and infrastructure” projects encompass about a third of all of SECO’s interventions in the period 2013 to 2022 (see Table 3).

<sup>38</sup> Generally speaking, political feasibility depends greatly on the country context, including the institutional and regulatory environment. Reviewing the risk-related context assessments in six Country Programme Implementation Reports (CPIR) of 2021 shows that the political and institutional risks assessments indeed vary greatly in the six countries. The same can be said for economic, social and humanitarian, as well as security related risks. Still, it is interesting to observe that the same reports describe the opportunities for engaging with the private sector overall positively – irrespective of whether the context-related risks are rated higher or lower. This suggests that opportunities for PSE can be seized also in more challenging contexts.



other sources that commitment is true; and **2.** create good communication among all the stakeholders to address the mistrust which often occurs between the private and public sector.

**4. SECO principles:** Various other comments related to the geographical, economic, and social context. This comments often took up, explicitly or implicitly, elements of the SECO principles, particularly additionality and subsidiarity. One interviewee, referring to a challenging business environment (in this case the Ukraine, before the war) said that “*SECO can support risk taking, usually with pilot interventions which are then scaled.*” Cases of “high risks”, “pilot projects”, and “initial stages of high-potential projects” are seen as suitable conditions where additionality and subsidiarity are seen as best served. Many participants from the private sector believe that PSE is right when the projects have **public good characteristics** or entail **high business risk**. It helps to de-risk such projects and overcome risk-considerations of companies.

**Reflections:** The experiences and observations summarised above suggest that PSE is the right modality when the private sector can, in principle, contribute to sustainable growth in the country, industry, or thematic area. For the PSE modality, it needs the private sector to make development activities more effective and sustainable and it needs development partners to enable the private sector to engage in riskier activities and to introduce them into “new” markets. Being able to contribute to such sustainable growth requires political feasibility, as well as a conducive environment and market dynamics. Making PSE the right modality is also influenced by the extent to which the PSE principles can be safeguarded. Should PSE therefore be used in more interventions? The assessment suggests that expanding the modality would make sense, at least in terms of relevance. The findings also suggest that the PSE modality can be applied in diverse geographical and country contexts; expanding the use of the PSE modality specifically into new themes, countries and contexts and with new partners needs to be studied case by case. In this context we refer to our reflections on *Relevance*, namely that the discussion why the PSE modality is chosen could be strengthened at the design stage.

## 4.4. Coherence

Three aspects of Coherence are discussed below, namely: Is the approach a) coherent with Switzerland’s strategies and norms? (EQ 5), b) coherent with private sector initiatives? c) How does the PSE-related knowledge and information sharing between SECO and SDC work? (EQ 7)

### EQ5: Is the approach coherent with Switzerland’s strategies and norms?

**Findings:** Switzerland’s *International Cooperation Strategy 2021-24* (IC Strategy) calls to fully harness the “*innovation, specialist knowledge, distribution channels, investment opportunities and vocational education and training potential*” of the private sector.<sup>39</sup> The newly adopted *Foreign Economic Policy Strategy* defines the ambition to contribute to sustainable development both

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<sup>39</sup> The private sector is defined as: “actors which are not majority-owned by the State and exist for the purpose of generating profits. In the present strategy, the term also includes social enterprises, impact investors and certain grant-making foundations (primarily those of multinational companies).”





domestically and in partner countries, *inter alia*, by supporting effective application and development of globally recognised ESG standards; promoting guidelines on responsible business conduct; and assisting selected developing countries and emerging markets in meeting the SDG.<sup>40</sup> These strategic outlines mirror the arguments and narrative of the PSE Approach Paper (which was published prior, in 2019).

Most interviewees consider SECO's approach to PSE well aligned with the objectives of the *IC Strategy* as well as the *Foreign Economic Policy Strategy*, the two top-level strategy documents that guide the work of SECO, as well as other frameworks and practices. A few issues of internal coherence which emerged in interviews relate to the extent to which development cooperation should support the positioning of Swiss firms in the infrastructure projects<sup>41</sup> as well as different risk management approaches between SDC and SECO.

**Reflections:** Overall policy coherence between SECO's PSE approach and the aforementioned strategies as well as a number of other policy documents, for instance on migration, can be considered high. The *IC Strategy* emphasises the role of the private sector. It also highlights a number of elements where the strategy would like to see developments, including a strengthened collaboration with the private sector, diversified collaboration and development of new instruments. SECO has not operationalised these objectives for its own use, or indicated which ones it wants to contribute to. In absence of any operationalised targets and monitoring, it is difficult to assess how much progress has been made. Given that these elements have not been brought up in interviews at all, it remains an open question to what degree they have been guiding decisions related to the application and development of the modality. In regard to the *Foreign Economic Policy Strategy*, there seems adequate alignment, not least when it comes to the promotion of ESG standards. A potential misalignment, as argued by a paper commissioned by SECO, could be in relation to giving Swiss firms more space in the implementation of PSE projects, particularly in infrastructure. Yet as the paper argued itself, an implementation of such preferential treatment of Swiss companies would be incoherent with the understanding that Switzerland's development assistance is per se not meant to support Swiss firms' business opportunities.

## **EQ6: Is the approach coherent with private sector initiatives?**

**Findings:** Coherence of PSE projects with private sector initiatives has been considered high by interviewees, with reference to selected umbrella organisations like Swiss Sustainable Finance (which SECO launched itself) and value chain initiatives, as well as the values and priorities of its

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<sup>40</sup> Area 2 "advocates effective integration of developing countries and emerging markets in the market-oriented global economy and the international rules-based system" and refers specifically to SIFEM. The argument seems more directly related to Private Sector Development (PSD) than PSE, however.

<sup>41</sup> In this context we recall that a study commissioned by SECO noted that the topic of export promotion should be mentioned in the *IC Strategy* because the *Foreign Economic Policy Strategy*, published in November 2021, sets out the goal to promoting access to large scale infrastructure projects, of which there are many in countries in development: "Switzerland's development policy approach is generally not related to export promotion. If infrastructure projects are a priority for the government, however, the topic should be at least mentioned in the *International Cooperation Strategy*." Improve Swiss Private Sector Access to Large Infrastructure Projects, TradeRx, undated



private sector partners. The survey showed high alignment of the projects with the priorities of its private sector partners.

**Reflections:** The private sector as a whole engages in a multitude of actions and initiatives. Given its size and heterogeneity, it is not possible that SECO's objectives and actions are coherent with all private sector initiatives. Neither should they be, given some of those initiatives could go against SECO's own mandate or ambitions. What can be observed is that there is no obvious misalignment with other private sector-led initiatives which aim at similar objectives (Note: to assess whether there is enough cooperation and complementarity with these initiatives lies beyond the scope of the evaluation). Potentially more important is the question whether SECO's private sector partners act in alignment with the projects objectives; the survey result that priorities are seen as aligned (see Figure 9) seems to confirm this.

## **EQ7: How does the PSE-related knowledge and information sharing between SECO and SDC work?**

**Findings:** Knowledge and information sharing between SDC and SECO happen in various formats at the strategic and operational level. While not exhaustive, the formats most often cited at the **strategic level** include the exchanges and consultations with regard to the IC Strategy, the Country Programs, and the Comités de Pilotage. Many of them are not exclusively dedicated to PSE, yet the modality has featured strongly and increasingly during the past years. Dialogue formats at **operational level** happen for specific projects between the respective managers, between or within headquarters and field offices. At this level knowledge and information sharing are characterised by less formalism and are often contingent on the specific situation and people involved. A key finding from the interviews is that SDC and SECO found consensus that PSE is a modality that both organisations can apply irrespective of their thematic or geographic priorities or other preferences. This consensus, interviewees stated, has improved the organisations' collaboration regarding PSE. It also emerged that continued and enhanced collaboration is needed because of the growing number of engagements but also the experience that development cooperation that is implemented with the private sector is perceived to be under particular public and political scrutiny. Against this background knowledge and information sharing become a means to mitigate fiduciary, reputational, or other risks.

**Reflection:** The interviews showed that continued and enhanced collaboration is seen as beneficial by both organisations, not least given the attention that the PSE modality received in the *IC Strategy*. Recent examples of intensified collaboration – specifically related to the internal 'Herakles' project<sup>42</sup> as well as the launch of the SDG Impact Finance Initiative (SIFI) program<sup>43</sup> – were seen as exemplary and blueprints for future collaboration. It is likely that maintaining a similar type of exchange will necessitate to mobilise the required resources at SECO.

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<sup>42</sup> 'Herakles' is a project launched by SDC's Competence Center for Engagement with the Private Sector (CEP) that was implemented between March 2021 and April 2022. The project clarified and documented legal and financial aspects when engaging with the private sector. The purpose of the project was to further professionalise PSE.

<sup>43</sup> Launched in December 2021, SIFI is a public-private partnership for innovative development funding. The partnership is supported by SECO, SDC, the Credit Suisse Foundation, and the UBS Optimus Foundation.



## 4.5. Effectiveness

Three questions are discussed related to this DAC criterion, namely whether SECO achieves its PSE ambitions (EQ8), what success factors are observed (EQ9) and what innovations have been pursued (EQ9).

### EQ8: Does SECO achieve its PSE ambitions?

**Findings:** SECO's PSE ambitions are not formalised beyond the individual project objectives, neither short-term (concrete actions, for instance) nor long-term (more abstract goals or vision), although the *IC Strategy*, the *PSE Approach Paper*, the *SECO internal PSE Orientation Paper*<sup>44</sup>, and the *PSE Theory of Change / Approach Dimensions* contain indications what those ambitions could be. However, four sources contain relevant indications what those ambitions could be:

- **IC Strategy:** Ambitions can be identified in the *IC Strategy* (see section 4.4), yet according to what we learned in the interviews they have not been considered explicitly for SECO's strategic and operational decisions with regard to PSE.
- **Approach Paper:** It notes that PSE is a means to an end *"to increase the effectiveness and sustainability"* of SECO's activities and to contribute to competitiveness and integration into the global economy as well as sustainable inclusive growth. Furthermore, it states that SECO *"continuously explores opportunities to enter into new forms of partnership or develop new partnerships in its key thematic areas"*.
- **Orientation Paper:** An internal document disseminated in 2018, the *PSE Orientation Paper* contains recommendations which were approved by the Conference of the Heads of Section (RLK). The recommendations cover elements such as expanding the PSE portfolio, continuing to use grants and grant-like instruments managed by specialised intermediaries, and closely following the discussions regarding the PSE principles at relevant forums.<sup>45</sup>
- **Theory of Change / Approach Dimensions:** The *Approach Paper* contained six *Approach Dimensions*, which can each be understood as an ambition. In the evaluation *ToC* (see section 3.2) these were aggregated to three *Approach Dimensions* with corresponding ambitions, namely *"additional private capital"*, *"larger pool of actionable SDG relevant"*

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<sup>44</sup> Options for SECO's Private Sector Engagement, SECO WE, 25 September 2018

<sup>45</sup> The full set of recommendations reads: **1.** *"enhance its focus on building market foundations for private sector development and developing the private sector through PSE ..."*, **2.** *"expand its PSE portfolio ... in close coordination and, where appropriate, collaboration with other Swiss development agencies and private sector partners ... thereby giving due consideration to the promotion of Swissness."* **3.** *"continue to [primarily use] grants and grant-like instruments managed by specialized intermediaries. WEIF will examine the use of guarantees and loans ..."* **4.** *"Should SECO consider expanding its direct PSE portfolio, it will continue to examine such options on case-by-case basis ..."* (Note: The paper does not argue for or against such an expansion but does state that *"indirect partnerships in principal have an edge over direct partnerships"*), **5.** *"... SECO's operational sections will annually update the list of PSE activities compiled by the interdepartmental working group on strengthening development cooperation through the involvement of the private sector."*, **6.** *"In order to operationalize the PSE principles, SECO WEIF will continue to closely follow the discussions at relevant forums, i.e. mainly within the DCED [and consider the] implications of these discussions for SECO's business in order for operational divisions to adopt relevant methods, standards, and best practices."*



solutions", and "more commitment for SDG relevant solutions", which together lead to more SDG relevant solutions and contribution to achieving the SDG.

In the absence of a more detailed framework, or benchmarks or target values, a conclusive assessment of the effectiveness of the PSE modality is difficult – and there are indeed diverging views among the interviewees whether such frameworks should exist. We thus approach responding to the questions from different sources and perspectives, focusing specifically on the Theory of Change and Approach Dimensions.

### **Overall assessment**

The assessment of the reports and completion notes (included in section 4.1 above) showed that effectiveness is considered high. This is true for non-PSE projects and PSE projects alike, but as with relevance, it is notable that all 30 PSE projects had either a "highly satisfactory" (23%) or "satisfactory" (77%) rating. As with relevance, the internal completion notes were particularly positive.

The survey (see section 4.1 above) showed that the vast majority of the survey participants believe that the PSE modality made their project more effective. All stakeholder groups share this view. There are more critical voices from NGO partners than from the other implementation partners. 82% of the NGO participants believe that the PSE modality made the project more effective, versus 95% to 100% for the other groups. And among those who strongly believe so ("agree"), the proportion is 36% for NGO representatives, and 62% to 80% for the other groups.

### **Achievement of Approach Dimension objectives**

Survey participants were also asked to assess the causal chain elements of each of the three Approach Dimensions, which constitute the ToC elements (see section 3.2) from left to right. The survey addressed implementing partners, meaning that the scores below have the character of a self-assessment. Furthermore, the survey did not ask about the project goals *per se* but a more generalised objective statement. The objective statements are not quantifiable but intend to capture "positive change" which sometimes, depending on the expectations of the stakeholder, could be quite small.

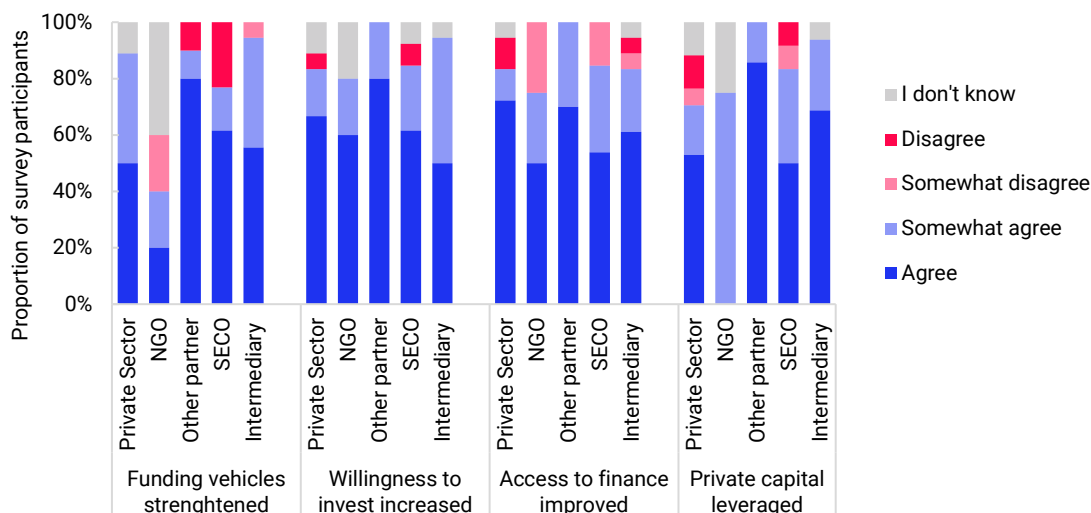
Starting with Approach Dimension 1 (**Capital**), there is a high level of approval for each of the four elements. "Private capital leveraged" receives the lowest rating (84% agree or somewhat agree), which suggests that the results that are achieved by the project portfolio altogether satisfies expectations. As the disaggregated results show, there is a bit of variation when comparing the stakeholder groups, yet approval rates stay high.<sup>46</sup>

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<sup>46</sup> The two outlier scores for "funding vehicles strengthened" and "private capital leveraged" are both from NGO representatives, yet it should be noted that these two scores are based on 3 participants only.



Figure 11: Achieving Approach Dimension 1 (Capital) objectives (Survey)

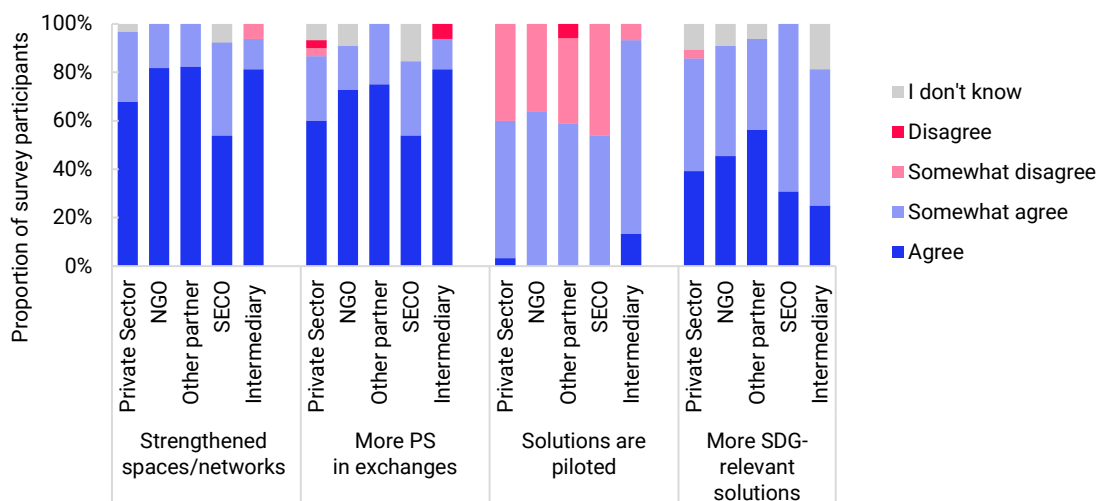


Question: Do you agree or disagree with the following statements? These objectives related to Approach Dimension 1 (Capital) will be reached at the end of the duration of your project: Funding vehicles for SDG relevant solutions created or strengthened; Increased willingness of the private sector to invest in SDG relevant solutions; Improved access to finance for entrepreneurs / SME / public sector with such solutions; Additional private capital leveraged for SDG relevant solutions.

Number of responses: 18, 5, 10, 13, 18, 18, 5, 10, 13, 18, 18, 4, 10, 13, 18, 17, 4, 7, 12, 16 (Note: this question was addressed to participants who earlier indicated that their project covers Approach Dimension 1).

In terms of Approach Dimension 2 (Solutions), it is striking that there is much approval for the elements, from all stakeholder groups. Yet "solutions are piloted" received much less agreement. It is not evident from the comments why this element has a lower score, but it seems likely that this intermediary step is sometimes not implemented, and / or not needed.

Figure 12: Achieving Approach Dimension 2 (Solutions) objectives (Survey)



Question: Do you agree or disagree with the following statements? These objectives related to Approach Dimension 2 (Solutions) will be reached at the end of the duration of your project: Spaces/networks to share ideas, experiences and

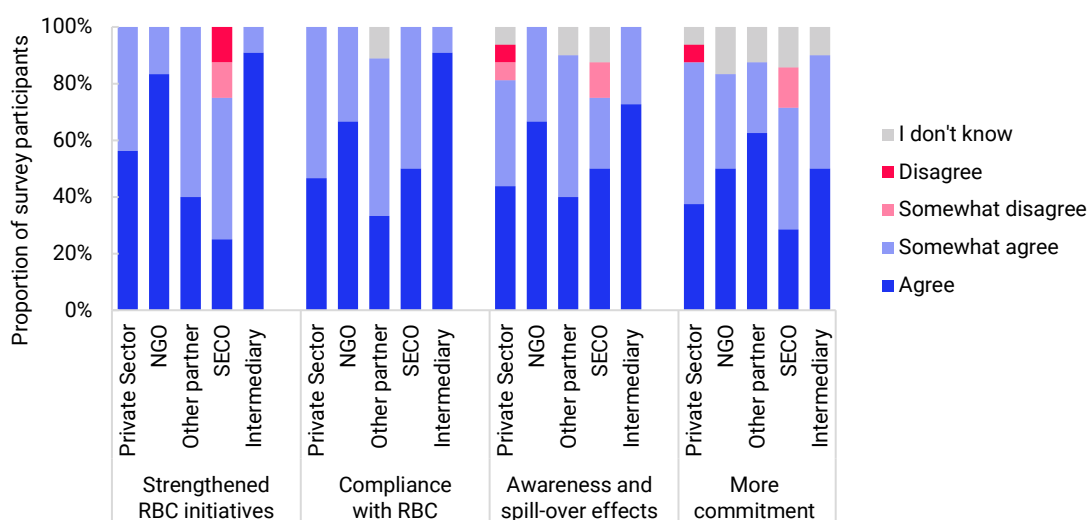


expertise are created or strengthened; More private sector stakeholders take part in exchanges; Solutions are co-created, piloted, market access is improved; Larger pool of actionable SDG-relevant solutions.

Number of responses: 31, 11, 17, 13, 16, 30, 11, 16, 13, 16, 30, 11, 17, 13, 15, 28, 11, 16, 13, 16 (Note: this question was addressed to participants who earlier indicated that their project covers Approach Dimension 2).

In relation to Approach Dimension 3 (**Commitment**) it is interesting to observe that compared to the scores for the other two Approach Dimensions, NGOs take a particularly positive view. The scores showing less agreement – of which there are very few – stem from SECO and the private sector.

Figure 13: Achieving Approach Dimension 3 (Commitments) objectives (Survey)



Question: Do you agree or disagree with the following statements? These objectives related to Approach Dimension 3 (Commitment) will be reached at the end of the duration of your project: Initiatives/frameworks for responsible business conduct are strengthened; (Voluntary) compliance or engagement of companies with responsible business conduct; Awareness and spill-over effects on other private sector companies; More commitment for SDG relevant solutions.

Number of responses: 16, 6, 10, 8, 11, 15, 6, 9, 8, 11, 16, 6, 10, 8, 11, 16, 6, 8, 7, 10 (Note: this question was addressed to participants who earlier indicated that their project covers Approach Dimension 3).

The positive survey assessments were mirrored in the feedback obtained in interviews. There is a common sentiment among the interviewees that SECO is overall successful with its PSE approach and portfolio. It has been achieving results in all three dimensions – capital, solutions, and commitment – showing that, as one interviewee expressed it, “the PSE approach works and is feasible”. The feedback can be aggregated as follows:

- Capital:** The majority of the SECO interviewees were particularly positive about the extent to which additional capital was mobilised in recent years. Achievements include the creation of new funding vehicles or the continued support of the existing ones. Examples that were cited include the Global Emergence Fund, PIDG, SECO17, SIFEM, Start-Up Fund, as well as the collaboration with the IDB Lab and their work on social impact bonds. Whilst acknowledging these results, others cautioned that “capital mobilisation is also the easiest to measure and to communicate about” skewing the impression of what was successful. Others argued that the focus on capital can dilute attention that complex problems in the development context require systemic interventions.



- **Solutions:** It is also a common belief that SECO is rather successful on the second Approach Dimension, to create and strengthen networks to share “know-how”. Various examples were brought up, including Swiss Sustainable Finance, various platforms for commodities, as well as SECO’s engagement in the DCED and other knowledge sharing and exchange platforms.
- **Commitment:** The interviewee feedback regarding “commitment” was mixed, compared to the survey participants who rated effectiveness overall high. One interviewee explained, for instance, that “*there is a «preaching to the choir» situation*” while another one raised doubts whether SECO’s interventions on responsible business conduct were indeed needed, given that there “*are already many pressures by consumers on companies to engage in responsible business conduct.*” Other interviewees highlighted SECO’s contributions and achievements with regard to (voluntary) standard setting in sustainable value chains which includes certification schemes.<sup>47</sup> These interviewees noted that SECO’s platform approaches that combine peer activities and peer pressure create the space in which private sector partners can commit to collective action.

Several interviews touched on the difference between SDC and SECO with regard to their PSE approaches. SECO, it was argued, pursues a ‘sector approach’. This means that SECO supports initiatives in which different actors in a given sector collaborate to jointly achieve sustainable outcomes, as is the case in several value chain projects such as the Swiss Platform for Sustainable Cacao. Several advantages are associated with this approach, as argued by SECO staff, including that it is easier to identify issues of interest among the actors, easier to ensure the “avoid market distortion” principle, as well as the alignment with prevailing Swiss regulatory policies (*Ordnungspolitik*). As main disadvantage it was mentioned that a sectoral approach can hardly solve complex and multifaceted challenges such as human rights, or loss of biodiversity on its own. Conversely, it was argued that SDC must at times collaborate with single businesses who act as first movers in a least developed country context, to give impetus for systemic change. This implies accepting higher risks or using financial instruments with no return on investment.

**Reflections:** It is undeniably a success that effectiveness of SECO’s PSE interventions is perceived and assessed so highly across the portfolio and there is rich evidence and stories that showcase the results that were achieved through SECO’s PSE interventions – some of which are discussed in the case studies contained in this report. It is less obvious whether ambitions related to the development and application of the PSE modality itself were achieved – for instance those mentioned in the *IC Strategy* – because there is no framework or targets with which the results that were achieved can be put into perspective. As discussed further above, the absence of clear ambitions and plans limits the extent to which the PSE modality can be steered (including to be compared with alternative approaches), with a view to optimise SECO’s development effectiveness. The interviews and the survey resulted in many relevant responses on success factors and pre-conditions of PSE – these point to how SECO can improve effectiveness further.

An altogether different question relates to the “right” level of success and failure. The evaluations of PSE projects currently contain a high number of “satisfactory”, and a small number of “very satisfactory” scores. If SECO wants to increase the innovation content of its projects, and

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<sup>47</sup> Similarly, as part of the sustainable fisheries program financed under SECO17, participating fish farms undergo a certification process.





alongside the number of "very satisfactory" projects, it might also have to accept a number of projects which fail. Given that innovation plays such an important role in the narrative to justify the use of PSE and given that SECO is a comparatively small development partner in many contexts and therefore well adapted to trial ideas which have the potential to be scaled, it seems to make sense that SECO embraces more risks in its portfolio.

## EQ9: What are success factors in the implementation?

**Findings:** Interviewees and survey participants were asked what they consider to be success and hindering factors for PSE, based on the experience in their project. This question is about the implementation process, but some of the factors might be so difficult to ensure in some contexts that they could also be seen as pre-conditions.

Altogether there were 83 comments, which we synthesised (a visualisation and differentiation according to Approach Dimensions and the three SECO divisions can be found in the extended findings chapter in Annex 3). Using the material also from the interviews, we structure the comments into the following groups:

**1. Alignment of interests:** All stakeholder groups believed that one of the most important success factors was the alignment of interests and objectives among partners. Many participants emphasised the significance of creating buy-in from the private sector, which requires acknowledging and appreciating different perspectives, understanding incentives of all parties involved, and generating tangible benefits (which, apart from profits, also include supply chain security, reduction of compliance risks, fostering networks). SECO and intermediary participants acknowledged that this can be difficult, including avoiding "*pushing the donors' own agenda too much*". One interviewee explained that risk reduction always means reduction of potential returns; this might suit some private investors but not others. Expectation management plays an important part: "*Investing time and resources in understanding, clarifying, and communicating the different parties' motivation and what is to be achieved is the key to success*". Against this background participatory and multi-stakeholder approaches become themselves success factors. Steering Committees and other formal and informal frequent exchanges can also be instrumental for trust building, sound decision making, and effective project oversight. The importance of trust building also emanated in the case study on the ECA PPP program in Annex 7.

**2. Selection of partners:** Building effective partnerships among different stakeholder groups is considered a key success element, especially in exchanging and increasing knowledge, expertise, and resources. Selection of well-fitting partners, in a transparent manner, is thus seen as one of the enabling factors for PSE. Many participants emphasised the importance of staying open for different types of partners on the one hand, but also for clear selection criteria and related procedures (tendering / application) on the other. Such criteria could include similar values, agenda and commitment, minimum size or creditworthiness, capacity, reputation, and history of successfully implementing and executing programs. Dividing roles and responsibilities clearly among different partners, in a way that they correspond to the competencies of the partners, was in this context mentioned as another success factor.

**3. Understanding the context:** Geopolitical, legal, and social context, and market conditions are important factors, according to several participants. Having country or region-specific knowledge/expertise is essential for project success – a reason why SECO's presence in partner





countries has several times been mentioned as an asset.<sup>48</sup> Other elements supporting understanding are in-depth and participatory design processes. Political instability, disabling business environment, and limited institutional and legal framework, weak enforcement capacity, and limited markets can be major obstacles for PSE (see also EQ 4 above). Understanding the context also extends to ensuring commitment from the public sector.

**4. ESG concept and standards** were brought up repeatedly as a success factor; either having a ESG concept / standards as well as being supported towards developing such – because firms have on the one hand increasing awareness about the important of ESG, but not the knowledge to translate ESG into their business operations. Several private sector participants also expressed that business owners increasingly think about their social role and strive less for financial success only, with the realisation that they will otherwise risk losing their market share.

**5. Proof of concept:** When it comes to project management, success factors which were identified by interviewees and survey participants include: the ability to “demonstrating feasibility through successful pilot transactions, reducing risk perception, and lowering market entry barriers”; “having robust measurements”. Time and resource constraints were considered as a challenging factor for PSE, particularly when clarifying concepts and other aspects in complex or capital-intensive projects. Whilst co-funding and equity finance can help mobilise commercial capital, being successful in doing so was challenging for many.

**6. Flexibility** in engaging with partners was considered important. Two survey participants called for giving intermediaries the discretion to “*identify partners and design projects with them*”. Conversely, several respondents from the private sector valued the “*non-interference and hands-off approach from SECO*”, and “*the ability to move quickly, to support de-risking projects which the private sector cannot*”. Survey participants emphasised the importance of applying procedures and processes in a way that they contribute to creating impact (“*you have to be pragmatic and to keep in mind that this is a specific context*”).

A few participants from SECO and intermediaries named hindering factors at the project level, which are, to a large extent, the inversion of the success factors above. These factors include “*high risk associated in the early stages of pilot projects*”, “*too much bureaucracy, untargeted support, too much and non-strategic money from donor organisations*”, and “*too strict definition of matching funds and contributions [that] generated a lot of transaction costs for little gain.*”

**Reflections:** The success factors collected above warrant continuous monitoring, reflection, and exchange. “Alignment of interest” is a reason why such continuity is important: Understanding motivations, setting expectations, finding common interests, is relevant in all stages of the “life cycle” of a project, not least because partners will likely stay the same through all of these stages. from design, over implementation, to phasing-out and hand-over. It is similar with flexibility, and understanding the (changing) contexts. While the collection above gives a broad indication what is often important in PSE projects, obviously all factors have to be operationalised further: What

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<sup>48</sup> An example in which the role of SECO’s country offices was expressly mentioned is the mid-term evaluation of the Multi-Country Investment Climate Programme (MCICP). The evaluators found that their inputs along with the ones of SECO’s headquarters are required “to ensure knowledge of local context is fully utilised”. Mid-term evaluation of the MCICP, Oxford Policy Management, 2021



constitutes an effective partner, for instance, will likely depend on the objectives of the PS engagement and the context.

#### **What criteria need to be considered / examined when selecting private sector partners?**

Most survey participants mentioned some or all of the following criteria for selecting private sector partners: **1.** alignment of interests and commitment; **2.** proven track record in the implementation of projects; **3.** integrity/reputation/ESG track record; **4.** sufficient technical, human, and financial capacity; and **5.** sustainability model and strategy.

Many NGO participants reiterated the importance of the private sector's ethical and social considerations (labour rights, relationships with suppliers and communities); environmental performance (use of environment-friendly practices/technologies, responsible use/management of natural resources); and their readiness and willingness to change. Some other participants also mentioned the advantage of having knowledge of the context and skills to engage with country partners, and capacity for wider dissemination. The essential role that SECO's offices in the partner countries have in identifying, fostering relations, selecting, or supporting private sector partners has been mentioned repeatedly.

## **EQ10: What innovations have been pursued through PSE interventions?**

**Findings:** While SECO does not have an overarching definition of the innovation it seeks to achieve by applying the PSE modality, several characterisations of what constitutes innovation were mentioned in our conversations with SECO staff.<sup>49</sup> They suggest that there is a shared understanding across the operational sections regarding innovation. It also emanates from the interviews that there is a general idea among SECO staff that the *"private sector is key in the process of innovating"* and that the PSE modality has therefore much innovation potential. Beyond that potential, the private sector is also perceived as having specific technical expertise, awareness of the latest market developments, and having a capability to scale new ideas, technology, products and services.

Turning the attention to the innovations that were pursued through PSE interventions, several examples were mentioned to us in the interviews and surveys. We group the examples in two broad categories, namely modality-related innovations (e.g., relating to the forms of engagement) and project related innovations (innovations and transformation in terms of technology, products and services, or work-organisation that projects intend to trigger):

- **Modality related:** In this category fall innovations with regard to the multistakeholder approach, including in particular the Better Gold Initiative and the Swiss Platform for Sustainable Cacao. They are considered as innovations because they are new for SECO and planned to be scaled for other commodities too. With regard to the PSE Approach Dimension "capital", the example most often cited as being innovative was SECO17, among other reasons because it linked technical assistance to an investment fund for the first time. Another example is the Blockchain Ecosystem South Africa programme, in which SECO collaborates with Swiss venture capital firms. The projects seek blockchain-

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<sup>49</sup> Some of the characterisations mentioned are: "taking on a new challenge", "collaborating with a new partner"; "deploying a technology that is not mainstreamed yet in a given context", "something new in a specific country of theme", "a solution not available in a particularly market".



related innovations via early-stage start-ups in South Africa. Finally, the Green Bond Technical Assistance Program was discussed; this project encourages financial institutions to focus on green bonds in emerging markets.

- **Project related:** The examples mentioned under this category comprise product and process innovations. Examples of product innovations comprise the services and products developed under the Remittance Grant Facility in Ghana (see case study in the section 4.7 and Annex 4). The Sustainable Cocoa Production Program in Indonesia created a tool that combines “*diffusion of innovation theory and social network analysis*”; it is one of the process innovations to better manage traceable supply chains.<sup>50</sup> The Better Gold Initiative was mentioned too, which uses blockchain technology to enhance traceability. Another innovation brought up are Village Savings and Loan Associations (in the context of the Swiss Platform for Sustainable Cacao), a model for income diversification and women empowerment.

The review of Country Programme Implementation Reports (CPIR) and Annual Reports covering the year 2021 revealed a few additional examples that fall into the remit of what SECO considers as innovations and strives for. Among them are a digital wallet and other fintech solutions for artisan gold miners in Colombia. Albeit not related to PSE interventions directly, SECO is also active in supporting business reform and thereby creating innovation-friendly environments for the private sector.

We learned that the topic of innovation receives ever more attention, which is also evidenced by the creation of an informal innovation support group led by WEIN that aims to foster innovation through SECO internal exchanges, innovation stock-taking, analysis of good practice so as to create “spaces” for innovation.

**Reflections:** Interviewees and survey participants mentioned a wide range of examples how innovation was created and/or applied in PSE projects – consistent with the broad idea of what innovation constitutes. Some of these innovations are likely incremental, others potentially more disruptive in nature - distinguishing between the two would need an in-depth study of each innovation. The examples also indicate that what is considered as innovation depends on the context and thematic area. Some approaches that are new for SECO can be seen as innovation, less so in other contexts or when compared to the work of other development partners or actors.<sup>51</sup>

#### Findings from the OECD DAC Peer Review

The OECD's Development Assistance Committee (DAC) conducted a peer review in 2019, assessing the performance of Switzerland's development co-operation. With regard to innovation the peer reviewers attested that “*Switzerland champions innovation*” and noted several innovations that stem from SECO funded interventions. Examples included the launch of a social impact fund in Colombia; the SECO Start-

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<sup>50</sup> The tool – FarmNetX – is a decision-making tool for sustainability managers using existing data collected for private and voluntary sustainability standards, and social network analysis to gain insights into farmers' informal knowledge sharing networks. It identifies influencers in farmer networks so that sustainability managers can focus their investments on the influencers, instead of the entire network, accelerating diffusion of innovations in their supply chains at lower costs.

<sup>51</sup> The Remittance Grant Facility in Ghana is a case in point, where the “challenge fund” is seen as an innovation from SECO's perspective while there is a body of experience with this financing mechanism from other development agencies based in Australia, Canada, Sweden, or the United Kingdom. SWISSCO too was preceded by similar platforms in other European countries.



up Fund which promotes private-sector investment projects in developing and transition countries; the SECO 17 call for proposal to provide technical assistance to investment funds to develop innovative projects contributing to climate or job creation goals; the REPIC Platform that funds innovative projects in the area of energy; and SIFEM's impact bonds. Referring to a recommendation issued in the 2013 peer review, which suggested that SDC and SECO set clear priorities and provide guidance for scaling up and replicate innovative projects for greater impact and to reduce administrative costs, the reviewers concluded that it was partially implemented.

Source: OECD (2019), OECD Development Co-operation Peer Reviews: Switzerland 2019, OECD Development Cooperation Peer Reviews, OECD Publishing, Paris

## 4.6. Efficiency

This section addresses the evaluation question, whether the different forms of engagement are efficient? (EQ 11). The analysis summarises the prevailing views on matching funds, results-based financing, technical assistance / capacity development, and multi-stakeholder platforms, and specifically whether they have a good cost-benefit ratio. A more in-depth analysis, including discussing specific formats such as loans, guarantees, or first-loss tranches when discussing matching funds or results-based financing, is beyond the scope of the evaluation.

Before we address the forms of engagement specifically, we first discuss the overall results related to efficiency (section 4.1), acknowledging that overall efficiency also includes other project elements than forms of engagement.

**Findings:** The findings from evaluation reports and internal project completion notes show that the efficiency of the PSE projects is considered to be high. Of the 29 projects with an efficiency score, 7 were rated very satisfactory, 20 satisfactory, and 2 unsatisfactory. This roughly compares with the non-PSE projects, although the non-PSE projects were rated a bit more critically.<sup>52</sup> As with relevance, it is notable that all internal completion notes to PSE projects were particularly positive reviewed projects had either "highly satisfactory" (23%) or "satisfactory" (77%) efficiency rating.

The survey showed that the vast majority of the participants believe that the PSE modality made their project more efficient. Several survey participants, particularly from SECO, expressed concern that more time and resources are needed to clarify the conceptual differences, align diverse interests of various stakeholders, and convince the private sector to get on board in comparison with traditional projects. Yet, the PSE modality is seen as pertinent for the long-term sustainability of the projects and offsets the aforementioned initial investment.

Another recurring theme related to efficiency were the M&E requirements and the unintended burden they bring to agree on and to deliver monitoring data. This was shared both by representatives of DFI as well as private sector partners who often struggle to deliver non-core business related M&E data which makes the implementation process inefficient. In this context it is generally seen as good practice to jointly develop monitoring, evaluation, and learning

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<sup>52</sup> Given the sample size, the differences should not be overinterpreted.



frameworks to ensure that the latter are both meaningful to assess development outcomes and feasible; this may require assistance and iteration.

#### **Findings from a meta-study on efficiency in private sector engagement**

This excursus summarises the findings of a recent evaluation synthesis that examined issues around efficiency in PSE interventions.

The meta-study comprised 51 evaluations (selected from more than 1500 potential sources) that were commissioned by various development cooperation partners in Germany as well as bi- and multilateral actors. It focused on seven evaluation questions, including two that attended to issues of efficiency when engaging with the private sector. The findings on efficiency are mixed: On the positive side the meta-study finds, for instance, that the PSE modality has the positive effect of cost savings for the public sector. At the same time, engaging with private sector actors “often causes high transaction costs to begin with, due to complex negotiation structures and an increased need for coordination” as well as other opportunity costs. In the aggregate, the meta-study found that positive effects on efficiency outweigh the negative ones. It furthermore concluded that “efficiency gains are only achieved when private sector and public partners are able to pursue shared long-term goals, work together over longer time spans and build mutual trust.”

*Evaluierungssynthese Zusammenarbeit mit der Privatwirtschaft, DEval, 2021<sup>53</sup>*

## **EQ11: How are the forms of engagement assessed in terms of efficiency?**

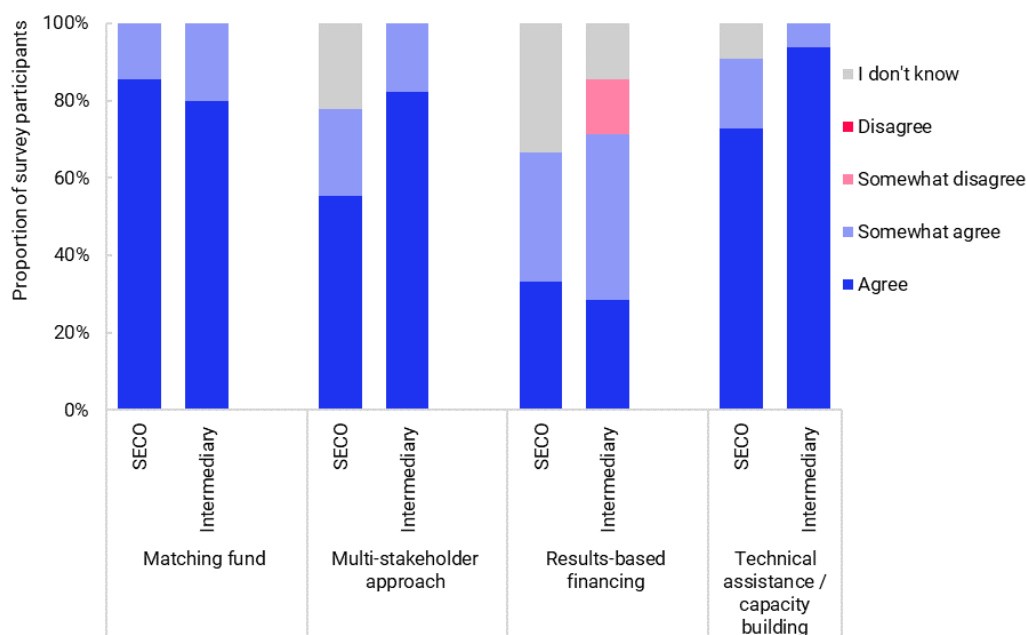
**Findings:** Multi-stakeholder approaches and technical assistance / capacity building are the forms of engagement most often applied in the evaluated portfolio. Alongside matching funds, these forms of engagement are considered by all survey participants as worthwhile to employ as shown in Figure 14. Results-based financing was rated more cautiously, yet it should also be considered that this instrument was rated by few people only (3 SECO staff and 7 intermediaries).

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<sup>53</sup> The study included the evaluation by SECO on Greater International Competitiveness of SMEs & Facilitated Market Access (2019).



Figure 14: Are the engagement forms worthwhile? (Survey)



Question: Do you agree or disagree with the following statements? Considering all costs and benefits, it was worthwhile for the project to apply ... Matching fund, Multi-stakeholder approach, Results-based financing, Tech. ass. / capacity building

Number of responses: 7, 5, 9, 17, 3, 7, 11, 16

The feedback that was given in interviews signals that the interviewees seemed to have a different understanding of the various engagement forms, which renders a comparison from the feedback difficult. This can well be explained with the complexity of the question and the fact that not all participants have experience in applying all forms of engagement to be able to draw comparisons. Generally speaking, however, it can be inferred from the feedback that respondents confirm the good cost-benefit ratio of multi-stakeholder approaches as well as technical assistance and capacity building; in addition they consider them as essential features to enhance sustainability.

As far as the other forms of engagement are concerned it was interesting to observe that survey respondents noted that 'high transaction costs' is a key challenge of matching funds. While the reasons why 'high transactions costs' are incurred are unclear, we learned in interviews that there are challenges as regards the financing instruments that SECO can employ in its projects. Regarding transaction cost there have also been concerns that initiation costs are at times disproportionate to the total project costs. Due to their fixed cost character, efficiency could consequently be improved if SECO designed fewer but larger PSE projects, interviewees argued. Another noteworthy observation on efficiency is that SECO oftentimes implements its PSE projects via multilateral channels such as via the IFC. In fact, the WBG and regional development banks combined account for more than 40% of the current PSE portfolio. The views about whether these engagements are more or less efficient varies.

**Reflections:** As mentioned above, the PSE portfolio is perceived and assessed very positively with regard to its effectiveness and thus the results that it achieves. Since efficiency is related with effectiveness, it may thus not come as a surprise that the cost-benefit ratio is equally rated high.



An issue to reflect on in this context is that several interviewees argued that more flexibility (for instance in terms of project duration or spending rules) as well as providing space for risk-taking could enhance efficiency on the one hand as well as foster a culture of innovation on the other hand – as argued above already.<sup>54</sup> Overall, however, the information and data that could be collected in this evaluation are insufficient to conclusively assess the efficiency of SECO's forms of engagement. Assessing their efficiency is an interesting albeit complex task that would need to be explored in a separate study.

## 4.7. Impact

This section covers the extent to which PSE projects contribute to higher level results. Two evaluation questions address impact, namely "Do the PSE interventions contribute to SECO's long-term goals / SDG?" (EQ 12) and "How are the PSE principles ensured?" (EQ 13). The reasons that the principles are discussed under impact can be explained with reference to the Theory of Change: The principles represent important assumptions behind the link from more direct, short-term results to long-term and higher-level results.

### EQ12: Do the PSE interventions contribute to SECO's long-term goals / SDG?

**Findings:** Impact of PSE projects has been rated high, and the survey showed that the vast majority of the survey participants believe that the PSE modality made their project more impactful. This is true for all types of stakeholders, including the NGOs (also see section 4.1 above). Very few of them perceive negative effects or trade-offs when applying the PSE modality, for instance the trade-off between balancing higher risks and operating in less developed or fragile contexts, where innovative development solutions would be particularly needed. Interviewees argued that PSE projects are effective in contributing to SECO's long-term goals and SDG.

#### **Spotlight: Experiences of cacao farmers in Ghana**

As part of a case study for this evaluation we met with farmers and farmer representatives in Ghana who partake in two projects – "Akuafuo Nkoosoo" and "Sankofa" – implemented as part of the Swiss Platform for Sustainable Cocoa (SWISSCO). Speaking to them in their communities gave the opportunity to learn about what kind of change the project brought about; this spotlight contains some of the stories that they shared with us. The full case study of SWISSCO is available in Annex 5.

*"I have been able to diversify my income as a result of the training I received for planting vegetables and the vegetable (okro) seedlings that I received from the project. I have always relied on my cocoa farm for survival but when the cocoa season is over, I struggle to cater for the needs of my family. With the okro nurseries I am now able to sell okro and the income supported us through the cocoa off season."* Farmer, Ashanti Bekwai district, Akuafuo Nkoosoo project

*"The technical officer introduced me to clean cookstoves during one of his routine visits. I bought one and used it instead of our traditional mutchia [a traditional cookstove]. Since I started using their stove, my*

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<sup>54</sup> Some interviewees mentioned in this context that incentives within SECO are such that instead of terminating a project that likely is not successful, it is better to "salvage" and conclude a project by adapting the objectives.





*health has improved because there is less smoke which used to irritate my eyes. I spent my meagre funds on hospital visits; but since I started using their stove my hospital visits have decreased. I now use the money that I would have paid at the health centre for something else.” Farmer, Ashanti Bekwai district, Akafoo Nkoosoo project*

*“I have always been a farmer, but I also worked in construction because I never believed I could get enough out of farming to make ends meet. Now my perception changed. Not only do I get good farm produce, I also earn more income. Now I do only farming. This project has diversified and increased my income, changing my standard of living - I now have a television, gas stove, and bicycle and roofed my uncompleted building. My only bother is sometimes, the weather does not support the growth of the seedling at the time of receipt so I would kindly ask for the seedlings to be brought in time for planting to meet the right favourable condition. I look forward to using the money I will earn from the various sale of farm produce to cater for my nephew through high school since I did not get the chance to do so.” Farmer, Asunfo South district, Sankofa project*

SECO uses 16 Standard Indicators for results reporting. The indicators are captured on a yearly basis, based on data furnished by the implementing parties. When collating the figures, SECO uses the size of its financial contribution to the project to estimate what part of the results can be attributed to SECO. Annex 8 summarises the values for the year 2020, distinguishing between PSE and non-PSE projects.

The data of the Standard Indicators shows that the PSE modality is implemented across the portfolio and thus serving to achieve various SDG outcomes. The assessment data shows that the PSE portfolio mobilised, for instance, 153 billion USD in 2020.<sup>55, 56</sup>

#### **Linking SECO's private sector engagement with migration: Remittance Grant Facility in Ghana**

The Remittance Grant Facility (RGF) in Ghana, implemented between 2016-2021 and jointly funded by the governments of Ghana and of Switzerland, aimed to address migrants and migrants' needs directly, namely by contributing to the reduction of the costs of transferring remittances and developing remittance-backed financial products. The RGF was implemented as so-called 'challenge fund', a variant of a matching-fund, with SECO intended to de-risk and incentivise the development of an innovative remittance products and service value chain.

Six firms operating in the payment space in Ghana were supported with grants amounting to 950,000 Swiss francs and according to data provided by KPGM, the fund manager, the firms themselves invested another 1,7 million Swiss francs. The firms developed seven micro-saving, -credit, -insurance as well as pension products and services and, according to the final progress report, were able to contribute to the "digitalisation of transactions along the remittance value chain" which enabled them to "deliver remittances at an average price of 2.3% of the amount sent (ranging from 0.9% to 3%)". This is below the SDG 10 target of 3% by 2030; it is also well below the 11.5% that were reported as the baseline.

While at the time of reporting there is no evidence regarding the impact that these products and services achieved, it can still be reflected on. There is a body of literature that finds that "migration-cum-

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<sup>55</sup> As reported by SECO on 16.09.2022. Note: There are different methodologies to measure private capital mobilised for international development. The aforementioned figure includes mobilised capital through technical assistance services.

<sup>56</sup> Beyond that, it is difficult to interpret the data, specifically to learn whether the level of achievement can be considered satisfactory or unsatisfactory, given there are no target values. It is also difficult to learn whether PSE or non-PSE projects fare better. The average per project, for instance, does not consider what other outputs or outcomes might have been achieved by the same project – which are either captured by other SI or not at all – and what investments were necessary to achieve the results.





remittances contributes to increase the income and consumption of origin households, reduces poverty, and has a stabilising influence on households' living conditions", yet that its "impact on inequality is less clear-cut" (Gubert, 2017). Data of the RGF suggests that most remitters are sending small sums and the latter are mainly used for basic life expenses (food, medication, school fees etc.). Less consensus is found regarding the macroeconomic impact of remittances on country economic growth (Clemens and McKenzie, 2018), not least because of the opportunity costs of emigration, which precede any remittances.<sup>57</sup>

For the full case study, please see Annex 6.

**Reflections:** Since there are too few scores available from evaluation reports, it is difficult to obtain a robust overview of project performance (the Standard Indicators do not lend themselves to such an analysis because the absence of target values mean they serve more descriptive than evaluative purposes). Yet similar to the discussion of effectiveness, most stakeholders have expressed positive views on impact of PSE projects. Important questions remain, such as: Are jobs that are created of good quality and decent? Do enhanced, albeit sustainable value chains, benefit actors in the global north the more or less than those in the countries sourcing commodities? Can citizens benefit equally from urban infrastructure improvements? And how do the responses to these questions differ whether PSE was applied as a modality or not? Other challenges with regard to impact relate to the extent to which there are interdependencies between the portfolio, for instance where CO2 emissions that are saved in one part of the portfolio are offset by those in other parts as well as the extent to which there are substitution effects.<sup>58</sup> Because of their complexity, all of the above questions are better responded to in the analysis of singular interventions rather than in a review of the entire approach.

## EQ13: How are the PSE principles ensured?

**Findings:** The PSE principles play an important role in the PSE ToC because their realisation is directly related to enhance development impact or, conversely, avoid negative unintended effects from SECO's engagement with the private sector. Correspondingly, this section covers three aspects: 1. the extent to which there is a common understanding around them; 2. whether the principles were discussed among project partners; and 3. whether the principles were incorporated in the design and later in the monitoring, so that they can be safeguarded.

**Common understanding of the principles:** The survey results indicate that SECO staff largely share the view that there is a common understanding about the five PSE principles. The survey results mirror the interviews from which it emanates that there is a SECO-internal view that PM are familiar with the nature of the principles and are aware of their importance. Yet, the nuances of the principles are differently interpreted and applied. There is also an acknowledgement that there are few discussions what the principles entail, and that the lack of discussion cannot be interpreted that everything is clear. A second question was addressed both to participants

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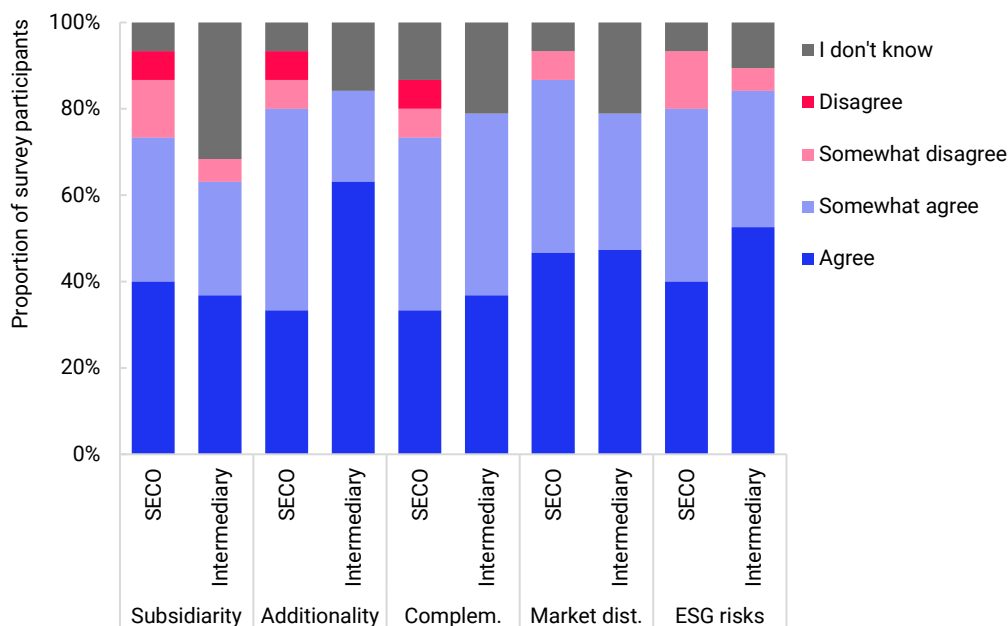
<sup>57</sup> SECO is interested to know more about the effect of PSE on migration, including the extent to which the PSE portfolio leads to a reduced migration pressure. Upon further examination this is not possible to assess this effect, for a variety of reason.

<sup>58</sup> There are even more critical voices that challenge fundamental ideas of private sector engagement, namely that benefits in the private sector "trickle down" and eventually improve lives and reduce poverty. While this is without doubt an important question, it is beyond the remit of this evaluation. The question matters for interventions such as those related to private sector development project, independent of whether PSE was used as a modality or not.



working for SECO or one of the intermediaries, namely whether the project partners have a common understanding. The results in Figure 15 largely reflect the ones reported for SECO, with a few more critical voices. The feedback from SECO and the intermediaries is similar, with SECO staff being a bit more critical.

Figure 15: Among project partners, do you have a common understanding of the principles? (Survey)



Question: Do you agree or disagree with the following statements related to the ... principle? With our PSE project partners, we have a common understanding of this principle.

Number of responses: 15, 19, 15, 19, 15, 19, 15, 19, 15, 19

**Reflecting on the principles:** A key element for the PSE principles to be ensured is that there is discussion around them. Many SECO PM confirm that these principles are often discussed and addressed at design and implementation stages; project and intermediaries report that they were part of discussions related to the principles. There is less supportive evidence stemming from the document review, however. A review of the design documents (e.g., credit proposals and log frames if available) of five randomly selected projects<sup>59</sup> shows that the way the PSE principles are discussed varies. The design document of the Swiss Platform for Sustainable Cocoa, for instance, covers all principles as is further explained in the case study in Annex 5. The Blockchain ecosystem South Africa credit proposal, on the other hand, notes that the project aligns with the PSE principles yet does not further substantiate them, while for other projects reference is made to selected principles (without providing reasons why only those were chosen). This is the case, for instance, in the Sustainable Cities in Colombia and Peru project, which covered complementarity and ESG risks. It also shows that the depth with which the PSE principles are

<sup>59</sup> These projects are: Blockchain ecosystem South Africa, Europe and Central Asia: PPP Transaction Advisory Program, Sustainable Cities Platform, Sustainable Cities in Colombia and Peru, Swiss Platform for Sustainable Cocoa.



referenced varies considerably. For a project-specific analysis of how the PSE principles are discussed, we refer to the separate case study of the Swiss Platform for Sustainable Cocoa.

**Ensuring the principles:** Looking at whether the PSE Principles are adequately emphasised and safeguarded – as shown in Figure 16 – the following findings are particularly noteworthy because they are the end points of the range:<sup>60</sup>

- **Subsidiarity:** Among those who scored the item, 73% believe (agree or somewhat agree) that the principle is safeguarded, while a substantial minority thinks it is not, or not sufficiently. Splitting between SECO and intermediaries, it is particularly SECO staff which is critical (60% versus 83% agree or somewhat agree). The result is also reflected in the below-average score on monitoring, and to a lesser degree design work. Based on the survey results, subsidiarity seems to be the principle that is most difficult to realise.
- **Additionality and ESG risks:** 92% of the survey participants believe (agree or somewhat agree) that the principle is safeguarded. This is reflected in the scores of SECO and intermediaries, which are almost the same for these principles. Both principles are also better integrated in design and monitoring, according to the survey participants.

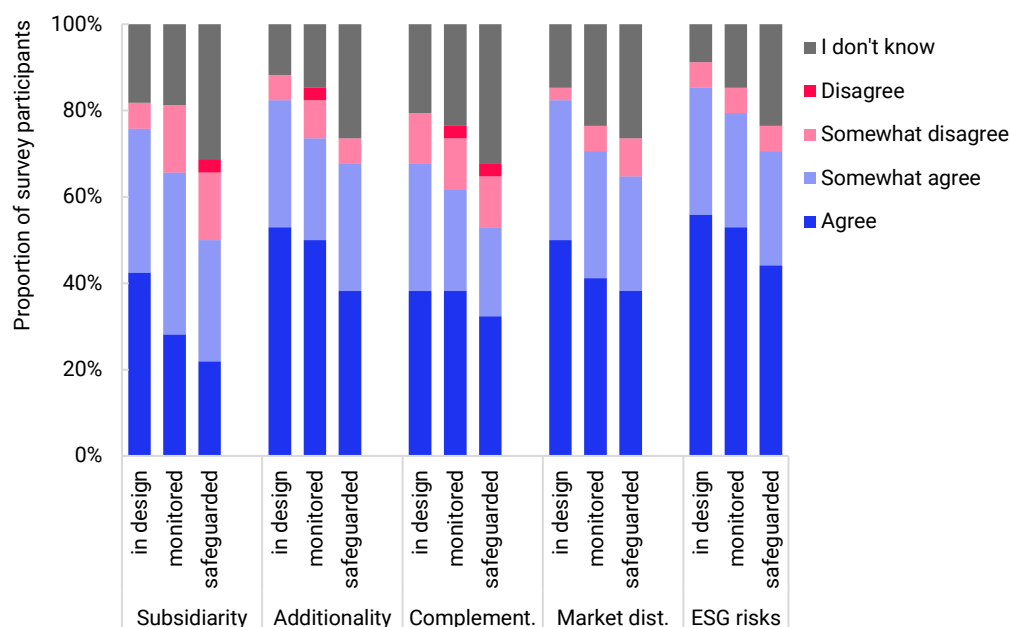
Apart from subsidiarity, there are notable differences between SECO and intermediaries regarding the monitoring of additionality: 75% of SECO participants agree or somewhat agree that additionality is adequately monitored during project implementation, versus 94% of intermediaries. And finally, SECO staff are significantly more critical when it comes to complementarity, in regard to design (75% SECO participants versus 93% intermediary participants), monitoring (67% versus 93%) and safeguarding (70% versus 85%). Whilst we cannot infer the reasons that explain the differences from the data and information that were collected in the evaluation, one hypothesis is that SECO staff are more prudent given their “*role to safeguard taxpayers’ money*”, as one SECO staff member put it.

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<sup>60</sup> The agreement rates for complementarity are 85% (in design), 81% (monitored), and 78% (safeguarded); for market distortion, they are: 97% (in design), 92% (monitored), and 88% (safeguarded). These rate lies in between the more positive ratings (additionality / ESG risks) and less positive ratings (subsidiarity).



Figure 16: Are the SECO PSE Principles adequately emphasised and safeguarded? (Survey)



Question: Do you agree or disagree with the following statements related to the ... principle? ... is adequately emphasised during project design. ... is adequately monitored during project implementation. ... is usually safeguarded in PSE projects.

Number of responses: 33, 32, 32, 34, 34, 34, 34, 34, 34, 34, 34, 34, 34, 34, 34

It should be noted in this context that, as far as our findings suggest, no specific tools or instruments (such as guidance notes, checklists, assessment criteria etc.) are used to monitor the implementation of the PSE principles. Indeed, several of the SECO PM stated in the survey that they have neither used such tools or instruments etc. nor are they aware if they are available at all. Emphasising and safeguarding the PSE principles therefore happens on the basis of experience and implicit knowledge. Monitoring whether opportunities for complementarity are used, for instance, does therefore not happen systematically but can happen as part of the regular progress reporting by or exchanges with the intermediary.

**Reflections:** The PSE principles play an important role to enhance development impact or, conversely, avoid negative unintended effects from SECO's engagement with the private sector.<sup>61</sup> The findings of the survey and interviews suggest that there is generally much awareness about the PSE principles and an openness to concede that ensuring the principles is a complex undertaking. Against this background it is noteworthy that the project documents do hardly discuss the PSE principles, or the considerations that speak in favour or against the PSE modality. Likewise, there has been no example where instruments to assess the principles –

<sup>61</sup> While principles are discussed here in the context of PSE, they seem equally relevant for interventions that apply other modalities. Understood this way, ensuring and safeguarding the principles are important for SECO's development work overall.



specifically the additionality principle, for which there is a DCED guidance note<sup>62</sup> – have been applied.

## 4.8. Sustainability

This section addresses one evaluation question, namely whether results are sustainable (EQ 14). Sustainability is a complex concept, typically assessed by looking at technical and financial capacity but also motivation and ownership of key stakeholders. Such detailed analysis was not possible given the nature of the thematic evaluation; rather, sustainability is assessed as a whole.

### EQ14: Do interventions provide results sustainably?

**Findings:** The assessment of evaluation reports and completion notes (included in section 4.1 above) shows that sustainability is considered the most problematic evaluative dimension for PSE projects; none of the PSE projects received a “highly satisfactory” rating. Among the 25 projects assessed, none was assessed as “highly satisfactory” (non-PSE: 13%). Notwithstanding, the vast majority of the respondents who took part in the survey stated that the PSE modality made their project more sustainable.

In the interviews, different examples and viewpoints regarding sustainability were shared. Because most of the feedback was project-specific, it is hard to find communalities and infer findings that hold true for the PSE approach generally. However, a common theme has been that projects achieve sustainability when there is a clear business case and opportunity to reap profit for the private sector. Combining seed funding and formulating a clear exit strategy for SECO has been identified as a factor benefiting sustainability in the creation of multistakeholder platforms; creating dependencies and ‘artificial partnerships’ were mentioned as challenges. Interviewees considered Swiss Sustainable Finance as a successful example and said that it is harder to create sustainability for the Better Gold Initiative or SIFEM.

An assessment of justifications based on which the respective evaluators assessed sustainability of the PSE intervention<sup>63</sup> shows heterogeneity of why project results are (likely) to sustain or not. However, four features can be identified:

- **Business interests:** An essential prerequisite for sustainability is that the results meet priorities and interests of the private sector and that the activities correspond to core business.
- **Enabling environment:** Ownership and leadership of private and public institutions are key. This includes the commitment to implement regulatory reforms to create framework conditions that are beneficial or needed to sustain results.

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<sup>62</sup> Demonstrating Additionality in Private Sector Development Initiatives: A Practical Exploration of Good Practice for Challenge Funds and other Cost-Sharing Mechanisms, Donor Committee for Enterprise Development DCED, April 2014, updated August 2021; Minimising the Risk of Negative Market Distortions in Private Sector Engagement: A practical framework, Donor Committee for Enterprise Development DCED, November 2018

<sup>63</sup> For this analysis we screened 23 evaluation assessment grids (all of them for projects implemented with the PSE modality), of which 17 contained a score for sustainability. Details of the analysis can be found in the extended findings in Annex 3.



- **Enough time:** Sustainability can be increased if enough time is given until reforms and change are firmly anchored in the private sector. This can mean require engaging in several project phases.
- **Adequate exit strategy:** Sustainability can be enhanced with adequate exit strategies; this needs ex-ante planning to identify the elements that can contribute or the bottlenecks that can undermine sustainability.

It is interesting to observe that some of these features also emerged in a recent study that identified factors that can contribute to sustainable PSE projects; we summarise the key findings in the excursus below.

#### Findings from meta-studies on sustainability in private sector engagement

This excursus summarises the findings of two recent studies that examined issues around sustainability in PSE interventions.

*Evaluierungssynthese Zusammenarbeit mit der Privatwirtschaft, DEval, 2021*

The meta-study, which we cited above already, comprised an evaluation question on the extent to which the results of the collaboration with the private sector are sustainable. Overall, the meta-study found that there is mixed evidence regarding the sustainability of PSE interventions. While effects of projects in the area of “sustainable supply and value chains”, for instance, were considered positive, there are remarkable differences regarding the level of effects and their sustainability. The study argues that the reasons for the existing or lacking sustainability of PSE interventions are mostly specific to the individual cases. It further concludes that sustainability is often not assessed holistically and that different aspects of sustainability are assessed, rendering conclusions about how much and under what circumstances PSE interventions provide results sustainably difficult.

*Effective private sector engagement through development co-operation, Global Partnership for Effective Development Cooperation, 2019*

Building on country-specific analysis in Bangladesh, Egypt, El Salvador, and Uganda as well as consultations with stakeholders of the Global Partnership, a multi-stakeholder platform sponsored by the UNDP, the study identified the following success factors for sustainability:

- PSE should consistently be rooted in the ambition to generate development outcomes and business profits (shared value)
- PSE projects need a clear business case incl. opportunity to generate profit to incentivise the private sector to replicate and scale and to ensure success and long-term sustainability
- Inclusion of domestic stakeholders promotes sustainability by ensuring wider ownership and buy-in at the country level and greater collaboration on shared priorities across sectors

**Reflections:** In evaluations sustainability is oftentimes more critically assessed than other evaluation criteria, for several reasons. However, it remains noteworthy that none of the 25 projects assessed for the evaluation had a fully positive outlook on sustainability. This is consistent with the experience in other PSE projects too, as shown in the meta-study discussed above,<sup>64</sup> which found mixed evidence regarding the sustainability of PSE interventions. Based on the review of a limited number of evaluation reports, four factors could be identified, namely that it benefits sustainability when the project addresses core business issues; and when there is adequate forward planning to identify and address issues that can undermine sustainability.

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<sup>64</sup> Deval, 2021



Adequate duration of the project (which can mean continued project phases) and an enabling environment contribute to sustainability too.

## 4.9. Reflections on the Theory of Change

The purpose of the Theory of Change presented in section 3.3 was to guide the evaluation, primarily by clarifying how PSE interventions are expected to lead to the intended results, setting out the steps along the way from outputs to outcomes and impact, and how these relate to each other. Furthermore, the ToC was to show the assumptions and conditions that need to be fulfilled to bring the desired change about.

Overall, we believe that the Theory of Change has worked well for the evaluation process, by giving structure to the conversations, the survey, as well as document and data review. This is particularly true for the main elements of the Theory Change, the Approach Dimensions, and the results highlighted in green (see Figure 1 on page 9), which are closely aligned with the scope of the Approach Dimensions. Even though there are many projects that combine two or three Approach Dimensions, it has been useful to spell out their specific objectives. Conversely, we did not have the impression that more differentiation would have facilitated the discussions (for instance by using the six dimensions described in the Approach Paper).

Regarding the assumptions, we decided against an approach which explicitly asked about each one of them. Instead, we openly discussed success factors and pre-conditions (see section 4.5). Based on the conversations and the survey, some of the assumptions in the ToC can be viewed as particularly important, namely "conducive investment climate in partner countries" (Approach Dimension 1), "Evidence that ideas work is available", and "ideas align with core business of private sector / mandate of public sector" (Approach Dimension 2), as well as "ideas add value ... and produce no harm", which is closely linked to SECO's PSE principles. Other elements, such as "supported solutions are indeed SDG relevant", or "certification is recognised and valued by costumers" were not mentioned as an issue – such less contentious assumptions could potentially be left away if SECO intends to use the Theory of Change again. Conversely, there are a number of potential additions to the ToC, such as

- **Pre-conditions:** private sector solutions are relevant to the specific development challenge, political feasibility, dynamic private sector in partner country.
- **Success factors:** Aligned interests, effective partnerships, context knowledge, proof of concept, flexible implementation, efficient division of roles.

Depending on the purpose of forthcoming ToC, it might be useful to add an input level, explain certain elements in more detail, or give examples, to make the narrative more tangible. One idea which was discussed with SECO's Evaluation Unit, was to differentiate explicitly PSE from other modalities or foci (including projects which focus on improving the business environment and Private Sector Development projects). Whether such additions are beneficial depends very much on the purpose for which future Theories of Change are used.



# 5. Recommendations

The recommendations presented in this section have been formulated based on the findings and the conclusions of this evaluation.

## Recommendation 1: Clarify and operationalise the ambitions and plans that SECO aspires with PSE

**Related to findings** Concepts and Systems, Coherence, Effectiveness (EQ 2, 5, 8)

**Resource implications** Medium

*Why it is important:* PSE is a modality to reach SECO's overall goals: "Partnerships are not a goal in themselves, but a means to an end. SECO engages in partnerships to increase the effectiveness and sustainability of its activities." (Approach Paper). Given this supportive role, it might seem unnecessary to have specific PSE goals, let alone implement a monitoring system to observe progress. Yet without formulated ambitions what the PSE modality is expected to reach and how that supportive role should look like, it is very difficult to develop and strengthen the modality, to decide whether and where portfolio shifts are necessary, and where investments (including into learning) are required. In addition, it is difficult to monitor and steer how SECO is contributing to the PSE goals formulated in the IC Strategy.

*What has been already achieved:* There are a number of ambitions formulated in the IC Strategy, SECO's Position Paper "For sustainable prosperity", SECO's Results Framework for the 2021-2024 period, as well as in the PSE Approach Paper and PSE Orientation Paper, which relate to a) objectives PSE should contribute to (e.g., "resources mobilised"), b) SECO's ability to use the approach (e.g., "strengthen collaboration"), and c) SECO's implementation of the approach (e.g., "expanding the PSE portfolio").

*Recommendation:* We recommend spelling out the short- and long-term ambitions and plans more clearly. This seems particularly important for ambitions of the type b) and c) mentioned above. Orientation and inspiration can be given by the documents mentioned above. Another source can be the conclusions and recommendations of this review. While it might be advisable to have both tangible short term and broader and therefore more abstract long-term ambitions, the first seems particularly important;<sup>65</sup> hence the ambitions might be thought of more as an "action" than lofty PSE goals. Focusing on the short-term ones seems also advisable because deliberations about long term ambitions can naturally be integrated as part of the strategy process of the forthcoming IC Strategy 2025-2028. Once such ambitions have been formulated, there needs to be a discussion what kind of steering and monitoring mechanisms are best suited.

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<sup>65</sup> Such short-term goals ("actions") could relate to projects and programs (e.g., facilitating a new commodity platform); to partnerships (e.g., engaging with a new regional development bank); to learning (e.g., carrying out a study on sustainability, an analysis on forms of engagement); or to internal processes and procedures (e.g., organising a PSE "design sprint" / "hackathon").





Since monitoring systems can quickly become resource-intensive, and in light of other monitoring systems already in place for the Results Framework, it seems prudent to start with a light version, ideally working with data which can be easily extracted from SAP, and/or collected in narrative form (e.g., a brief report what was implemented). Working with SAP data would mean that the application of the PSE marker will be continued to be monitored.<sup>66</sup>

**Recommendation 2: Enhance common understanding of key concepts related to the PSE modality**

**Related to findings** Concepts and Systems (EQ 1)

**Resource implications** Low-Medium

*Why it is important:* Clarity is essential that a concept can be understood and successfully applied. From the conversations we had it seems that much clarity has been achieved on an individual level and within (project) teams who regularly collaborate, both within SECO and with partners. At the same time, the evaluation also showed unambiguously that there is no common understanding of the PSE concept and its core elements (partners, forms of engagement, principles, to name a few): it often took much time in conversations to establish what each party meant with certain terms. This makes it harder to communicate and learn, especially between teams who deal with different thematic aspects of PSE, and different types of partners. While it is important to increase depth in understanding the principles – the conceptual element which seems most important to the successful implementation of PSE (see recommendation below) – it is also crucial to foster a mutual understanding of the other elements. In this context we note that clarity must not mean narrowing SECO's opportunities or limiting its flexibility to engage with the private sector. Instead, it provides the basis to flexibly adapt to the circumstances and the possibilities of the private sector in a given context, whilst staying true to the concept overall.

*What has been already achieved:* SECO has developed an Approach Paper which contains many key concepts, namely a definition, a simple Theory of Change, and a description of the principles. SECO has contributed to several pertinent PSE related publications as part of its activities in the DCED. As part of the evaluation, many elements have been discussed and explored together with SECO's team, and partly documented (for instance the Theory of Change, or a working definition of PSE).

*Recommendation:* With a view to facilitate communication and to reflect changes in the IC Strategy as well as learnings from the past years, it seems important to update the description of elements, either in narrative or graphical form. One option would be to give the Approach Paper a "light update". Another option is to integrate such elements in a stand-alone "introduction to

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<sup>66</sup> In this context and related to Recommendation 2 below, it would be important that the PSE marker and PSE definition align with each other. This implies that changes to the PSE definition might warrant revisions of the PSE marker and the SAP database. Procedurally it seems advisable to explain the rationale for and the content of the changes (in definition and marker) to support SECO staff when adapting/setting the PSE marker; spot checks of PSE marker entries could be beneficial too to contribute to data quality.



PSE", or on SECO's website.<sup>67</sup> A challenge is that this work could be seen as a purely "academic exercise" and meet little enthusiasm and interest. Other risks relate to resources that need to be invested for this work when costs cannot be kept at a feasible level. It may in this context be useful to build on existing PSE resources, including the ones that were recently developed by SDC, and to adapt the latter to the needs of SECO. It is also important to recall that the Approach Paper is not well known among SECO staff, let alone its partners. This signals that more can be done to communicate how and in which areas SECO intends to collaborate with the private sector. This way conceptual clarity becomes an essential means to create new and foster current partnerships as well as to minimise challenges in aligning interests. To find a common language, it will not be enough to document conceptual elements; they also need to be effectively disseminated. Few and short descriptions, and possibly graphical illustrations which can be integrated and replicated in presentations and guidelines might be most helpful. It is possible that existing exchange platforms between SECO and the private sector can be used to communicate and enhance the PSE understanding.

### Recommendation 3: Support the application of PSE principles

**Related to findings** Concepts and Systems, Relevance, Impact (EQ 1, 3, 13)

**Resource implications** Medium to high

*Why it is important:* As "rules of engagement", the principles are the main conceptual mechanism to ensure that PSE projects add value and create impact. Given this significant role, it seems of great importance that partners have a common understanding of these rules, and that sufficient reflection takes place in design, monitoring, and evaluation, and beyond, in terms of institutional learning and knowledge management.

*What has been already achieved:* The Approach Paper contains five such principles and we observe in discussions with SECO staff that there is generally much awareness about them. Both SECO and its implementation partners are of the opinion that there is a common understanding, and that the principles are considered in the design and implementation process. At the same time there is also an acknowledgment that some of the principles are complex to understand, identify, and operationalise as well as difficult to safeguard during implementation. The document review has shown that the principles are poorly documented in design and evaluation documents.

*Recommendation:* We deem it necessary to better define the principles, operationalise<sup>68</sup>, and document them in a format that facilitates their use. Experience suggests that shorter formats such as infographics or guidance notes (analogous, for example, to those that exist for the PSE marker or the standard indicators) are likelier to be applied. Providing such tools can address one of the reasons due to which the principles are presently poorly documented and rarely evaluated.

<sup>67</sup> SECO has a subsite for partnerships which also contains a brief statement on private sector and a link to the Approach Paper ([www.seco-cooperation.admin.ch/secocoop/en/home/about-us/partner.html](http://www.seco-cooperation.admin.ch/secocoop/en/home/about-us/partner.html)). It might be beneficial to enlarge and update the section.

<sup>68</sup> For subsidiarity, for instance, this could mean defining a minimum threshold of the co-financing required by the private sector partners and how non-monetary contributions are valued.



Exchange formats among SECO staff to discuss the principles, their use cases and examples could be considered too. Operationalisation would also entail to lay out what kind of information in design documents, progress and completion reports, as well as evaluation reports would be required to continuously assess whether the principles are upheld.<sup>69</sup> The recommendation can be seen as an extension to the one set out in the PSE Orientation Paper, which called to operationalise the PSE principles to “adopt relevant methods, standards, and best practices”.

*Additional considerations:* In this context the question can be raised whether the current PSE principles are comprehensive enough in terms of number and scope. The results of the evaluation and specifically the pre-conditions and success factors discussed in section 4.5 or what are known as “Kampala Principles”<sup>70</sup> could be used as inspiration for any related discussion.

#### Recommendation 4: Enhance support and learning structures

**Related to findings**      Concepts and Systems (EQ 2)

**Resource implications**      Medium to high

*Why it is important:* SECO manages a comprehensive and diverse PSE portfolio and seeks to continuously explore, develop, and innovate its approach. “The key is to learn from experiences and identify opportunities for innovative approaches that successfully contribute to the achievement of SECO’s development objective of sustainable inclusive growth.” (Approach Paper).<sup>71</sup> Exploration and implementation of the PSE portfolio come along with many challenges and learnings; addressing and disseminating the latter can be essential to enhance the performance across the PSE portfolio. Furthermore, to the extent that SECO concurs with the aforementioned recommendations, acting upon them will necessitate additional resources in the short- to medium-term.

*What has been already achieved:* We learned in the evaluation that there are several primarily non-formal mechanisms already within SECO where ideas, learnings, and solutions are exchanged. The evaluation reveals, nonetheless, that SECO staff wish that collaboration internally and externally be enhanced. The recent creation of a dedicated PSE Focal Point, which corresponds to good international practice,<sup>72</sup> is a good first step to pool and distribute ideas, learnings, and solutions across the organisation.

*Recommendation:* With a view to optimise the mechanisms that facilitate the use and impact of the PSE modality and to further strengthen the learning orientation of SECO, we recommend

<sup>69</sup> Such requirements need to acknowledge that the discretion to implement them for projects and programs varies depending on a number of factors, including on the intermediary and the size of SECO’s contribution to the overall project/program budget. It might therefore be necessary to work with two or three different levels of requirements, depending on the types of partnership or partner.

<sup>70</sup> Kampala Principles on Effective Private Sector Engagement in Development Co-Operation, Global Partnership for Effective Development Co-Operation, undated

<sup>71</sup> The Approach Paper further states the ambition to “continuously [explore] opportunities to enter into new forms of partnership or develop new partnerships in its key thematic areas”.

<sup>72</sup> Towards strategic private sector engagement: A summary of innovations and institutional change in donor agencies, Donor Committee for Enterprise Development DCED, January 2018



clarifying and broadening the support structure. The options to do so range from increasing resources for the current Focal Point, to nominating additional members (e.g., one per section), to flexibly delegating specific tasks related to the development of the PSE approach to different WE sections and team members within. The possibility to insource support from SECO's current external backstopping teams could be explored too. Formalising and broadening the support structure might work best in light of the breadth of the PSE portfolio – which requires contextualisation of the approach – as well as the feedback that there is not enough clarity around the role of the focal point. The “light sounding board” that accompanied this evaluation could be the nucleus of a support structure, similar to the ones that exist for other topics, including climate.

Assuming that it will be difficult to increase the team size, opportunities need to be identified to free up resources elsewhere. This will likely require analysing current processes and practices, beyond the remit of the evaluation. A possibility could also be to tap on external resources for some of the tasks – e.g., working with the teams that provide advice on results based management (WEQA) as well as strategic, technical, and operational advice (WEHU) – and to further intensify dialogues with the PSE team at SDC. To innovate more in the impact financing space, it could be beneficial to insource expertise of specialised teams. It is conceivable that the necessary investments can be recuperated in the long term by means of innovation and scale.

*Additional considerations:* Rethinking the support and learning structures offers the opportunity to configure the tasks and responsibilities of the Focal Point (e.g., with regard to the short- and long-term actions and ambitions or external relationship building with the private sector). Evaluations also provide learning opportunities. However, as mentioned further above, questions about why the PSE modality was chosen; how the PSE principles were upheld; or to what extent the PSE modality determined result achievement are hardly discussed in evaluations. Going forward, project and programme specific evaluations could explore these topics and contribute to learning “how PSE works”.

#### **Recommendation 5: Conduct a sustainability review**

<b>Related to findings</b>	Sustainability (EQ 12, 14)
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<b>Resource implications</b>	Low to medium
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*Why it is important:* SECO intends to create lasting impact with its development work. Sustainability is a prime reason to use PSE in the first place: “SECO engages in partnerships to increase the effectiveness and sustainability of its activities.” (Approach Paper). The idea is that if public and private sector interests converge, meaning that SDG relevant solutions are able to increase the bottom line of the private sector or provide other return on investment, then the private sector will have an interest to continue and sustain the results. Contrary to projects implemented via a public sector modality, where too little resources and political considerations are prone to undermine sustainability, the hope is that this is less of an issue with private sector



partnerships. The evaluation shows, however, that sustainability of PSE interventions is often seen as problematic.<sup>73</sup>

*What has been already achieved:* The results of this evaluation are consistent with the findings in SECO's 2019-2020 Performance Report, which stated that sustainability is a constant challenge that "clearly indicates the need for continued efforts to ensure lasting benefits of the projects".<sup>74</sup> SECO has already undertaken efforts to adapt its processes towards improving sustainability, following the results of a Sustainability Review in 2019.<sup>75</sup>

*Recommendation:* We recommend carrying out a sustainability review of a sample of PSE interventions as part of the forthcoming two-year evaluation programme of SECO WE. In this context SECO could strengthen ex-post results measurement and build up on the experiences of its 2019 Sustainability Review. Several themes could be examined, including whether project- or modality-specific reasons undermined sustainability; whether too little potential to scale, as an essential aspect of the project sector, inhibited sustainability; whether low sustainability indicates that the PSE principles were not fully upheld; or whether the motivations of the private sector to engage in the intervention were misinterpreted.

### Emerging Recommendations

In addition to the five primary recommendations above we present below what could lead to further recommendations, which can however not yet be sufficiently substantiated or justified for the lack of a solid information basis. These "emerging recommendations" could be used as seeds for further SECO-internal discussions and analysis.

- The survey results suggest that SECO staff wish more collaboration both within sections and across divisions, but the purpose, topics, and intensities of collaboration could not be determined. A specific suggestion was to increase co-sharing arrangements (FTEs of a staff member are "shared" between sections/divisions). This we learned could help better transfer and integrate relative experiences and expertise. An emerging recommendation would be to explore further, what type of exchange and collaboration would work best for WE.
- Innovation is a key topic for SECO, especially in the context of PSE. Interviewees recurrently called for more innovation by creating "spaces" for innovation. Two ideas emerged, the first one relates to diversifying intermediaries by working with think tanks, research institutes, start-ups etc. which requires new forms of collaborations and shorter

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<sup>73</sup> Sustainability is often assessed prospectively, especially in mid-term reviews. This can lead to less robust observations than with other evaluation criteria. It can also be observed that sustainability is often assessed more critically than other criteria, not just for PSE projects. Yet the review of the evaluation scores shows that PSE projects fare less well than non-PSE – while the expectation was that they would do better.

<sup>74</sup> 2019–2020 Performance Report: Review of SECO's economic cooperation and development activities, SECO, April 2021

<sup>75</sup> In this context it should also be mentioned that only few of SECO's evaluations are carried out a certain period after a project was completed; this is the period when sustainability can often be assessed better. During 2019–2020 three such ex-post evaluations were carried out, all for non-PSE projects (two in the private sector development and one on trade promotion). The three evaluations assessed sustainability positively. Whether similar findings could be seen for PSE projects is up for test.



formats. The second one relates to expanding the forms of engagement / financial modalities – an area where the SDC-SECO 'Herakles' project might have provided additional clarity. Again, the emerging recommendation is to assess further what "spaces" would have the best fit with SECO's specific culture, rules, and assets.

- Interviewees repeatedly stated that SECO's prudent risk management is overall an asset, but that it could at times take more risks, including by replicating what are considered successful interventions more rapidly. The fact that the PSE projects were consistently rated as very successful could suggest that SECO is not taking enough risks, because more risk would likely go along with a higher number of projects that fail. A concrete suggestion mentioned by several interviewees, was expanding the platform approach to other commodities, building on the experience and good practice from the Better Gold Initiative, SWISSCO, PIDG projects where SECO can showcase the sector approach, act as facilitator, and with limited seed funding create private sector led / driven initiatives. Beyond this suggestion, risk management and risk culture would also warrant additional discussions. Innovation and risk-taking can, but do not have to be, discussed together.

**Survey: Which adjustments in terms of SECO's strategy, processes, and resources for PSE could help to better engage with the private sector in SECO projects?**

Many participants emphasised the need for SECO to **scale up good practices** with additional investment. One participant explained "Some processes at SECO and the Swiss Confederation in general are not apt to scale projects beyond a certain point, because it becomes administratively too cumbersome (contract management, procurement, etc.) or financially very complicated (due to restrictions of the Federal Finance Administration)." Another participant recommended "1. SECO can look for industry consortiums to form collaborations to test new ideas and concepts and to scale proven technology or methodology. 2. SECO can bring in multiple platforms in the EU to pool funds to scale impactful projects with the industry. 3. SECO can bring in related supply chains like spices, cash crops, etc. to support income diversification in cocoa projects"

Participants from intermediaries had many suggestions. Related to **communicating its PSE approach**, one believed that "SECO should organise seminars for its past, current and prospective implementing partners on its PSE approach." At the country level, one participant recommended that SECO should be flexible and "allow for some "baseload **flexibility**" to engage in countries that are not focus for SECO (e.g., that 20% of future funds can be used in other countries)". At the project level, one thought that "Designing fresh PSE projects per se is challenging. A better route would be to use windows of opportunity in existing projects to move PSE from the level of an activity/intervention partner to a **financier of a sub-project**." Another suggested "SECO should have more staff that have worked in the private sector" to better understand the need of companies.

Participants from the private sector advocated for a "clearer internal **communication** on the policy dialogue and agenda of SECO (policy dialogue plan, indicators, objectives) and clearer external communication process (common PR, crisis communication plan, etc.)"; and having SECO and embassies "being completely part of the project and fully **implicated in addressing obstacles**, especially those with in country authorities to make sure that political objectives and projects objectives do not diverge."

Participants from NGOs suggested that SECO should consider "**long term instruments** when working with private sector" and "local context". One participant explained "SECO should have the flexibility in adapting actions based on local context. Due to this issue, **local actors** i.e., export industry cannot benefit from opportunities provided through SECO projects."



# Annex 1: Evaluation matrix

The evaluation matrix contains the *main* sources of information and data and indicates probes (questions to be used in interviews).

#	Question	Documents	Data	Interviews	Survey
	Concept and systems				
1	Is the approach conceptualised clearly enough?	<p>Evaluator reflections on the SECO PSE Approach Paper (note: partially elaborated during the inception phase and for the ToC).</p> <p>Do project documents refer to the SECO PSE Approach Paper, the dimensions, or principles?</p>		<p>What were the motivation and sources for the reference paper and how were they disseminated? (Note: the author of the reference paper has left SECO, but question can be taken up with WE management)</p> <p>What are the perceived benefits and limitations of the reference paper for SECO staff (project/program managers)?</p> <p>What are the reasons for (non-) awareness and (non-) use of the reference paper?</p>	<p>Did the reference paper provide conceptual clarity to identify / manage PSE opportunities?</p> <p>Is there enough institutional support to implement the PSE approach?</p>
2	Is the approach supported by SECO's steering, monitoring and collaboration processes?	<p>What can be learned from the standard indicators? What from the SAP PSE marker?</p>		<p>What roles regarding steering, implementing, supporting (incl. institutional learning) and monitoring were foreseen in the division's PSE approach? Do these roles work as intended?</p> <p>To what extent do operational sections of the division</p>	<p>To what extent are different types of collaboration between divisions used: informal exchange, formal exchanges?</p>



				<p>cooperate to leverage their respective expertise and work together coherently?</p> <p>How does the division use its anchoring inside SECO, for instance by leveraging its in-house expertise and approaches, in its development work?</p> <p>To what extent are other divisions responsive to collaborate in the stages of design / implementation / exit?</p> <p>What can be done to enhance cooperation and leveraging inhouse expertise and approaches?</p> <p>What are good practices from other donor agencies regarding impact measurement? (IFC, other donors if covered)</p>	
	Relevance				
3	Does the approach respond to needs and priorities of partners and partner countries?	How is the PSE engagement substantiated / justified in the design documents?  How are the (dis-) engagement criteria for PSE applied?		<p>To what extent is the division's approach of entering and exiting engagement with the private sector ... adequate to respond to the needs and priorities of its different partner countries and beneficiaries?</p> <p>Which good practices emerged?</p>	<p>To what extent is the division's approach of entering and exiting engagement with the private sector ... adequate to respond to the needs and priorities of its different partner countries and beneficiaries?</p>





				<p>Is SECO adaptive enough in its collaboration with the private sector?</p> <p>Note: at least one <i>case study</i> and related interviews will capture here also the views of beneficiaries.</p>	
4	When is PSE the right modality, when not?	<p><i>In case studies:</i> How is the use of PSE (instead of other approaches) justified / motivated in the project design documents? Are justifications / motivations consistent?</p>		<p>What conditions / assumptions need to be met for PSE to work? Which ones are often problematic? (Note: focus on assumptions in the ToC)</p> <p>How can these assumptions be made more likely – in the project / in the portfolio?</p> <p>When is it better to work with another approach; which one?</p> <p><i>For case studies:</i> To what extent are these assumptions met?</p>	<p>What conditions / assumptions need to be met for PSE to work? (Note: focus on assumptions in the ToC)</p>
Coherence					
5	Is the approach coherent with Switzerland's strategies and standards?	<p>What strategies and standards can be inferred from the IC strategy and the Strategy for Foreign Economic Policy in terms of PSE?</p> <p>Are the content of the strategies and standards reflected in the reference paper? Note: both IC strategy (2020) and Strategy for</p>		<p>To what extent is the division's approach adequate to implement the Swiss strategy on international cooperation and the Swiss strategy for foreign economic policy?</p> <p>What are the most relevant PSE related norms and standards Switzerland adheres to?</p>	



		Foreign Economic Policy (2021) were published after the reference paper.		To what extent do the interventions take these norms and standards into account?	
6	Is the approach coherent with private sector initiatives?			<p>What are the most relevant PSE related initiatives?</p> <p>How does SECO ensure complementarity, harmonisation, and co-ordination with these initiatives?</p> <p>Have conflicts of interest between private sector and development cooperation emerged? How are they addressed, mitigated, or resolved?</p> <p>Which good practices emerged?</p> <p>To what extent do SECO and its private sector partner speak the same "language" and apply the same concepts?</p>	
7	To what extent are SECO's and SDC's PSE approaches similar, where do they differ?	To what extent do PSE approach and concepts (definition, dimensions, principles) of SECO and SDC align and differ?	<b>Optional module:</b> Portfolio analysis to characterise SECO and SDC portfolio, in terms of topics and countries	To what extent are SECO's and SDC's PSE approaches similar, where do they differ?	
	Effectiveness				
8	Does SECO achieve its PSE ambitions?	Based on most recent completion and/or evaluation report and progress report (if	Standard indicators: if available (focus on: SI6, SI7,	To what extent does SECO create and strengthen funding vehicles, and thereby	To what degree is the project (if survey participant is involved in one project) /



		<p>meaningful and resources permitting) (from SECO):</p> <p>Map main logframe elements against PSE ToC and show how many elements were considered as (fully, partly, not) successful by evaluators.</p> <p><b>Optional module:</b> Same assessment as above, yet encompassing evaluations of co-financing partners and/or implementing partners.</p> <p>How do the interventions integrate gender aspects?</p>	<p>SI8, SI12, SI15); all but SI6 disaggregated by gender</p> <p>Assessment grid: Comparison between PSE marker 1, 2, with the average portfolio values</p> <p>Assessment of Country Programme Implementation Reports, focus on PSE relevant SECO business line 2 achievement scores and/or 'partnering with the private sector' assessment</p>	<p>contribute to additional private capital leveraged for SDG relevant solutions?</p> <p>To what extent does SECO create and strengthen networks to share ideas, experiences and expertise, thereby contribute to a larger pool of actionable SDG relevant solutions?</p> <p>To what extent does SECO strengthen initiatives / frameworks for responsible business conduct, and thereby contribute to more commitment for SDG relevant solutions?</p>	<p>portfolio successful (if involved in many) successful – measured against logframe targets, measured against ToC elements and associated expectations? (all stakeholders)</p>
9	What are success factors in the implementation?			<p>What can be learned from examples of successes and failures regarding adequacy of the modality?</p> <p><i>For case studies:</i> Which unintended negative effects results from the PSE approach and how are they addressed?</p>	What are success factors?
10	What innovations have been pursued through PSE interventions?			<p>What are the examples of successful innovations (including their dissemination and replication)? What are examples of failed innovations?</p> <p>What can be learned from examples of successes and</p>	What are innovations that are associated with the projects? (Note: necessitates a concise definition of the types, level, or scale of innovation that SECO expects)



				failures regarding adequacy of the modality?	
	Efficiency				
11	Are the different forms of engagement efficient?	<p>Based on most recent completion and/or evaluation report and progress report (if meaningful and resources permitting) (from SECO):</p> <p>How are the forms of engagement (such as results-based financing instruments, matching funds, multi-stakeholder approaches) assessed in terms of efficiency?</p> <p><b>Optional module:</b> Same assessment as above, yet encompassing evaluations of co-financing partners and/or implementing partners</p>	<p>Assessment grid: Comparison between PSE marker 1, 2, with the average portfolio values</p>	<p>Have the different forms of engagement (such as results-based financing instruments, matching funds, multi-stakeholder approaches) proven efficient in terms of cost and time? Why, why not?</p> <p>Which good practices emerged?</p>	<p>Have the different forms of engagement (such as results-based financing instruments, matching funds, multi-stakeholder approaches) proven efficient in terms of cost and time?</p>
	Impact				
12	Do the interventions contribute to SECO's long-term goals / SDG?	<p>Based on most recent completion and/or evaluation report and progress report (if meaningful and resources permitting) (from SECO):</p> <p>How are the forms of engagement (such as results-based financing instruments, matching funds, multi-stakeholder approaches) assessed in terms of impact?</p> <p>How are issues of gender responsiveness /</p>	<p>Standard indicators: if available (focus on: SI10, SI11, SI13, SI14); SI13, SI14 disaggregated by gender</p> <p>Assessment grid: Comparison between PSE marker 1, 2, with the average portfolio values</p> <p><i>If available:</i> Specific thematic indicators for gender 2021</p>	<p>How impactful is the PSE approach?</p> <p>To what extent does the PSE portfolio contribute to the SDGs?</p> <p>Are SECO's expectations regarding impact met?</p> <p>Which good practices emerged?</p>	<p>Assessment of achieved impact (relative to planned/intended impact).</p>



		empowerment / equality assessed? <b>Optional module:</b> Same assessment as above, yet encompassing evaluations of co-financing partners and/or implementing partners	<i>If permissible:</i> Assessment of Country Programme Implementation Reports, focus on PSE relevant SECO business line 2.1 / 2.2 / 2.3 achievement scores and/or 'partnering with the private sector' assessment		
13	How are the PSE principles ensured?	What are the processes and criteria to identify the PSE principles? How and with which instruments are the PSE principles monitored? Guidance note design: How are they supposed to be documented and assessed? Design documents: How are principles documented and assessed?		How are the division's PSE principles implemented and monitored (including when entering and exiting an engagement with the private sector)? Are the process to ex-ante assess principles clear and useful? Are the instruments to monitor the principles clear and useful? What are the strengths and weaknesses of the processes and instruments?	To what degree are the principles ensured / at risk?
<b>Sustainability</b>					
14	Do PSE interventions provide results sustainably?	Based on most recent completion and/or evaluation report and progress report (if meaningful and resources permitting) (from SECO): How are the forms of engagement (such as results-based financing instruments,	Assessment grid: Comparison between PSE marker 1, 2, with the average portfolio values	Do interventions provide results sustainably, taking into account the particular context and dynamics of the private sector? How do projects best ensure the sustainability of interventions?	To what degree is the project (if involved in one project) / portfolio (if involved in many) sustainable? (all stakeholders) What are factors / actions that benefit sustainability?



		<p>matching funds, multi-stakeholder approaches) discussed in terms of sustainability?</p> <p><b>Optional module:</b> Same assessment as above, yet encompassing evaluations of co-financing partners and/or implementing partners</p>		<p><i>In case studies:</i> How is the exit from an intervention planned and initiated?</p>	
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## Annex 2: Interviewees

Table 5: List of interviewees

Name	Organisation
SECO WE Management	
Martin Saladin	SECO, WEOP
Lukas Schneller	SECO, WEPO
SECO WE Section Management	
Liliana de Sá Kirchknopf	SECO, WEIF
Monica Rubiolo	SECO, WEHU
Dagmar Vogel / Barbara Buser / Philipp Keller	SECO, WEIN
SECO WE Project Managers	
Philipp Arnold	SECO, WEIN
Massimo Bloch (note: 2 interviews)	SECO, WEIF
Daniela Fabel Glass	SECO, WEHU
Marco Kräuchi	SECO, WEHU
Daniel Lauchenauer	SECO, WEHU
Martin Peter	SECO, WEHU
Lorenz Widmer Schlauffer	SECO, WEIN
SECO Divisions / Swiss Embassy	
Alex Kunze	SECO, AFIN
Viktor Shutkevych	Swiss Embassy / SECO, Ukraine
Franziska Spörri / Gerhard Pienaar	Swiss Embassy / SECO, South Africa
Martin Roth	SECO, DSES (written input)
Intermediaries	
Deepa Chakrapani	International Finance Corporation
Olivia Oddi	European Bank for Reconstruction



Philippe Schneuwly	Swisscontact
Karolina Smula	European Bank for Reconstruction
Private sector	
Roland Dominicé	Symbiotics
Sabine Döbeli	Swiss Sustainable Finance
Lukas Küffer	ZENNA
Development partners	
Carmen Colla	KfW
Guido Beltrani	Swiss Agency for Development and Cooperation
Tomas Lopez	Interamerican Development Bank
Gunter Schall	Austrian Development Agency
Lars Stein	Swiss Agency for Development and Cooperation
Other	
Kristina Lanz / Laurent Matile	Alliance Sud

Table 6: List of interviewees (case studies)

Name	Organisation
Case study 1: SECO17	
Massimo Bloch	HQ SECO, Programme Manager
Philipp Orga	Head, Economic Cooperation and Development SECO Embassy of Switzerland in Indonesia
Veronica Yow	ESG and Impact Manager at Meloy Fund
Anita Njoo	Founder and CEO Agrita (investee of the Meloy Fund)
Guillemette Forato	Project Manager Meliomar (investee of the Meloy Fund)
Fabian Mollet	Blueyou (parent company of Meliomar)
Case study 2: Swiss Platform for Sustainable Cocoa	
Larry Attipoe	Halba
Yayra Glover	Yayra Glover Limited





Manuel Kiewisch	Mondelez
Martin Peter	SECO, WEHU
Christian Robin	SWISSCO
Anne Schick	Swiss Embassy / SECO, Ghana
Andres Tschannen	Mondelez
Maya Wolfensberger	Helvetas
32 farmers and farmer representatives in Alavanyo, Dadiasoaboa, and Abrofem of Asunfo South, Asunfo North and Atwima Mponua districts respectively as well as Juaso/Kwabon and Akronwe communities in the Ashanti Bekwai district in Ghana.	
Case study 3: Public-Private Partnerships in South-Eastern Europe and Central Asia	
Philipp Arnold	SECO, WEIN
Vojislav Kandić	International Finance Corporation
Serik Sharipov	International Finance Corporation
Case study 4: Remittance Grant Facility	
Gisela Roth	SECO, WEIF
Phyllis Mawuse Nyahye	KPMG, Ghana



# Annex 3: Extended findings

This annex contains a comprehensive and more substantiated version of the findings. The annex is structured analogous to, and its content therefore partly overlaps with chapter 4. Findings above.

## Concepts and systems

### EQ1: Is the approach conceptualised clearly enough?

The Approach Paper describes how SECO conceptualises and operationalises the PSE modality. As explained in chapter 3, it contains a PSE definition, explains the rationale for engaging with the private sector, and discusses the principles that guide the engagement. While some appreciate the broad overview the paper offers, many others find that the paper does not offer much guidance, for instance in terms of theory of change; outlining what is “expected” from the private sector; what thresholds of “co-financing” would lead to a classification as PSE (whether there is even such a threshold); and how to deal with the complexities of understanding, identifying, and ensuring the principles.<sup>76</sup>

Opinions are divided whether the lack of guidance is a problem or not. SECO staff in different roles said that there is a common understanding, corporate culture and “unwritten rules” that ensure that the PSE approach is in practice richer and more consistent than the Approach Paper itself suggests. There are some who believe that there should not be any further formalisation and conceptualisation, mostly for cost-benefit reasons.

Others, however, see the perceived lack in substance as a problem. Expressing disappointment with the lack of reflections one interviewee explained “*[Additionality is] very complex to define and ensure. In the Approach Paper merely a few sentences [are written] about this. SECO needs to articulate its understanding of “additionality”, the ambiguity, the limits, and pitfalls.*” The same interviewee believes that trade-offs and risks working with the private sector need to be clearly spelt out. Other interviewees stated that they would benefit from more guidance regarding the criteria based on which private sector partners are selected; risk management and due diligence processes; and as well as tools and instruments regarding the PSE principles.

The evaluation process itself indicated to what extent there is a common understanding of key elements of the approach. In some work streams – for instance, regarding the re-coding of SAP PSE; the difference between PSE and private sector development (PSD) or the term ‘project partner’ – it became apparent that various interpretations exist.

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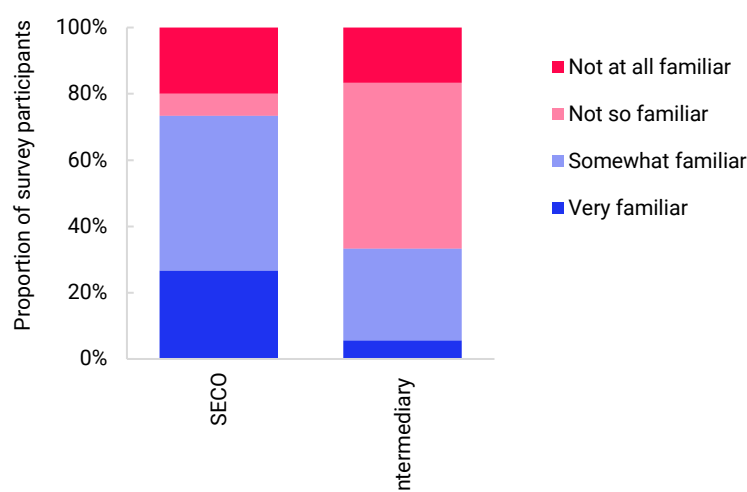
<sup>76</sup> While not referring to the Approach Paper per se, the most recent OECD DAC peer review noted that SECO has “developed a pragmatic approach to partnering with the private sector, and SECO has set a holistic strategy with clear objectives”, thereby referring to the theory of change in the Approach Paper. OECD Development Co-operation Peer Reviews: Switzerland 2019, OECD Development Cooperation Peer Reviews, Paris.



These findings seem to be related, at least partly, to the fact SECO understands PSE broadly and applies many forms of engagement and types of partnerships. The application of the approach by SECO's sections and individual project managers differs, because the understanding of the concepts is influenced by specific thematic areas, partners, geographies etc.

One of the objectives of the Approach Paper was to communicate SECO's PSE understanding externally.<sup>77</sup> The survey asked SECO staff and intermediaries how well they know the paper. The results in Figure 17 show clearly that the paper is largely unknown to the most important project partners, the intermediaries. One SECO staff mentioned that the document *"does (likely) insufficiently explain PSE (...) and is not relevant for private sector partners."* Another one mentioned that *"no one is in charge at WE"* to promote SECO's PSE understanding as one of the reasons why the paper is largely unknown.

Figure 17: How familiar are you with the SECO PSE Approach Paper? (Survey)



Question: As stated above in the caption.

Number of responses: 15, 18

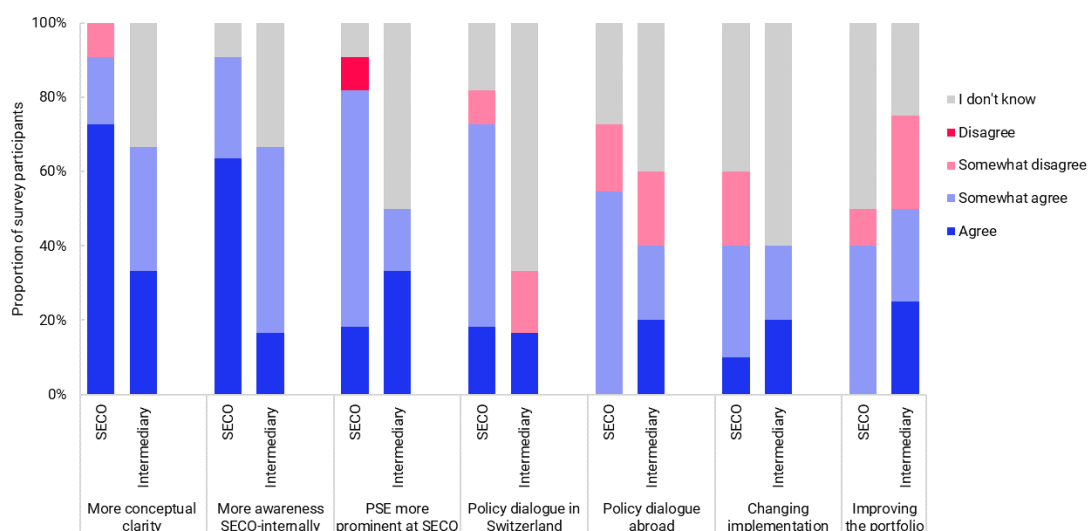
Survey participants were also asked about the effects of the Approach Paper. While difficult to pinpoint based on the results in Figure 18, its primary effect is seen in conceptual clarity and awareness, as well as making PSE a more prominent modality. However, few people associate direct improvements of the PSE portfolio with the paper. The result, particularly the higher number of negative responses, is surprising, since it could be argued that conceptual clarity and awareness would lead to such improvements, at least in the medium and long-run.

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<sup>77</sup> While the Approach Paper was published in 2019, earlier versions go back to as far as 2014, which makes it difficult to retrospectively pinpoint the original ambitions around the paper. However, we learned that its purpose included to take stock of the PSE experiences and portfolio, to establish an internal reference framework particularly in relation to principles of engagement, and to communicate SECO's approach internally and externally.



Figure 18: What is/was the effect of the PSE Approach Paper? (Survey)



Question: Do you agree or disagree with the following statements? The SECO PSE Approach Paper has brought ... More conceptual clarity (incl. principles); More awareness SECO-internally; PSE becoming a more prominent modality for SECO; Stronger presence/position in policy dialogue in Switzerland; Stronger presence/position in policy dialogue abroad; Changes how PSE projects are designed / implemented / exited; Improved PSE portfolio.

Number of responses: 11, 4, 10, 4, 10, 3, 9, 2, 8, 3, 6, 2, 5, 3

## EQ2: Is the approach supported by SECO's steering, monitoring, and collaboration processes?

In this chapter we summarise our findings regarding several processes related to the use of the PSE modality. In addition to steering, monitoring and collaboration mechanisms, we also discuss learning as a core support mechanism. As we focus on the portfolio level, we leave aside the manifold intervention-specific steering, monitoring, and collaboration processes that we learned about in interviews.

### Steering and monitoring

The Operations Committee (OPK) is the format in which SECO deliberates, reflects, and approves projects. It is preceded by the Concept Meeting, which "greenlights" projects before being submitted to the OPK. It examines the rationale and opportunities of applying the PSE modality and its discussions help to identify and address potential risks or hindering factors. Notwithstanding, some interviewees noted that time constraints limit the extent to which the OPK can deliver on this function and that there are "little (if any) other mechanisms with which consistency of the PSE approach application across SECO could be ensured".

As we discuss below, SECO has not defined targets for applying the PSE modality. Accordingly, there is also no monitoring for the application of the PSE modality. The reasons that were invoked include that SECO's results framework indirectly serves the purpose of monitoring PSE and that PSE has anyway been featuring in SECO's work throughout as one of its core competences as the centre of excellence for economic policy. We note in this context that the results framework contains a set of standard-indicators to report on progress with regard to eight business lines



(see the portfolio analysis in section 3.3), several of which lend themselves directly or indirectly to being achieved with projects with a PSE modality.

In mid-2021, SECO introduced an SAP marker which indicates whether a project engages with the private sector, and to which extent.<sup>78</sup> Going forward, the marker can be used to better understand, for instance, how often and for what purpose PSE is applied. In this way it can become a source for steering.

## Learning

Learning regarding PSE takes place in many forms. These mechanisms include regular exchanges with intermediaries (such as the annual meetings between representatives of the EBRD and SECO, to name just one) and project reviews and evaluations, which at times also include debriefing sessions in which different SECO staff participate. The annual report or the participation in knowledge platforms such as the DCED were mentioned too. Peer to peer exchanges, brown-bag-lunches, and events, in which experience with regard to collaboration with the private sector are discussed, is where learning takes place informally. The frequency and quality of these learning activities and specifically the effects that result from them are hard to pin-point, however. There are mixed views as to whether more or other forms of learning are necessary.

Starting 2021 SECO appointed a PSE Focal Point, who acts as advisor on and reference point for PSE-related questions both internally and externally. Organisationally, the PSE Focal Point is part of WEIF. Demand for support and advice by the Focal Point fluctuates but is generally low and estimated to about one day per month or 0.05 full-time equivalent (FTE).<sup>79</sup> This estimate does not include support provided for the creation of the SAP Marker or for the PSE evaluation.

Several reasons were given why the Focal Point is not used more often, including that the role is not known yet, and that the focal person assumes the role on top of daily business so that colleagues are reluctant to ask for advice. The self-perception that there is a shared common understanding and corporate culture of PSE among SECO staff could also be a reason why few questions and issues regarding PSE are raised. Another factor might be that questions are discussed section-internally. While none of the reasons can fully explain the small amount of support requests, it might just be the combination of all of them. .

While it may have been, as one interviewee put it, “*convenient to operate like this so far*”, the person also raised the question whether the way PSE is implemented by SECO is still appropriate. Compared to other development partners that have dedicated PSE managers, specific legal and financial expertise related to innovative financing schemes, complex transactions in PPP projects etc. inhouse, this is not the case to sufficient extent at SECO, interviewees said. In addition, the growing importance of PSE, as mandated by the *IC Strategy*, and the fact that SDC invests considerable resources in developing and implementing its PSE approach add weight to the question of whether SECO needs to rethink its structures and resources for PSE.

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<sup>78</sup> Introducing the marker gave, as we learned in several interviews, an impetus for SECO staff to read and reflect on the PSE modality.

<sup>79</sup> This is in contrast with the SDC who currently deploy 4.5 FTE in the PSE competence centre.



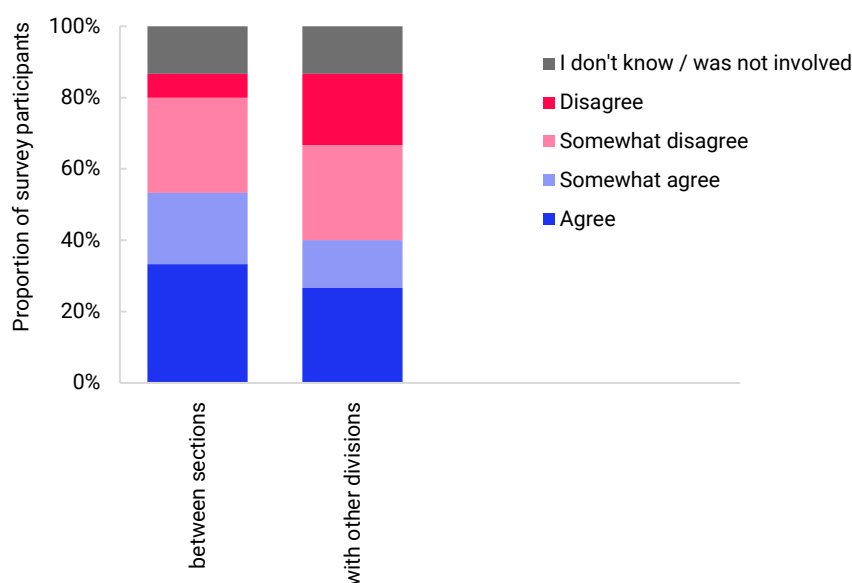
## Collaboration

Most of the interviewees shared positive comments on the collaboration between operational sections of the division. Whereas exchanges are opportunistic, meaning that frequency and intensity of exchanges differ case-by-case and vary over time, the ones between WEHU, WEIF, and WELG were highlighted. The portfolio analysis showed that the proportion of projects which are co-managed by the sections is much higher for PSE projects (14%) than for other projects (3%). Most of these collaborations are between two sections, though there are cases in which three or four sections are involved.

As we learned in the interviews, the quality of the collaboration outside of the WE team is also considered good, and several project-specific examples were mentioned (including location promotion and regional development, entrepreneurship support, import and export promotion, as well as sustainable tourism and natural resources, CSR Strategy and OECD Guidelines).

Much of this good collaboration was also found to rest on the disposition and resources of staff, rather than processes and procedures (it is *“a people business”*, as one interviewee noted). The likelihood and extent of such collaboration fluctuates when staff changes. Regarding the collaboration with SDC, we refer to the findings in EQ7 below.

Figure 19: Enough level of collaboration within SECO? (Survey)



Question: Do you agree or disagree with the following statements? There is enough collaboration ... between SECO sections in the context of PSE projects/programs; with other SECO divisions in the context of PSE projects/programs.

Number of responses: 13, 13

## 4.10. Relevance

Two evaluation questions address the evaluation criterion relevance, namely whether the approach responds to needs and priorities of partners and partner countries (EQ 3) and when PSE



is the right approach (EQ4). In assessing the first question, we distinguish between partner countries and partners from the private sector.

### **EQ3: Does the approach respond to needs and priorities of partners and partner countries?**

There is much consensus among development partners about the need to engage with the private sector and to leverage its resources and creativity to meet the SDG. The view regarding the need for PSE was ubiquitous in the interviews and survey (see Figure 4 above), in which we heard only far and few critical voices.

Regarding the needs and priorities of **partner countries and beneficiaries**, data from external evaluation reports and internal project completion notes (assessed in section 4.1 above) show that relevance is considered very high overall.<sup>80</sup> This is true for non-PSE projects and PSE projects alike, but it is notable that all 30 PSE projects received a “highly satisfactory” or “satisfactory” rating.<sup>81</sup> Likewise, the survey showed that the vast majority of the survey participants believe that the PSE modality made their project more relevant (also see section 4.1 above). This was further reflected in the interviews, which pointed both to the alignment of the projects with needs of countries and beneficiaries, and the processes ensuring relevance. Conversely, there were a few critical voices referring to trade-offs and side effects, for instance that global value chains have a higher environmental footprint than regional ones, that they hardly allow to develop higher value-adding manufacturing sectors in the source countries, and that they can make countries more prone to global value chain shocks.

Regarding the needs and priorities of the **private sector partners**, the survey asked if the projects are well aligned in terms of three dimensions, namely 1. practices and processes, 2. concepts and terminology, and 3. dynamism and adaptability (see Figure 20). The results are very similar to the ones presented above, in that practically all participants believe (97% “agree” or “somewhat agree” responses) that the projects are aligned with the interests of its private sector partners. For the other dimensions too, there is an overwhelming agreement rate.

Splitting these results according to stakeholder group, the agreement seems to hold across the groups, with a few notable exceptions: The NGO representatives are oftentimes a little more critical. Only two thirds believe that the projects are aligned with the dynamism and adaptability of the private sector, for instance. 78% of NGO representatives see alignment with practices and processes as well as concepts and terminology; albeit a high agreement rate, it is considerably higher still among the other groups. The private sector representatives themselves also agree with the alignment, mostly with rates over 90% (and 86% for concepts / terminology). It seems

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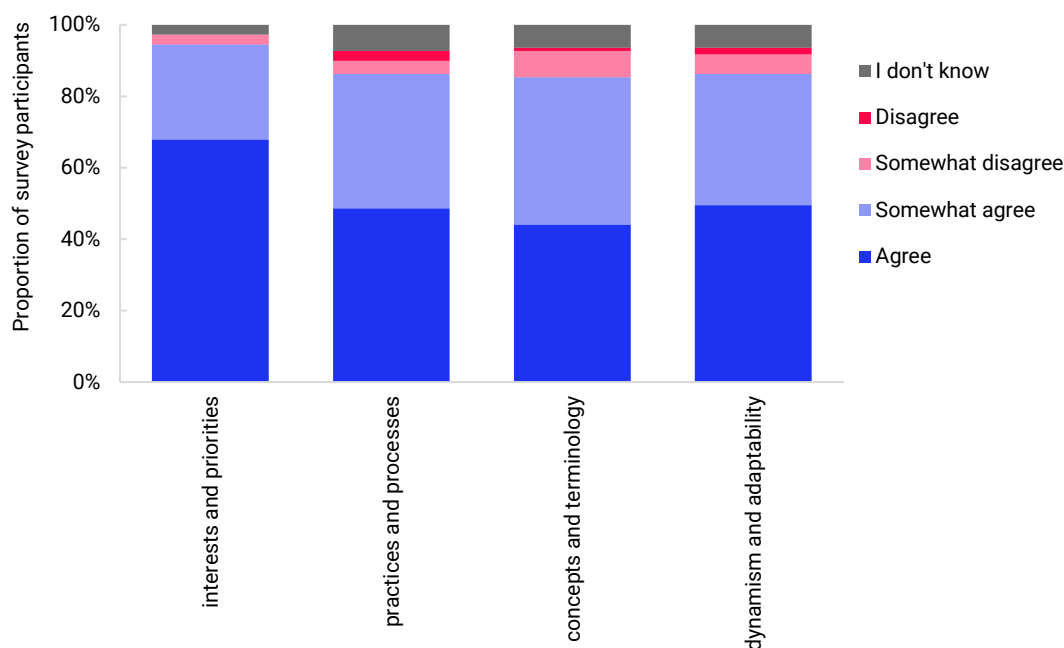
<sup>80</sup> Typically, the justifications provided behind the scores refer to strategies of partner countries and needs of beneficiaries. In some instances, reference is also made to strategies of SECO (and other donors) and the implementing agencies.

<sup>81</sup> The project completion notes included “highly satisfactory” ratings for all PSE projects, while the evaluation reports contained both “highly satisfactory” and “satisfactory” scores.



worthwhile to recall that the level of relevance is based on self-reported assessments from the stakeholders currently taking part in projects.<sup>82</sup>

Figure 20: Your project is well aligned with its private sector partners, in terms of ... (Survey)



Question: Do you agree or disagree with the following statements? Your project is well aligned with its private sector partners, in terms of ... interests and priorities, practices and processes, concepts and terminology, dynamism and adaptability.

Number of responses: 105, 100, 101, 101

Some feedback of interviewees and survey respondents suggests that even if a common development objective is defined in a PSE project, there can still be much debate on how to achieve the objective and that it therefore requires to align mindsets, practices, and processes. Some of the practical examples that were shared range from finding a common language, agreeing on performance metrics and monitoring frameworks, including those related to gender, and retaining flexibility when context or markets change. An example of a project addressing such alignment difficulties, namely through transaction advisory services, is the Public-Private Partnerships in South-Eastern Europe and Central Asia (ECA PPP) program (which we discuss below in a case study).

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<sup>82</sup> The high approval rate might therefore also be a result of selecting partners who have similar interests, and / or a process in which PSE stakeholders jointly define a common development objective of their interventions. Depending on the form of engagement, project partners might sometimes closely represent the overall interest of their respective industries (e.g., multi-stakeholder engagement process), and sometimes less so (e.g., call for proposals). Also, many of the respondents from the private sector work in social businesses, have a role in a CSR or sustainability unit or may otherwise be “champions for development” in their entities and may thus by default be inclined to assess the relevance of their engagement positively.





Some see the differences as transitional (*“the ESG concept is still new, but many companies become more aware that they need to adapt to new sustainable business operations”*), while others perceive fundamental differences which can be managed but not overcome. This includes balancing commercial interests with those of development impact. Another (external) interviewee expressed similarly that *“sustainability is nowadays popular and the private sector is keen to use it as a marketing tool”* but that knowledge and processes how to do business sustainably often lag.

Others argued that the ways of working in the public and private sector are fundamentally different, specifically in the innovation space. In their view, the private sector acts agile and lean, operates and decides on the basis of short-term milestones, while SECO has longer planning horizons and more complex decision-making processes. A few were more openly explained that there are obvious tensions between SECO’s interest to achieving sustainable outcomes and private sector interests to make profit but that the PSE modality is *“precisely about reconciling the tension”*, as one interviewee put it.

Indeed, with regard to the alignment of interests and priorities the survey revealed responses that are interesting in a number of ways (see Figure 21). The most noteworthy result is that the private sector indicates **ethical considerations** as its most important motivation to engage in a project.<sup>83</sup> The other stakeholder groups conversely think that “market position or access” is the main motivator. When separating the Approach Dimensions (AD), these observations can be made:

- **Ethical considerations** are more often perceived in AD 2 (solution) and 3 (commitment) than in 1 (capital), especially by stakeholders other than the private sector. For the private sector, ethical considerations remain an important factor in all dimensions (65% AD 1, 76% AD 2, and 87% AD 3).<sup>84</sup>
- With **financial return**, it is reversed; it is considered most important for AD 1, less so for AD 2, and less still for AD 3 (overall, and also for private sector representatives)
- **Market position** and **improved products / services** were selected equally often for all three dimensions (overall, and also for the private sector)
- **Networks** was indicated somewhat more often as a motivation for AD 2 and 3 than 1 (overall, and also for the private sector)
- **Reputation** was strongest for AD 3, less for AD 2, and even less for AD 1 (overall, and also for the private sector)

The 17 participants from SECO held quite different views on the motivations of the private sector. There is usually a spread of about 30 percentage points in the responses from WEHU, WEIN, and WEIF. For instance, ethical considerations were selected by a third of WEHU participants, and by none from the WEIN and WEIF teams.

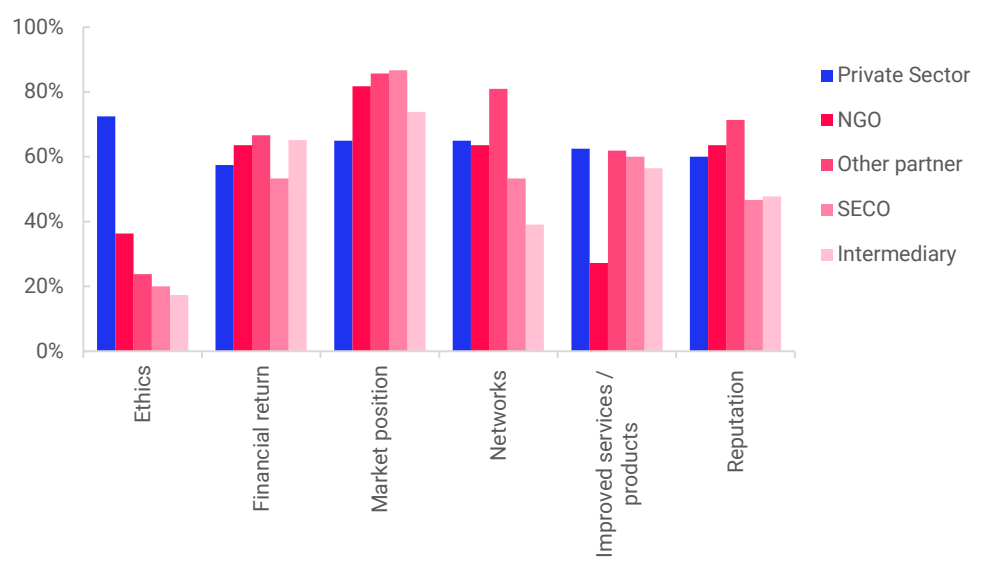
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<sup>83</sup> It must be mentioned that private sector representatives selected the other response options almost as often. The other groups had more variety in their responses, with ethical considerations usually selected least often.

<sup>84</sup> This result might be partly due to companies that are involved in several dimensions – yet even if focussing on the small handful of companies who are only involved in capital, almost half (3 out of 7) still indicate ethical considerations.



Figure 21: What motivates the private sector partners to participate in the project? (Survey)



Question: What do you think primarily motivates the private sector partner to participate in the project? And, for private sector representatives: What motivates you as a private sector partner to participate in the project? Desire to “give back” / ethical considerations; financial return / improved relationships; market position or access; networks; new or improved services / products; reputation / brand management; other – please clarify.

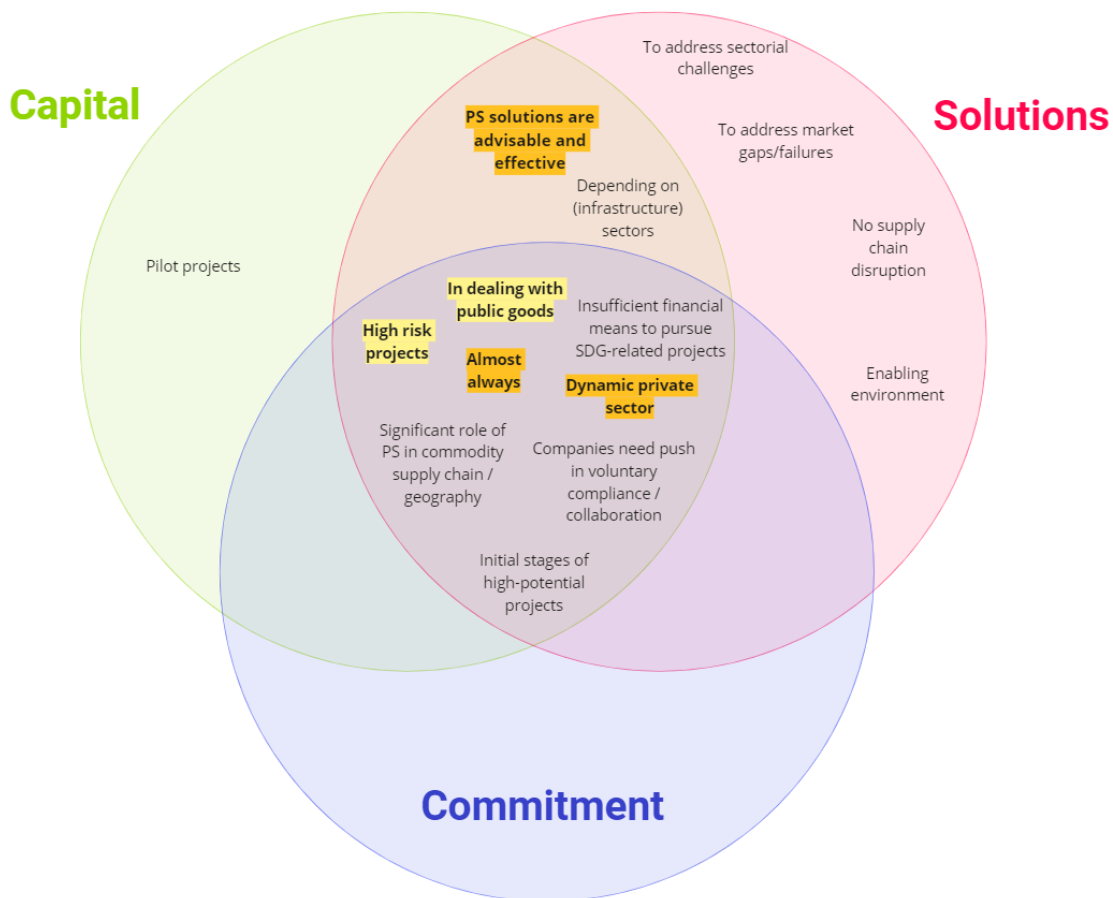
Number of responses: 29, 4, 5, 3, 4, 23, 7, 14, 8, 15, 27, 9, 18, 13, 17, 27, 7, 17, 8, 9, 26, 3, 13, 9, 13, 24, 7, 15, 7, 11

## EQ4: When is PSE the right modality, when not?

Interviewees and survey participants were asked this question. Altogether there were 59 responses which were summarised in Figure 22, where each circle represents one Approach Dimension. The segments of the circles that overlap contain responses that are common, whereas responses in segments that do not overlap were mentioned uniquely for the respective Approach Dimension.



Figure 22: When is PSE the right modality? (Survey)

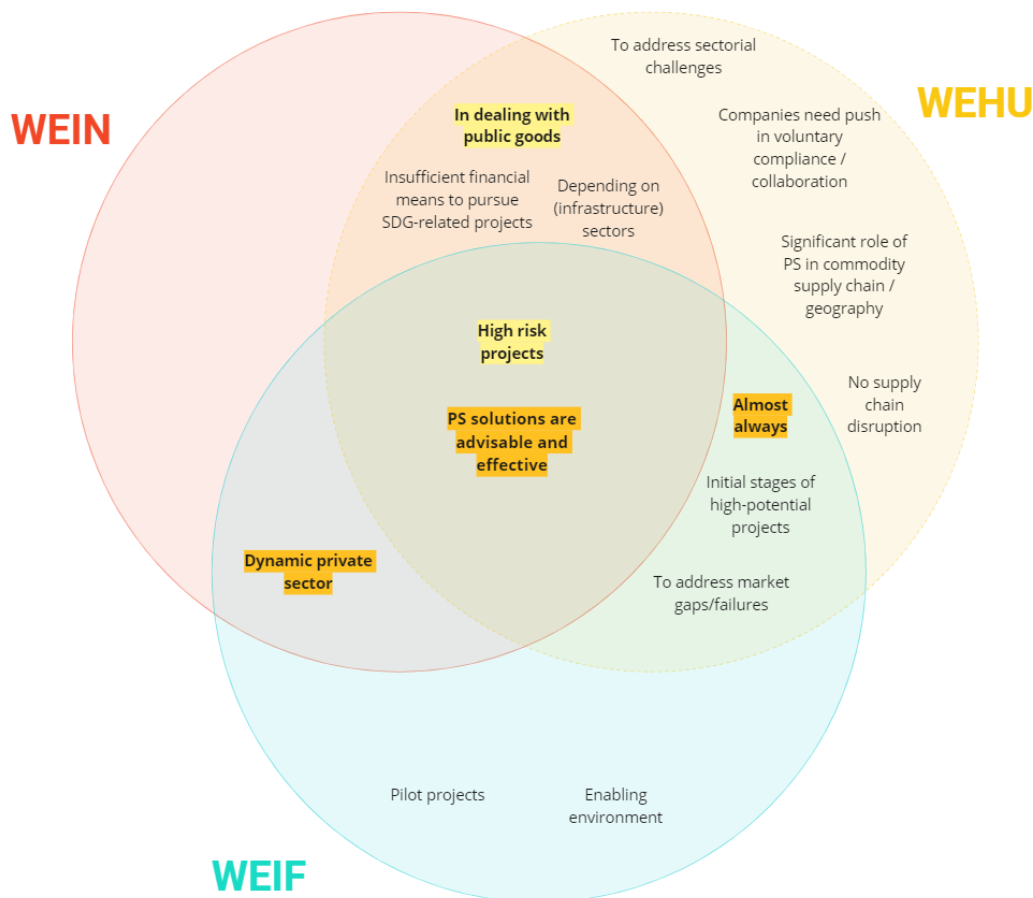


Note: Each comment was allocated to one or several key words as well as Approach Dimensions, depending on the project of the respondent. Orange highlights items mentioned 10+ times, yellow highlights items mentioned 5+ times. Items mentioned a single time are, by default, found only in the outer circles. This does not mean that they are unique to the Approach Dimension. It may signal, however, that they are not considered as important and are thus mentioned less often.

A similar type of analysis, in which the items are grouped along the three SECO sections (WEHU, WEIF, and WEIN) instead of the Approach Dimensions is shown in Figure 23.



Figure 23: When is PSE the right modality? (Survey; differentiated by SECO section)



Note: Each comment was allocated to one or several key words as well as Approach Dimensions and sections, depending on the project of the respondent. Orange highlights items mentioned 10+ times, yellow highlights items mentioned 5+ times. Items mentioned a single time are, by default, found only in the outer circles. This does not mean that they are unique to the section. It may signal, however, that they are not considered as important and are thus mentioned less often.

Also considering the interview responses, four broad groups of comments and related questions can be distinguished: **1.** Can the private sector, in principle, contribute to sustainable growth in the country / industry / thematic area; **2.** Is such a contribution politically feasible; **3.** Is it possible within SECO's PSE principles; **4.** Does the market, and its regulation, have the right level of maturity?

**1. Contribution to the SDGs:** A recurrent theme in the interviews and survey responses was that PSE can only be the right modality when private sector solutions have the potential to be effective for the challenges met in a specific sector and thematic area. Projects to enhance access to finance or to innovate services/products lend themselves to PSE, whilst this is less the case in projects on policy or regulatory aspects. In terms of commodities, PSE is thought of as the right



modality particularly when a given commodity plays an important role in a country<sup>85</sup>, and when a contribution can be made which leads to inclusive growth and does not disrupt the supply chain. Comments such as "dealing with market-failures", "dealing with public goods", "companies need a push in voluntary compliance / collaboration" belong to this group as well.

**2. Political feasibility:** Specifically with regard to infrastructure projects<sup>86</sup>, it was mentioned that political feasibility (or the opportunity to manage political risk) is especially important in projects for utilities (water, waste) because they are prone to political interventions. The example that was mentioned in this context is a project in Peru, which was eventually abandoned due to a changed political context. Conversely, interviewees observed that private sector engagement tends to be the modality of choice in the transport, energy, or telecom sectors.<sup>87</sup>

**3. Market maturity:** The comments in this group either relate to the market dynamics, or the enabling (regulatory) environment, and the commitment from the government to work towards improving the environment. The experience of interviewees indicates that "*PSE requires a minimum threshold of a functioning economic system*" which limits the opportunities specifically in less/least developed countries that are oftentimes characterised by poorly developed institutions. The enabling regulatory environment or the government commitment is considered key, but often at risk, and hard to influence. That is why it is important for SECO to: **1.** seek to gauge commitment in discussions, looking for plausible clues and signals, and corroborating with other sources that commitment is true; and **2.** create good communication among all the stakeholders to address the mistrust which often occurs between the private and public sector.

**4. SECO principles:** Various other comments related to the geographical, economic, and social context. This comments often took up, explicitly or implicitly, elements of the SECO principles, particularly additionality and subsidiarity. One interviewee, referring to a challenging business environment (in this case the Ukraine, before the war) said that "*SECO can support risk taking, usually with pilot interventions which are then scaled.*" Similar comments captured "high risks", "pilot projects", and "initial stages of high-potential projects" as suitable conditions – this is where additionality and subsidiarity are seen as best served. Many participants from the private sector believe that PSE is right when the projects have **public good characteristics** or entail **high business risk**. It helps to de-risk such projects and overcome risk-considerations of companies.

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<sup>85</sup> A case in point in the portfolio is SECO's support to SWISSO, given that Ghana is one of the key contributors to the global cocoa sector.

<sup>86</sup> "Urban development and infrastructure" projects encompass about a third of all of SECO's interventions in the period 2013 to 2022 (see Table 3).

<sup>87</sup> Generally speaking, political feasibility depends greatly on the country context, including the institutional and regulatory environment. Reviewing the risk-related context assessments in six Country Programme Implementation Reports (CPIR) of 2021 shows that the political and institutional risks assessments indeed vary greatly in the six countries. The same can be said for economic, social and humanitarian, as well as security related risks. Still, it is interesting to observe that the same reports describe the opportunities for engaging with the private sector overall positively – irrespective of whether the context-related risks are rated higher or lower. This suggests that opportunities for PSE can be seized also in more challenging contexts.



## 4.11. Coherence

Three aspects of Coherence are discussed below, namely: Is the approach a) coherent with Switzerland's strategies and norms? (EQ 5), b) coherent with private sector initiatives? c) How does the PSE-related knowledge and information sharing between SECO and SDC work? (EQ 7)

### EQ5: Is the approach coherent with Switzerland's strategies and norms?

Switzerland's *International Cooperation Strategy 2021-24* (IC Strategy) calls to fully harness the "innovation, specialist knowledge, distribution channels, investment opportunities and vocational education and training potential" of the private sector.<sup>88</sup> It emphasises the essential role the private sector can play in international cooperation and foresees to mobilise private funds in two of the four thematic priorities, namely jobs and climate change.

The newly adopted *Foreign Economic Policy Strategy* contains nine areas of action, of which area 6 "Contributing to environmental and social sustainability" seems most relevant to PSE. It defines the ambition to contribute to sustainable development both domestically and in partner countries, *inter alia*, by supporting effective application and development of globally recognised ESG standards; promoting guidelines on responsible business conduct; and assisting selected developing countries and emerging markets in meeting the SDG.<sup>89</sup>

These strategic outlines mirror the arguments and narrative of the PSE Approach Paper (which was published prior, in 2019). Several of our interviewees also referred to other frameworks and practices. This included alignment with the *CSR Position Paper and action Plan of the Federal Council*; the *Working Aid on Migration*; as well as legislative change and practices to promote using public funds in an economically as well as environmentally, socially, and ecologically responsible way. SECO's participation in the DCED in which PSE "strategies and norms" are being discussed and operationalised, has also been mentioned.

On the other hand, the *IC Strategy* contains a number of elements which can (but do not have to) be interpreted as changes that the Federal Council intends to achieve with regard to international development.<sup>90</sup> These are (section 3.4.3, and 4.3): **1.** strengthened collaboration with the private sector, **2.** diversified collaboration, **3.** development of new instruments and forms of cooperation, particularly for "challenging contexts", **4.** a focus on subsidiarity and non-distortion of markets, **5.** expanding and refining (in terms of partnership criteria) blended finance. How these changes

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<sup>88</sup> The private sector is defined as: "actors which are not majority-owned by the State and exist for the purpose of generating profits. In the present strategy, the term also includes social enterprises, impact investors and certain grant-making foundations (primarily those of multinational companies)."

<sup>89</sup> Area 2 "advocates effective integration of developing countries and emerging markets in the market-oriented global economy and the international rules-based system" and refers specifically to SIFEM. The argument seems more directly related to Private Sector Development (PSD) than PSE, however.

<sup>90</sup> Section 3.4, "Changes from the 2017-20 period", sub-section 3.4.3., "other priorities".



shall be achieved, at what scale, with what contribution by SECO, is not documented in the *IC Strategy* or elsewhere (for instance, SECO's work programme 2021-2024).<sup>91</sup>

Some of the few examples in which interviewees stated that coherence could be at odds related to 1. what extent development cooperation instruments should be used to create export and investment promotion opportunities – specifically with regard to large infrastructure projects. While there was agreement that the focus of development cooperation is to strengthen private sector in developing countries, SECO staff argued that efforts should be made to make greater use of synergies for Swiss private sector actors going forward.<sup>92</sup> 2. Another topic in which issues of coherence surfaced twice related to the differences in the risk management that SDC and SECO apply when they engage with private sector entities. There was the view that the different criteria and processes to mitigate risk could lead to “window shopping”, meaning the private sector partners primarily engage with the organisation where they perceive to face less scrutiny.

## **EQ6: Is the approach coherent with private sector initiatives?**

The question relates to “initiatives”, which can be understood as formal strategies and programs, or more informally as steps, actions, and ambitions. One of the few formal initiatives mentioned in the interviews is the Swiss Sustainable Finance (SSF). Judging on SSF's mission statement, publications (such as the *Roadmap to Support Transition to Sustainability*<sup>93</sup>), activities, as well as what we have learned in the interview with its CEO, SSF's objectives seem certainly aligned with SECO's PSE ambitions. Another example, mentioned in the context of the cacao value chain initiatives, is that SECO's interventions are coherent with industry initiatives, including the International Cocoa Initiative and the World Cocoa Foundation.

Interpreting the term “initiatives” more broadly, there is of course a wide range of firms in Switzerland that commit to act in a responsible manner and to embrace sustainable business models. CSR strategies, sustainability reports, global reporting, certifications, and voluntary standard setting can be seen as indications of this commitment. Assessing the extent to which the number of companies with sustainable business models, or their commitment, is increasing (as suggested in the McKinsey Global Survey 2020), and the extent to which some companies have become better at communicating and marketing their actions (or covering their inaction with so-called “greenwashing” etc.) is beyond the remit of the evaluation.

Finally, it is worthwhile to point out that in the consultation process for the *IC Strategy*, Switzerland's umbrella industry organisation *economiesuisse* “expressly welcomes the thrust of the *IC Dispatch 2021-24* to promote the partnership between politics and business in order to

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<sup>91</sup> For sustainable prosperity: SECO's economic development cooperation, 2021-2024, SECO, undated

<sup>92</sup> In this context we recall that a study commissioned by SECO noted that the topic of export promotion should be mentioned in the *IC Strategy* because the *Foreign Economic Policy Strategy*, published in November 2021, sets out the goal to promoting access to large scale infrastructure projects, of which there are many in countries in development: “Switzerland's development policy approach is generally not related to export promotion. If infrastructure projects are a priority for the government, however, the topic should be at least mentioned in the *International Cooperation Strategy*.” Improve Swiss Private Sector Access to Large Infrastructure Projects, TradeRx, undated

<sup>93</sup> [The ESG premium: New perspectives on value and performance](#), McKinsey, 12 February 2020



achieve sustainable development goals worldwide. (...) The business community, for its part, has a duty to accept and help shape the framework conditions. It is therefore not only a matter of complying with all relevant laws and standards, but also of adopting voluntary agreements.”<sup>94</sup> The association of small and medium businesses, the Gewerbeverband, emphasised that the interest of Swiss companies need to be put first.<sup>95</sup> Beyond these statements in the consultation process it is evident that there is no single private sector and hence also not a homogenous ambition. In the same vein, there can also not be a singular coherence between SECO's actions and those of the many small and larger actions by the private sector.

## EQ7: How does the PSE-related knowledge and information sharing between SECO and SDC work?

Knowledge and information sharing take place at strategic and operational levels and among the four interviewees (two from SECO, two from SDC) there is a general appreciation that the former is more systematic and regular.

While not exhaustive, the formats most often cited at the **strategic level** include the exchanges and consultations with regard to the IC Strategy, the Country Programs, and the Comités de Pilotage. While many of them are not exclusively dedicated to PSE, the modality has featured strongly and increasingly during the past years. In terms of PSE specifically, the interviewees emphasised the dialogues that took place in the context of SDC's work to conceptualise and operationalise its PSE approach<sup>96</sup> as well as the ongoing dialogue regarding the recently launched SDG Impact Finance Initiative (SIFI), a public-private partnership of SECO, SDC, UBS Optimus Foundation, and Credit Suisse Foundation. Two of the interviewees found the SIFI a “blueprint” based in which future knowledge and information should draw.

Dialogue formats at **operational level** are less formalised. We learned that knowledge and information sharing happen for specific projects between the respective managers, between or

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<sup>94</sup> Translation by DeepL. The original text is: *“economiesuisse begrüsst die Stossrichtung der IZA Botschaft 2021-24 ausdrücklich, die Partnerschaft zwischen Politik und Wirtschaft zu fördern um Ziele der nachhaltigen Entwicklung weltweit zu erreichen. (...) Die Wirtschaft steht ihrerseits in der Pflicht, die Rahmenbedingungen anzunehmen und mitzugestalten. Es geht also nicht nur um die Einhaltung aller relevanter Gesetze und Standards, sondern auch um die Übernahme freiwilliger Vereinbarungen. Verantwortungsvolles Handeln bedeutet in diesem Kontext, dass sich Unternehmen entlang ihrer Wertschöpfungskette für Nachhaltigkeit einsetzen: etwa durch die Umsetzung internationaler Standards (UNO, OECD, IAO), Branchenkodizes oder Einkaufsrichtlinien. Da die globalen Wertschöpfungsketten äusserst vielfältig sind, ist ein differenziertes Verständnis von Corporate Social Responsibility (CSR) wichtig. Die tatsächlichen Einflussmöglichkeiten der Unternehmen auf die Zulieferkette sind sehr unterschiedlich und hängen ganz besonders von der Struktur und Komplexität der Zulieferkette sowie der Marktposition des Unternehmens ab. ...”*

<sup>95</sup> Whilst acknowledging the strategic goals and thematic priorities, the Gewerbeverband noted: «Es ist klarzustellen, dass die Interessen der Schweiz oberste Priorität haben. Die Interessen der Nehmerländer sind eindeutig den Interessen der Schweiz zu unterordnen. Bei den Interessen der Schweiz ist auf Gegengeschäfte zu achten, beispielsweise auf Marktzugang, Anerkennung des präferenziellen Ursprungs bei Gütern, oder Reduktion von Zöllen und anderen Tarifen.»

<sup>96</sup> SDC has been building up its competences and portfolio for several years. Its Competence Centre for Engagement with the Private Sector published the strategy “SDC Private Sector Engagement: Joining Forces for Sustainable Impact” in 2021. During the preparatory work the 2019 OECD Peer Review recommended that SDC builds on its own experience and learns from SECO in SDC's “*upcoming strategy for engaging with the private sector*”.





within headquarters and field offices. From an evaluators' perspective it appears that sharing is opportunistic in the sense that it depends on the situation and people involved, including on their interest to share knowledge and information. Examples that were mentioned include participation in OPK meetings, training and learning activities such as the "Ausreiseseminar" for diplomats or the SDC-sponsored "Public Entrepreneurship Academy", and public events. Another platform combining operational with strategic exchanges is the Private Sector Engagement Working Group of the DCED, in which both SECO and SDC partake.

Overall, the interviewees share the view that exchanges are increasing as a result of a common understanding that PSE is a modality that both organisations employ in their development efforts. This is considered a significant and positive development of the past years that moved, to a large extent, the focus from prerogatives of collaborating with the private sector towards joint discussions on practical issues of the PSE modality. Precisely because of this common understanding two interviewees held the view that this opens the opportunity (if not the necessity) to develop a joint PSE framework.

It emerged from the interviews that continued and enhanced collaboration is needed because of the growing number of engagements but also the experience that development cooperation that is implemented with the private sector is *"under even larger public and political scrutiny than development cooperation generally, like under a 'burning glass'"* as one interviewee described it. Against this background knowledge and information sharing becomes as much a means to mitigate fiduciary, reputational, or other risks as to learn from each other and to align definitions, processes, and procedures. At the same time, one needs to be mindful that differences in the way PSE is understood, and that the different objectives, contexts, partners, approaches of SDC and SECO can make it difficult at times to translate and apply such learnings in practice.

## 4.12. Effectiveness

Three questions are discussed related to this DAC criterion, namely whether SECO achieves its PSE ambitions (EQ8), what success factors are observed (EQ9) and what innovations have been pursued (EQ10).

### EQ8: Does SECO achieve its PSE ambitions?

#### SECO's ambitions

SECO's PSE ambitions are not formalised beyond the individual project objectives, neither short-term (concrete actions, for instance) nor long-term (more abstract goals / vision). However, four sources contain relevant indications what those ambitions could be:

- **IC Strategy:** Ambitions can be identified in the *IC Strategy* (see section 4.4), yet according to what we learned in the interviews they have not been considered explicit for SECO's strategic and operational decisions with regard to PSE.
- **Approach Paper:** It notes that PSE is a means to an end *"to increase the effectiveness and sustainability"* of SECO's activities and to contribute to competitiveness and integration into the global economy as well as sustainable inclusive growth. Furthermore,



it states that SECO "continuously explores opportunities to enter into new forms of partnership or develop new partnerships in its key thematic areas".

- **Orientation Paper:** An internal document disseminated in 2018, the PSE Orientation Paper contains recommendations which were approved by the Conference of the Heads of Section (RLK). The recommendations cover elements such as expanding the PSE portfolio, continuing to use grants and grant-like instruments managed by specialised intermediaries, and closely following the discussions regarding the PSE principles at relevant forums.<sup>97</sup>
- **Theory of Change / Approach Dimensions:** The Approach Paper contained six Approach Dimensions, which can each be understood as an ambition. In the evaluation ToC (see section 3.2) these were aggregated to three Approach Dimensions with corresponding ambitions, namely "additional private capital", "larger pool of actionable SDG relevant solutions", and "more commitment for SDG relevant solutions", which together lead to more SDG relevant solutions and contribution to achieving the SDG.

In the absence of a more detailed framework, or benchmarks or target values, a conclusive assessment of the effectiveness of the PSE modality is difficult – and there are indeed diverging views among the interviewees whether such frameworks should exist. We thus approach responding to the questions from different sources and perspectives, focusing specifically on the Theory of Change and Approach Dimensions.

### Overall assessment

The assessment of the reports and completion notes (included in section 4.1 above) showed that effectiveness is considered high. This is true for non-PSE projects and PSE projects alike, but as with relevance, it is notable that all 30 PSE projects had either a "highly satisfactory" (23%) or "satisfactory" (77%) rating. As with relevance, the internal completion notes were particularly positive.

The survey (see section 4.1 above) showed that the vast majority of the survey participants believe that the PSE modality made their project more effective. All stakeholder groups share this view. There are more critical voices from NGO partners than from the other implementation partners. 82% of the NGO participants believe that the PSE modality made the project more effective, versus 95% to 100% for the other groups. And among those who strongly believe so ("agree"), the proportion is 36% for NGO representatives, and 62% to 80% for the other groups.

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<sup>97</sup> The full set of recommendations reads: **1.** "enhance its focus on building market foundations for private sector development and developing the private sector through PSE ...", **2.** "expand its PSE portfolio ... in close coordination and, where appropriate, collaboration with other Swiss development agencies and private sector partners ... thereby giving due consideration to the promotion of Swissness." **3.** "continue to [primarily use] grants and grant-like instruments managed by specialized intermediaries. WEIF will examine the use of guarantees and loans ...". **4.** "Should SECO consider expanding its direct PSE portfolio, it will continue to examine such options on case-by-case basis ..." (Note: The paper does not argue for or against such an expansion but does state that "indirect partnerships in principal have an edge over direct partnerships".), **5.** "... SECO's operational sections will annually update the list of PSE activities compiled by the interdepartmental working group on strengthening development cooperation through the involvement of the private sector.", **6.** "In order to operationalize the PSE principles, SECO WEIF will continue to closely follow the discussions at relevant forums, i.e. mainly within the DCED [and consider the] implications of these discussions for SECO's business in order for operational divisions to adopt relevant methods, standards, and best practices."

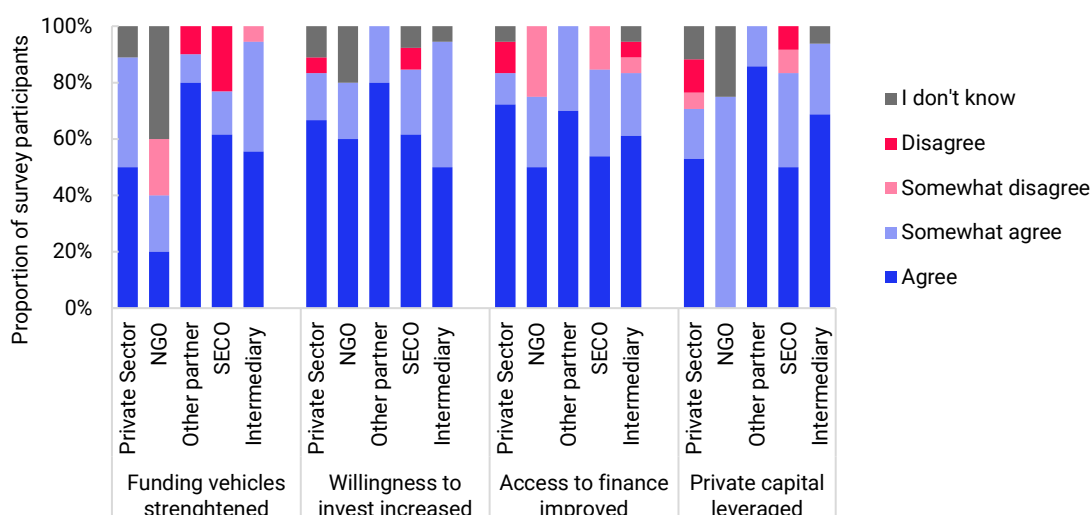


## Achievement of Approach Dimension objectives

Survey participants were also asked to assess the causal chain elements of each of the three Approach Dimensions, which constitute the ToC elements (see section 3.2) from left to right. The survey addressed implementing partners, meaning that the scores below have the character of a self-assessment. Furthermore, the survey did not ask about the project goals per se but a more generalised objective statement. The objective statements are not quantifiable but intend to capture "positive change" which sometimes, depending on the expectations of the stakeholder, could be quite small.

Starting with Approach Dimension 1 (**Capital**), there is a high level of approval for each of the four elements. "Private capital leveraged" receives the lowest rating (84% agree or somewhat agree), which suggests that the results that are achieved by the project portfolio altogether satisfies expectations. As the disaggregated results show, there is a bit of variation when comparing the stakeholder groups, yet approval rates stay high.<sup>98</sup>

Figure 24: Achieving Approach Dimension 1 (Capital) objectives (Survey)



Question: Do you agree or disagree with the following statements? These objectives related to Approach Dimension 1 (Capital) will be reached at the end of the duration of your project: Funding vehicles for SDG relevant solutions created or strengthened; Increased willingness of the private sector to invest in SDG relevant solutions; Improved access to finance for entrepreneurs / SME / public sector with such solutions; Additional private capital leveraged for SDG relevant solutions.

Number of responses: 18, 5, 10, 13, 18, 18, 5, 10, 13, 18, 18, 4, 10, 13, 18, 17, 4, 7, 12, 16 (Note: this question was addressed to participants who earlier indicated that their project covers Approach Dimension 1).

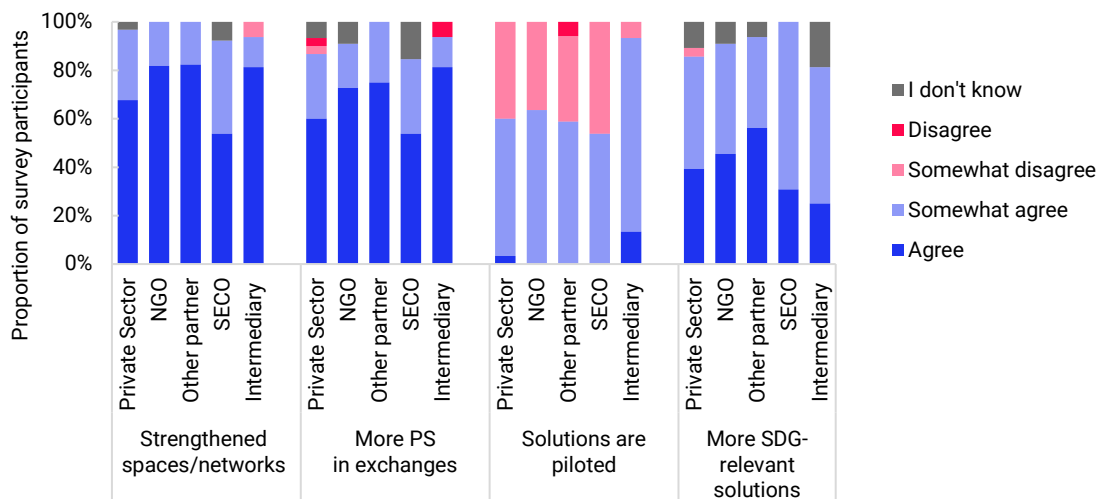
In terms of Approach Dimension 2 (**Solutions**), it is striking that there is much approval for the elements, from all stakeholder groups. Yet "solutions are piloted" received much less agreement.

<sup>98</sup> The two outlier scores for "funding vehicles strengthened" and "private capital leveraged" are both from NGO representatives, yet it should be noted that these two scores are based on 3 participants only.



It is not evident from the comments why this element has a lower score, but it seems likely that this intermediary step is sometimes not implemented, and / or not needed.

Figure 25: Achieving Approach Dimension 2 (Solutions) objectives (Survey)



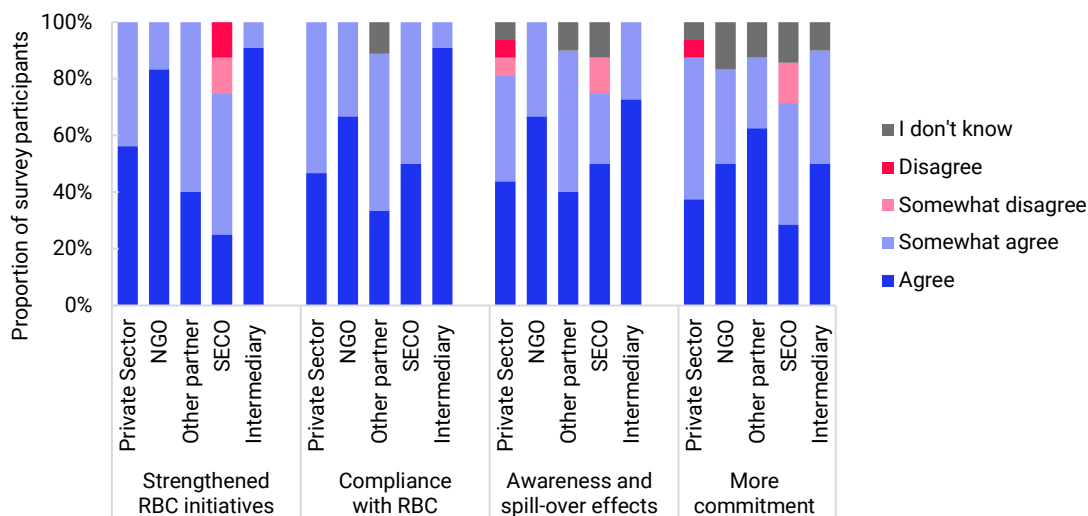
Question: Do you agree or disagree with the following statements? These objectives related to Approach Dimension 2 (Solutions) will be reached at the end of the duration of your project: Spaces/networks to share ideas, experiences and expertise are created or strengthened; More private sector stakeholders take part in exchanges; Solutions are co-created, piloted, market access is improved; Larger pool of actionable SDG-relevant solutions.

Number of responses: 31, 11, 17, 13, 16, 30, 11, 16, 13, 16, 30, 11, 17, 13, 15, 28, 11, 16, 13, 16 (Note: this question was addressed to participants who earlier indicated that their project covers Approach Dimension 2).

In relation to Approach Dimension 3 (**Commitment**) it is interesting to observe that compared to the scores for the other two Approach Dimensions, NGOs take a particularly positive view. The scores showing less agreement – of which there are very few – stem from SECO and the private sector.



Figure 26: Achieving Approach Dimension 3 (Commitments) objectives (Survey)

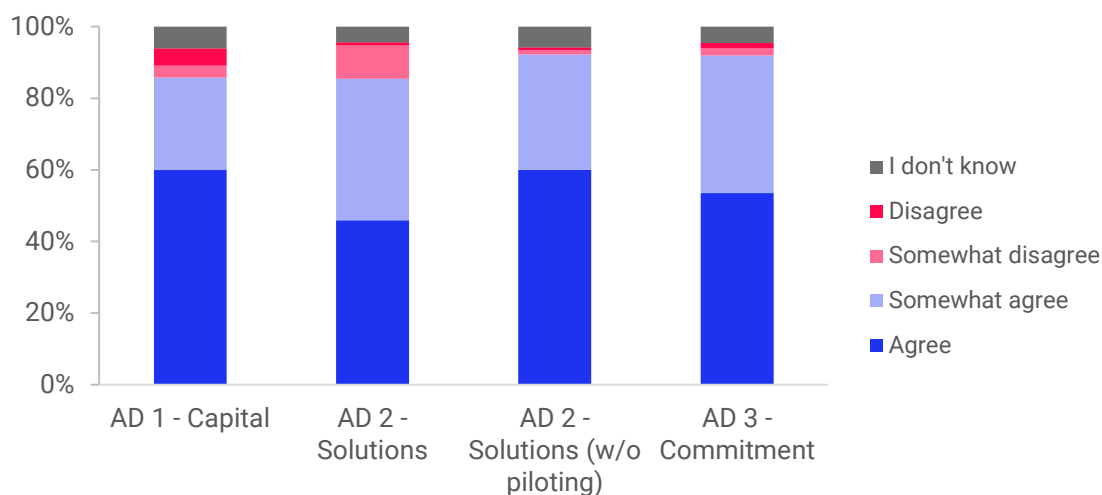


Question: Do you agree or disagree with the following statements? These objectives related to Approach Dimension 3 (Commitment) will be reached at the end of the duration of your project: Initiatives/frameworks for responsible business conduct are strengthened; (Voluntary) compliance or engagement of companies with responsible business conduct; Awareness and spill-over effects on other private sector companies; More commitment for SDG relevant solutions.

Number of responses: 16, 6, 10, 8, 11, 15, 6, 9, 8, 11, 16, 6, 10, 8, 11, 16, 6, 8, 7, 10 (Note: this question was addressed to participants who earlier indicated that their project covers Approach Dimension 3).

Figure 27 contains the aggregate results of the survey responses to all three Approach Dimensions, hence a summary of the disaggregated results above.

Figure 27: Agreement whether the objectives will be reached ... (Survey)



Question: Do you agree or disagree with the following statements? These objectives related to Approach Dimension 1 (Capital) / 2 (Solutions) / 3 (Commitment) will be reached at the end of the duration of your project? .

Notes: The above figures aggregates three separate evaluation questions; the question were addressed to participants who earlier indicated that their project covers the respective Approach Dimension. Each Approach Dimension covered four dimension specific objectives that align with the ToC elements. Because of a likely misunderstanding regarding one of the ToC elements in the question on Approach Dimension 2, this dimension is shown twice in the figure above.

Number of responses (cumulative): 247, 344, 258, 198



The positive survey assessments were mirrored in the feedback obtained in interviews. There is a common sentiment among the interviewees that SECO is overall successful with its PSE approach and portfolio. It has been achieving results in all three dimensions – capital, solutions, and commitment – showing that, as one interviewee expressed it, “*the PSE approach works and is feasible*”. The feedback can be aggregated as follows:

- **Capital:** The majority of the SECO interviewees were particularly positive about the extent to which additional capital was mobilised in recent years. Achievements include the creation of new funding vehicles or the continued support of the existing ones. Examples that were cited include the Global Emergence Fund, PIDG, SECO17, SIFEM, Start-Up Fund, as well as the collaboration with the IDB Lab and their work on social impact bonds. Whilst acknowledging these results, others cautioned that “*capital mobilisation is also the easiest to measure and to communicate about*” skewing the impression of what was successful. Others argued that the focus on capital can dilute attention that complex problems in the development context require systemic interventions.
- **Solutions:** It is also a common belief that SECO is rather successful on the second Approach Dimension, to create and strengthen networks to share “know-how”. Various examples were brought up, including Swiss Sustainable Finance, various platforms for commodities, as well as SECO’s engagement in the DCED and other knowledge sharing and exchange platforms.
- **Commitment:** The interviewee feedback regarding “commitment” was mixed, compared to the survey participants who rated effectiveness overall high, the interviewee feedback was more reserved. One interviewee explained, for instance, that “*there is a «preaching to the choir» situation*” while another one raised doubts whether SECO’s interventions on responsible business conduct were indeed needed, given that there “*are already many pressures by consumers on companies to engage in responsible business conduct.*” Other interviewees highlighted SECO’s contributions and achievements with regard to (voluntary) standard setting in sustainable value chains which includes certification schemes.<sup>99</sup> These interviewees noted that SECO’s platform approaches that combine peer activities and peer pressure create the space in which private sector partners can commit to collective action.

Several interviews touched on the difference between SDC and SECO with regard to their PSE approaches. SECO, it was argued, pursues a ‘sector approach’. This means that SECO supports initiatives in which different actors in a given sector collaborate to jointly achieve sustainable outcomes, as is the case in several value chain projects such as the Swiss Platform for Sustainable Cacao. Several advantages are associated with this approach, as argued by SECO staff, including that it is easier to identify issues of interest among the actors, easier to ensure the “avoid market distortion” principle, as well as the alignment with prevailing Swiss regulatory policies (*Ordnungspolitik*). As main disadvantage it was mentioned that a sectoral approach can hardly solve complex and multifaceted challenges such as human rights, or loss of biodiversity on its own. Conversely, it was argued that SDC must at times collaborate with single businesses

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<sup>99</sup> Similarly, as part of the sustainable fisheries program financed under SECO17, participating fish farms undergo a certification process.



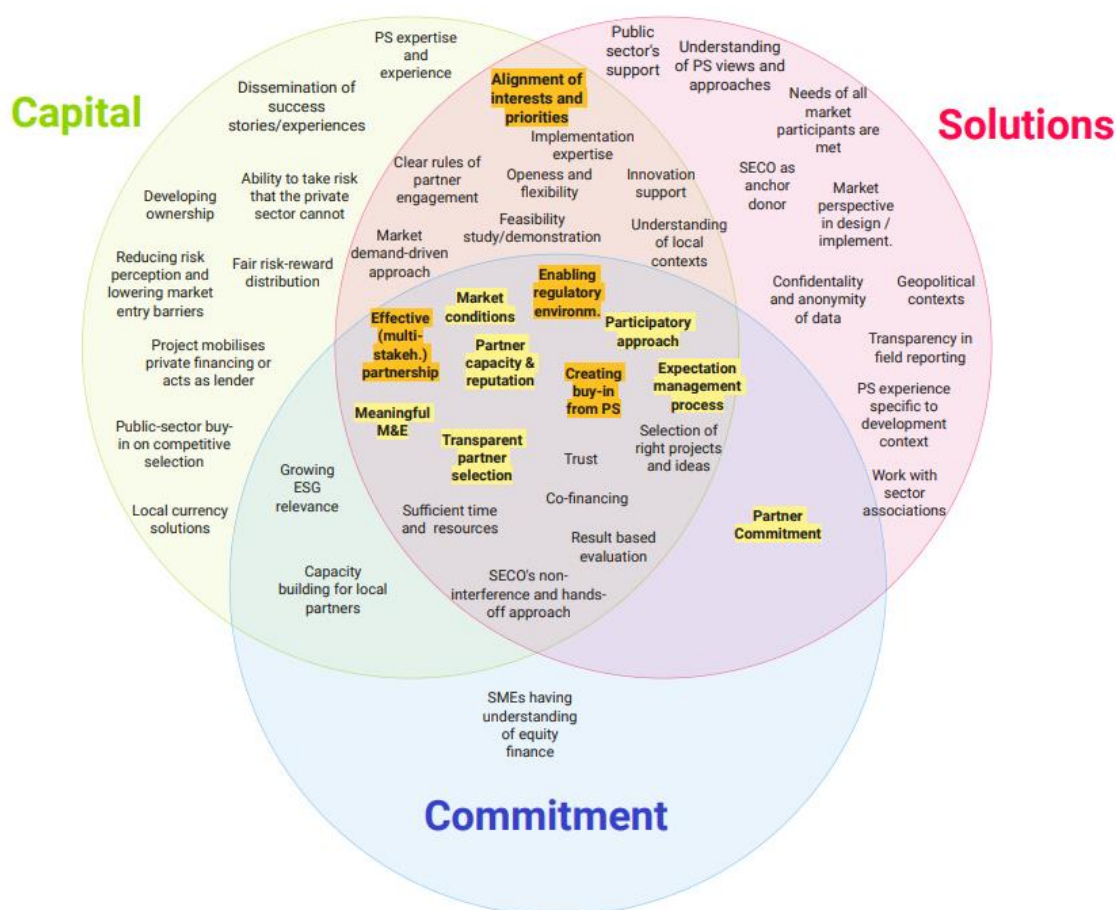
who act as first movers in a least developed country context, to give impetus for systemic change. This implies accepting higher risks or using financial instruments with no return on investment.

## EQ9: What are success factors in the implementation?

Interviewees and survey participants were asked what they consider to be success and hindering factors for PSE, based on the experience in their project. This question is about the implementation process, but some of the factors might be so difficult to ensure in some contexts that they could also be seen as pre-conditions (see section above, EQ4).

Figure 28 summarises the responses by survey participants, grouped along the Approach Dimensions. There were 83 comments altogether, which resulted in many, highly varied comments. Figure 29 contains the same responses, yet analysed according to three SECO sections WEHU, WEIF, and WEIN.

Figure 28: Success factors (Survey)

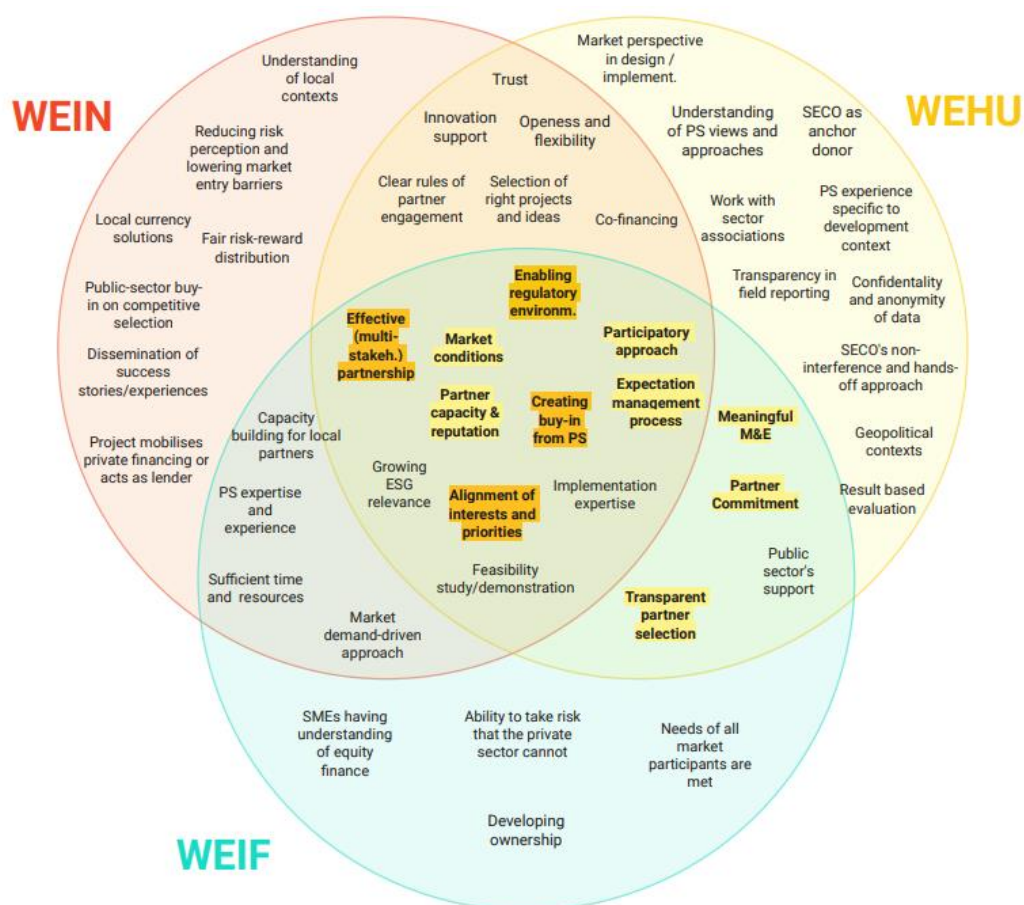


Note: Each comment was allocated to one or several key words, as well as Approach Dimensions and sections, depending on the project of the respondent. Orange highlights items mentioned 10+ times, yellow highlights items mentioned 5+ times.





Figure 29: Success factors (Survey, differentiated by SECO section)



Note: Each comment was allocated to one or several key words, as well as Approach Dimensions and sections, depending on the project of the respondent. Orange highlights items mentioned 10+ times, yellow highlights items mentioned 5+ times.

Using the material also from the interviews, we structure the comments into the following groups:

**1. Alignment of interests:** All stakeholder groups believed that one of the most important success factors was the alignment of interests and objectives among partners. Many participants emphasised the significance of creating buy-in from the private sector, which requires acknowledging and appreciating different perspectives, understanding incentives of all parties involved, and generating tangible benefits (which, apart from profits, also include supply chain security, reduction of compliance risks, fostering networks). SECO and intermediary participants acknowledged that this can be difficult, including avoiding “pushing the donors’ own agenda too much”. Expectation management plays an important part: “Investing time and resources in understanding, clarifying, and communicating the different parties’ motivation and what is to be achieved is the key to success”. Against this background participatory and multi-stakeholder approaches become themselves success factors. Steering Committees and other formal and informal frequent exchanges can also be instrumental for trust building, sound decision making, and effective project oversight. The important of trust building also emanated in the case study on the ECA PPP program in Annex 4.





**2. Selection of partners:** Building effective partnerships among different stakeholder groups is considered a key success element, especially in exchanging and increasing knowledge, expertise, and resources. Selection of well-fitting partners, in a transparent manner, is thus seen as one of the enabling factors for PSE. Many participants emphasised the importance of staying open for different types of partners on the one hand, but also for clear selection criteria and related procedures (tendering / application) on the other. Such criteria could include similar values, agenda and commitment, minimum size or creditworthiness, capacity, reputation, and history of successfully implementing and executing programs. Dividing roles and responsibilities clearly among different partners, in a way that they correspond to the competencies of the partners, was in this context mentioned as another success factor.

**3. Understanding the context:** Geopolitical, legal, and social context, and market conditions are important factors, according to several participants. Having country or region-specific knowledge/expertise is essential for project success – a reason why SECO's presence in partner countries has several times been mentioned as an asset.<sup>100</sup> Other elements supporting understanding are in-depth and participatory design processes. Political instability, disabling business environment, and limited institutional and legal framework, weak enforcement capacity, and limited markets can be major obstacles for PSE (see also EQ 4 above). Understanding the context also extends to ensuring commitment from the public sector.

**4. ESG concept and standards** were brought up repeatedly as a success factor; either having a ESG concept / standards as well as being supported towards developing such – because firms have on the one hand increasing awareness about the important of ESG, but not the knowledge to translate ESG into their business operations. Several private sector participants also expressed that business owners increasingly think about their social role and strive less for financial success only, with the realisation that they will otherwise risk losing their market share.

**5. Proof of concept:** When it comes to project management, success factors which were identified by interviewees and survey participants include: the ability to “demonstrating feasibility through successful pilot transactions, reducing risk perception, and lowering market entry barriers”; “having robust measurements”. Time and resource constraints were considered as a challenging factor for PSE, particularly when clarifying concepts and other aspects in complex or capital-intensive projects. Whilst co-funding and equity finance can help mobilise commercial capital, being successful in doing so was challenging for many. Finally, one interviewee explained that risk reduction always means reduction of potential returns; this might suit some private investors but not others.

**6. Flexibility** in engaging with partners was considered important. Two survey participants called for giving intermediaries the discretion to “*identify partners and design projects with them*”. Conversely, several respondents from the private sector valued the “*non-interference and hands-off approach from SECO*”, and “*the ability to move quickly, to support de-risking projects which the private sector cannot*”. Survey participants emphasised the importance of applying procedures

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<sup>100</sup> An example in which the role of SECO's country offices was expressly mentioned is the mid-term evaluation of the Multi-Country Investment Climate Programme (MCICP). The evaluators found that their inputs along with the ones of SECO's headquarters are required “to ensure knowledge of local context is fully utilised”. Mid-term evaluation of the MCICP, Oxford Policy Management, 2021



and processes in a way that they contribute to creating impact (“*you have to be pragmatic and to keep in mind that this is a specific context*”).

A few participants from SECO and intermediaries named hindering factors at the project level, which are, to a large extent, the inversion of the success factors above. These factors include “*high risk associated in the early stages of pilot projects*”, “*too much bureaucracy, untargeted support, too much and non-strategic money from donor organisations*”, and “*too strict definition of matching funds and contributions [that] generated a lot of transaction costs for little gain.*”

#### **What criteria need to be considered / examined when selecting private sector partners?**

Most survey participants mentioned some or all of the following criteria for selecting private sector partners: **1.** alignment of interests and commitment; **2.** proven track record in the implementation of projects; **3.** integrity/reputation/ESG track record; **4.** sufficient technical, human, and financial capacity; and **5.** sustainability model and strategy.

Many NGO participants reiterated the importance of the private sector’s ethical and social considerations (labour rights, relationships with suppliers and communities); environmental performance (use of environment-friendly practices/technologies, responsible use/management of natural resources); and their readiness and willingness to change. Some other participants also mentioned the advantage of having knowledge of the context and skills to engage with country partners, and capacity for wider dissemination. The essential role that SECO’s offices in the partner countries have in identifying, fostering relations, selecting, or supporting private sector partners has been mentioned repeatedly.

## **EQ10: What innovations have been pursued through PSE interventions?**

While SECO does not have an overarching definition of the innovation it seeks to achieve by applying the PSE modality, several characterisations of what constitutes innovation were mentioned in our conversations with SECO staff.<sup>101</sup> They suggest that there is a shared understanding across the operational sections regarding innovation. It also emanates from the interviews that there is a general idea among SECO staff that the “*private sector is key in the process of innovating*” and that the PSE modality has therefore much innovation potential. Beyond that potential, the private sector is also perceived as having specific technical expertise, awareness of the latest market developments, and having a capability to scale new ideas, technology, products and services.

Interviewees and survey participants mentioned a wide range of examples how innovation was created and/or applied in PSE projects. Some of these innovations are likely incremental, others potentially more disruptive in nature - distinguishing between the two would need an in-depth study of each innovation. The examples also indicate that what is considered as innovation depends on the context and thematic area. Some approaches that are new for SECO or specific contexts can be seen as innovation, less so in other contexts or when compared to the work of other development partners or actors.

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<sup>101</sup> Some of the characterisations mentioned are: “taking on a new challenge”, “collaborating with a new partner”; “deploying a technology that is not mainstreamed yet in a given context”, “something new in a specific country of theme”, “a solution not available in a particularly market”.



We group the examples into those which are modality/implementation-related (e.g., relating to the forms of engagement), and those which are related to innovations and transformation the projects are meant to trigger, in terms of technology, products and services, or work-organisation. In some instances, there is an overlap, e.g., the multi-stakeholder platforms are both a form of engagement and an organisation-related innovation the projects want to foster long-term beyond its duration.

These are the examples mentioned in the interviews and in the survey:

- **Modality related:** In this category fall innovations with regard to the multistakeholder approach, including in particular the Better Gold Initiative and the Swiss Platform for Sustainable Cacao. They are considered as innovations because they are new for SECO and planned to be scaled for other commodities too. With regard to the PSE Approach Dimension “capital”, the example most often cited as being innovative was SECO17, among other reasons because it linked technical assistance to an investment fund for the first time. Another example is the Blockchain Ecosystem South Africa programme, in which SECO collaborates with Swiss venture capital firms. The projects seek blockchain-related innovations via early-stage start-ups in South Africa. Finally, the Green Bond Technical Assistance Program was discussed; this project encourages financial institutions to focus on green bonds in emerging markets.
- **Project related:** The examples mentioned under this category comprise product and process innovations. Examples of product innovations comprise the services and products developed under the Remittance Grant Facility in Ghana (see case study in the section 4.7 and Annex 4). The Sustainable Cocoa Production Program in Indonesia created a tool that combines “*diffusion of innovation theory and social network analysis*”; it is one of the process innovations to better manage traceable supply chains.<sup>102</sup> The Better Gold Initiative was mentioned too, which uses blockchain technology to enhance traceability. Another innovation brought up are Village Savings and Loan Associations (in the context of the Swiss Platform for Sustainable Cacao), a model for income diversification and women empowerment.

The review of Country Programme Implementation Reports (CPIR) and Annual Reports covering the year 2021 revealed a few additional examples that fall into the remit of what SECO considers as innovations and strives for. Among them are a digital wallet and other fintech solutions for artisan gold miners in Colombia. Albeit not related to PSE interventions directly, SECO is also active in supporting business reform and thereby creating innovation-friendly environments for the private sector.

We learned that the topic of innovation receives more attention, which is also evidenced by the creation of an informal innovation support group led by WEIN that aims to foster innovation

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<sup>102</sup> The tool – FarmNetX – is a decision-making tool for sustainability managers using existing data collected for private and voluntary sustainability standards, and social network analysis to gain insights into farmers’ informal knowledge sharing networks. It identifies influencers in farmer networks so that sustainability managers can focus their investments on the influencers, instead of the entire network, accelerating diffusion of innovations in their supply chains at lower costs.



through SECO internal exchanges, innovation stock-taking, analysis of good practice so as to create “spaces” for innovation.

#### **Findings from the OECD DAC Peer Review**

The OECD's Development Assistance Committee (DAC) conducted a peer review in 2019, assessing the performance of Switzerland's development co-operation. With regard to innovation the peer reviewers attested that “*Switzerland champions innovation*” and noted several innovations that stem from SECO funded interventions. Examples included the launch of a social impact fund in Colombia; the SECO Start-up Fund which promotes private-sector investment projects in developing and transition countries; the SECO 17 call for proposal to provide technical assistance to investment funds to develop innovative projects contributing to climate or job creation goals; the REPIC Platform that funds innovative projects in the area of energy; and SIFEM's impact bonds. Referring to a recommendation issued in the 2013 peer review, which suggested that SDC and SECO set clear priorities and provide guidance for scaling up and replicate innovative projects for greater impact and to reduce administrative costs, the reviewers concluded that it was partially implemented.

Source: OECD (2019), OECD Development Co-operation Peer Reviews: Switzerland 2019, OECD Development Cooperation Peer Reviews, OECD Publishing, Paris

## **4.13. Efficiency**

This section addresses the evaluation question, whether the different forms of engagement are efficient? (EQ 11). The analysis summarises the prevailing views on matching funds, results-based financing, technical assistance / capacity development, and multi-stakeholder platforms, and specifically whether they have a good cost-benefit ratio. A more in-depth analysis, including discussing specific formats such as loans, guarantees, or first-loss tranches when discussing matching funds or results-based financing, is beyond the scope of the evaluation.

Before we address the forms of engagement specifically, we first discuss the overall results related to efficiency (section 4.1), acknowledging that overall efficiency also includes other project elements than forms of engagement.

### **Overall assessment**

The assessment of the evaluation reports and internal project completion notes (included in section 4.1 above) showed that efficiency is considered to be high. Of the 29 projects with an efficiency score, 7 were rated very satisfactory, 20 satisfactory, and 2 unsatisfactory. This roughly compares with the non-PSE projects, although the non-PSE projects were rated a bit more critically. A small number of non-PSE projects received a highly unsatisfactory rating. Given the sample size, the margins of error of the analysis are larger than the difference between PSE and non-PSE projects, meaning that the differences should not be overinterpreted. Again, the internal completion notes to PSE projects were particularly positive (all highly satisfactory or satisfactory ratings).

The survey showed that the vast majority of the participants believe that the PSE modality made their project more efficient, and that is true for all types of stakeholders (also see section 4.1 above). Agreement rates (“agree” or “somewhat agree”) vary between 80% (NGO) and close to 100% (all others).



Several survey participants, particularly from SECO, expressed concern that more time and resources are needed to clarify the conceptual differences, align diverse interests of various stakeholders, and convince the private sector to get on board in comparison with traditional projects. Yet, the PSE modality is seen as pertinent for the long-term sustainability of the projects and offsets the aforementioned initial investment.

Another recurring theme related to efficiency were the M&E requirements and the unintended burden they bring to agree on and to deliver monitoring data. A representative of a DFI pointed out, for instance, that it would benefit efficiency if SECO used the Harmonized Indicators for Private Sector Operations (HIPSO)<sup>103</sup> more often, which is already the case for SIFEM. Similarly, several interviewees mentioned that private sector partners often struggle to deliver non-core business related M&E data which makes the implementation process inefficient.<sup>104</sup> In this context it is generally seen as good practice to jointly develop monitoring, evaluation, and learning frameworks to ensure that the latter are both meaningful to assess development outcomes and feasible; this may require assistance and iteration.

## EQ11: How are the forms of engagement assessed in terms of efficiency?

### Forms of engagement: application

The Approach Paper distinguishes three "forms of engagement", namely results-based financing, matching funds, and multi stakeholder approaches. This is not an exhaustive list, however, since in practice SECO pursues other forms and variants thereof too. One these forms is "technical assistance / capacity building" and in the discussion with SECO's Evaluation Unit and sounding board, it was decided to add it as a fourth form of engagement.

The Approach Paper does itself not define the forms of engagement. In the absence of such definitions one can partly refer to those that the DCED established:

- **Matching fund:** a mechanism that foresees the sharing of costs and risks of private investments in a developing country, based on proposals from businesses.<sup>105</sup>

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<sup>103</sup> HIPSO is a set of 38 indicators defined and agreed on by 28 DFI to track development results. The rationale of the HIPSO is to minimise unintended burden deriving from the DFIs' different reporting requirements of their clients.

<sup>104</sup> Another reason could be that compared to other development partners, SECO project managers are perceived as particularly engaged and active as well as attentive to detail and procedures – as three of SECO's intermediary partners stated in interviews. Higher levels of engagement can then also explain the notion of 'high transaction costs' below (EQ11).

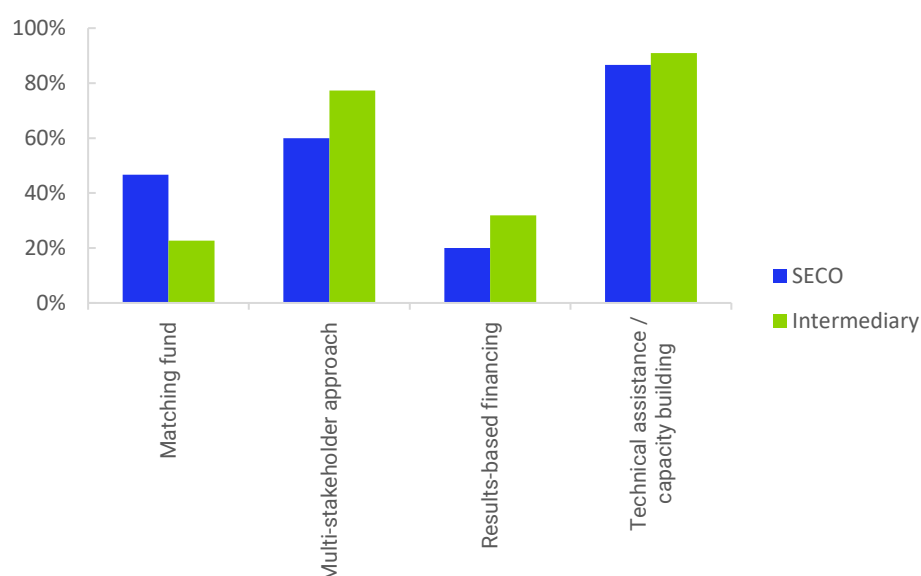
<sup>105</sup> Synthesis Note: Matching Grant Schemes & Systemic Approaches for Private Sector Development, DCED, July 2015. Matching funds include "challenge funds" as one of the variants of a matching fund. A common definition of "challenge funds" does not exist, yet they are often grants or concessional loans, awarded through an open competition and pre-defined criteria, that intend to find innovative solutions to address a development challenge. Typically, a challenge fund requires the grantee to match the donor funding. An example of a SECO-funded challenge fund is the Remittance Grant Facility in Ghana, which is discussed in a spotlight in this report.



- **Results-based financing:** an instrument to mobilise finance by agreeing to repay or financially award investors or implementers upon achievement of results.<sup>106</sup>
- **Technical assistance / capacity building** comprises training, assistance and other processes and actions that transfer knowledge, expertise, skills etc.
- **Multi-stakeholder approach:** dialogue processes with a knowledge-sharing or standard setting purpose involving various actors.<sup>107</sup>

The survey captured the extent to which these forms of engagement are applied in the PSE portfolio. Because the forms can be applied separately or combined, multiple responses were possible. Figure 30 shows that almost all PSE projects were covered in the survey have a technical assistance/capacity building component, while the other forms are used less frequently.

Figure 30: Forms of engagement (Survey)



Question: Are you applying one of the following three forms of engagement in your project? Matching fund, Multi-stakeholder approach, Results-based financing, Technical assistance / capacity building

Number of responses: 7, 5, 9, 17, 3, 7, 13, 20

### Forms of engagement: effect

As a follow-up question, survey participants were asked whether they thought that the forms of engagement were worthwhile to employ (see Figure 31). The vast majority of them approved of matching funds, technical assistance / capacity building, and multi-stakeholders. Results-based financing was rated more cautiously. Yet it should also be considered that this instrument was

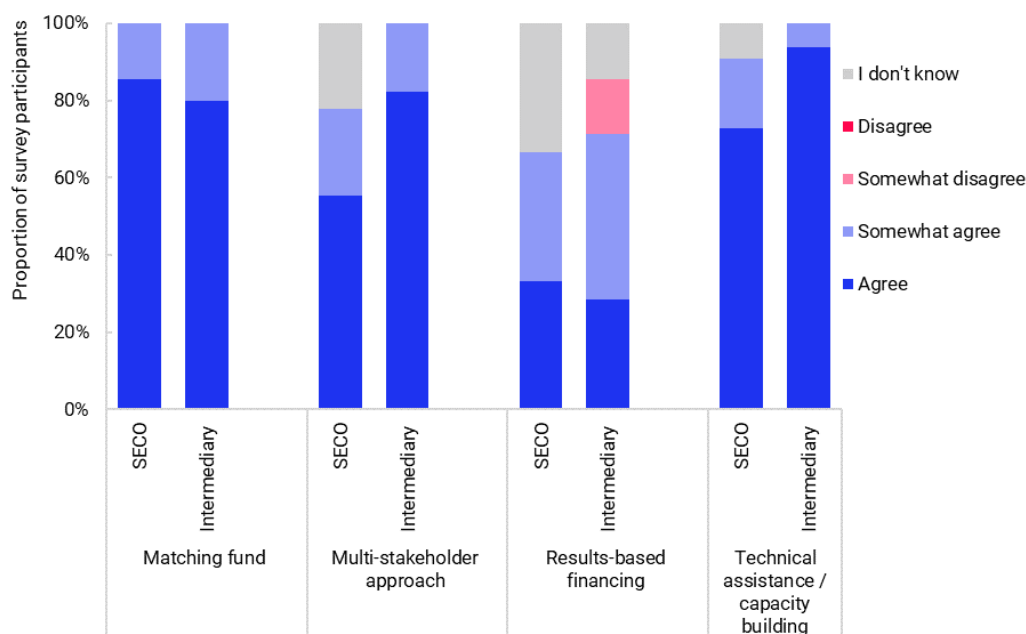
<sup>106</sup> See [www.enterprise-development.org/implementing-psd/private-sector-engagement/](http://www.enterprise-development.org/implementing-psd/private-sector-engagement/), last accessed: 8.6.2022

<sup>107</sup> Engaging with the private sector through multi-stakeholder platforms, DCED, January 2017



rated by few people only (3 SECO staff and 7 intermediaries), possibly because it has overall been applied fewer times, leading respondents to forego the survey question.

Figure 31: Are the engagement forms worthwhile? (Survey)



Question: Do you agree or disagree with the following statements? Considering all costs and benefits, it was worthwhile for the project to apply ... Matching fund, Multi-stakeholder approach, Results-based financing, Tech. ass. / capacity building

Number of responses: 7, 5, 9, 17, 3, 7, 11, 16

The feedback that was given in interviews signals that the interviewees seemed to have a different understanding of the various engagement forms, which renders a comparison from the feedback difficult. This can well be explained with the complexity of the question and the fact that not all participants have experience in applying all forms of engagement to be able to draw comparisons. Generally speaking, however, it can be inferred from the feedback that respondents confirm the good cost-benefit ratio of multi-stakeholder approaches as well as technical assistance and capacity building; in addition they consider them as essential features to enhance sustainability.

As far as the other forms of engagement are concerned it was interesting to observe that survey respondents noted that 'high transaction costs' is a key challenge of matching funds. This is somewhat in contrast with findings from the DCED that found that the management of a matching fund (in the particular case: a matching grant scheme) is "typically light-touch" (DCED, 2015).<sup>108</sup> The reasons why 'high transactions costs' are incurred are unclear, however, we learned in interviews that there are challenges as regards the financing instruments that SECO can employ in its projects.

<sup>108</sup> Synthesis Note: Matching Grant Schemes and Systemic Approaches, DCED, July 2015





Regarding transaction cost there have also been concerns that initiation costs are at times disproportionate to the total project costs. Due to their fixed cost character, efficiency could consequently be improved if SECO designed fewer but larger PSE projects, interviewees argued.

Another noteworthy observation on efficiency is that SECO oftentimes implements its PSE projects via multilateral channels such as via the IFC. In fact, the WBG and regional development banks combined account for more than 40% of the current PSE portfolio. The views about whether these engagements are more or less efficient varies. Some argued that these projects are lean to manage because the bulk of the coordination work is done by the multilateral agency, others were of the opinion that the transaction costs are high.<sup>109</sup> They also noted that such projects provide less opportunity to contribute during design and that they are less adaptive and flexible during implementation, factors that can also undermine efficiency.

To assess how the forms of engagement are assessed externally, we reviewed evaluation reports of five randomly selected projects.<sup>110</sup> Among them, there are two projects in which the form of engagement was somewhat assessed/referred to in terms of efficiency, albeit not directly or only minimally. The evaluator of the ECA PPP program found that IFC's *"overall efficiency numbers seem consistent with IFC global averages"* and that *"costs associated with first-mover projects in markets with little or no PPP experience are very difficult to predict with any degree of accuracy"*. The Sustainable Cocoa Production Program was assessed positively in general, with no evaluation of the engagement forms per se, yet it was recommended to enhance efficiency in terms of partner engagement in training; the latter *"could be better linked to the government programs and more integrated with the private sector"*.

## 4.14. Impact

This section covers the extent to which PSE projects contribute to higher level results. Two evaluation questions address impact, namely "Do the PSE interventions contribute to SECO's long-term goals / SDG?" (EQ 12) and "How are the PSE principles ensured?" (EQ 13). The reasons that the principles are discussed under impact can be explained with reference to the Theory of Change: The principles represent important assumptions behind the link from more direct, short-term results to long-term and higher-level results.

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<sup>109</sup> A report of the Overseas Development Institute (ODI) that compared bi- and multilateral aid channels concluded that *"there is no evidence that multilateral assistance is resulting in rationalisation across the bilateral landscape"* and that *"recent comparison of donor overhead costs provides an empirical basis for refuting the claim that multilaterals are more efficient than bilaterals."* Bilateral versus multilateral aid channels: Strategic choices for donors, Overseas Development Institute, 2016

<sup>110</sup> These projects are: Europe and Central Asia: PPP Transaction Advisory Program, Private Infrastructure Development Group, Phase VII, Strengthening SMEs Business Membership Organisations in Ukraine Phase II, Sustainable Cocoa Production Program, Phase II, Swiss Entrepreneurship Program, Phase II.





## EQ12: Do the PSE interventions contribute to SECO's long-term goals / SDG?

### Positive effects

The survey showed that, mirroring other DAC criteria, the vast majority of the survey participants believe that the PSE modality made their project more impactful, and that is true for all types of stakeholders, including the NGOs (also see section 4.1 above). It is interesting to see the shifts between effectiveness and impact, particularly when focussing on the most positive score ("agree"): Some of the stakeholder groups are more positive in regard to long-term effects (impact) than they are on short-term effects (effectiveness), namely NGO representatives and SECO staff. The private sector itself is slightly less positive, and intermediaries and other partners rate both type of effects about the same.

Interviewees argued that PSE projects are effective in contributing to SECO's long-term goals and SDG. One interviewee expressed, for instance, *"to have development impact, we need to utilise the money from the private sector, especially in the areas where funding demand is significant such as climate change. If things work out well, we can make a business case, and in turn more private sector will join, and more money will be available. There is definitely a huge potential impact for PSE."* Another interviewee explained: *"The PSE projects may have less "scale" but a greater effect "per unit". Projects with the public sector, on the other hand, are less effective because we at SECO often have to deal with weak state structures. A revision of the law can then be pending for several years before something happens. The potential for impact via the public sector is high, but in reality, the potential is often not realised."*

### Negative effects or trade-offs

The majority of survey participants mentioned that they do not perceive negative effects or trade-offs when applying the PSE modality. The few examples that were mentioned included the trade-off between balancing higher risks and operating in challenging contexts, for instance in less developed or fragile contexts, where innovative development solutions would be particularly needed.

At this point, we also refer to the feedback from some interviewees discussed in section 4.3 (relevance), related to the environmental footprint of global value chains, exposure to value chain shocks, and interdependence with the development of higher value-adding industries in the source countries.

It is controversial question for some whether the resources going to multilateral organisations are justified, and whether the steering options in these instruments are sufficient. Three interviewees voiced the concern that SECO's multilateral engagement could undermine effectiveness and impact, because it has less operational control to ensure that projects do no harm.

Some additional arguments were made by single interviewees / survey participants that relate to the complexity of PPP in relation to direct public investment, which often requires *"significant legislative/regulatory action to bring local environment closer to best practice"*, and *"takes time and a lot of political capital to resolve"*.



## Analysis of Standard Indicators

SECO uses 16 standard indicators for results reporting. The indicators are captured on a yearly basis, based on data furnished by the implementing parties. When collating the figures, SECO uses the size of its financial contribution to the project to estimate what part of the results can be attributed to SECO. Annex 8 summarises the values for the year 2020, distinguishing between PSE and non-PSE projects.

There are a few take-aways from the assessment:

- Some of the indicators are "fed" almost exclusively by PSE projects, i.e. 90% and more of the total indicator value stems from PSE projects. These indicators are: SI 4 (capacity building), SI 6 (amounts mobilised from private sector), SI 10 (greenhouse gas emission), SI 11 (energy efficiency / renewable energy), SI 12 (company access to capital), SI 13 (jobs), SI 15 (access to markets or value chains).
- Other indicators are dominated by non-PSE projects: SI 2 (domestic resources mobilised), SI 5 (compliance costs), SI 14 (work conditions), SI 16 (trade).
- The dominance is either rooted in the fact one modality (PSE / non-PSE) includes more projects, or alternatively produces higher output or outcome figure per project, or both.<sup>111</sup>

The data indicates where the outcomes are achieved, in PSE or non-PSE interventions. Beyond that, it is difficult to interpret the data, specifically to learn whether the level of achievement can be considered satisfactory or unsatisfactory, given there are no target values. It is also difficult to learn whether PSE or non-PSE projects fare better. The average per project, for instance, does not consider what other outputs or outcomes might have been achieved by the same project – which are either captured by other SI or not at all – and what investments were necessary to achieve the results.

What the table shows, however, is that the PSE modality is implemented across the portfolio and thus serving to achieve various SDG outcomes.

## EQ13: How are the PSE principles ensured?

The PSE principles play an important role in the PSE ToC because their realisation is directly related to enhance development impact or, conversely, avoid negative unintended effects from SECO's engagement with the private sector. Correspondingly, this section covers three aspects: 1. the extent to which there is a common understanding around them; 2. whether the principles were discussed among project partners; and 3. whether the principles were incorporated in the design and later in the monitoring, so that they can be safeguarded.

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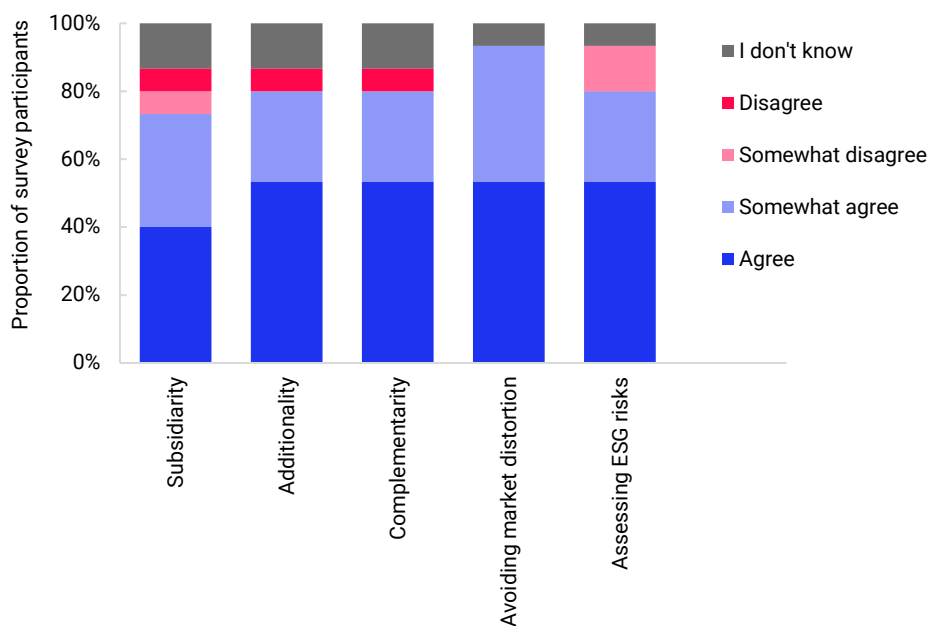
<sup>111</sup> Outliers are SI 4 (capacity building) with many more non-PSE projects, but comparatively few trainees per project. Upon closer inspection, it is a single project (The Sustainable Trade Initiative IDH) which produces 295,000 trainees of the total number of 322,000. If this project is omitted, PSE projects still have more trainees, but the difference is not as vast as when including IDH. Another outlier is SI 11 (energy efficiency / renewable energy) for which a very small number of PSE projects produce a high output / outcome.



## Common understanding of the principles

Survey participants working for SECO were asked whether they believe that there is a common understanding of the five principles at SECO. The responses indicate that for many SECO staff, this is indeed the case, for all five principles. There is a minority which disagrees with this notion, and also a small number of staff members that indicate that they cannot tell.

Figure 32: Among SECO staff, do you have a common understanding of the principles? (Survey)



Question: Do you agree or disagree with the following statements related to the ... principle? Among SECO staff/teams, we have a common understanding of this principle.

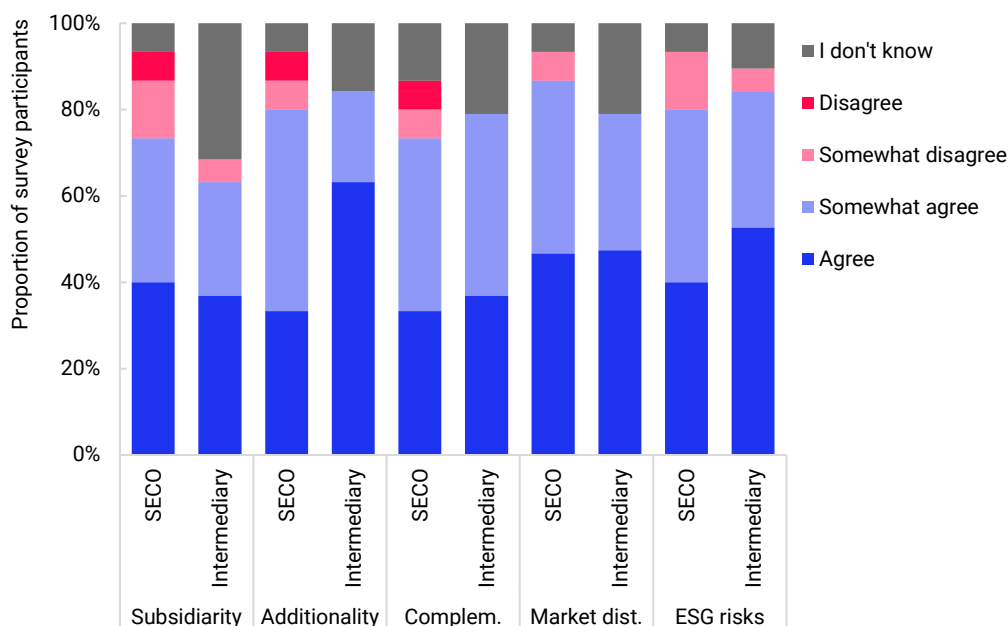
Number of responses: 15, 15, 15, 15, 15 (SECO participants only)

The survey results largely mirror the interviews from where it emanates that there is a SECO-internal view that PM are familiar with the nature of the principles and are aware of their importance. As one interviewee explained: "we have internalised PSE principles and dimensions" thereby specifically referring to the WEIF and WEHU teams. Yet, the nuances of the principles are differently interpreted and applied. As one PM put it, there is "a risk of talking past each other", and a "potential danger when there is change of personnel" because of a lack of common understanding. There is also an acknowledgement that there are few discussions what the principles entail, and that the lack of discussion cannot be interpreted that everything is clear.

A second question was addressed both to participants working for SECO or one of the intermediaries, namely whether the project partners have a common understanding. The results largely reflect the results reported for SECO, with a few more critical voices. The feedback from SECO and the intermediaries is similar, with SECO staff being a bit more critical.



Figure 33: Among project partners, do you have a common understanding of the principles? (Survey)



Question: Do you agree or disagree with the following statements related to the ... principle? With our PSE project partners, we have a common understanding of this principle.

Number of responses: 15, 19, 15, 19, 15, 19, 15, 19, 15, 19

An interesting finding is that several feedbacks highlighted on the one hand the importance of “making sure not to use these principles as slogans” and on the other hand communicating and assessing them in an accessible manner so that intermediaries and partners become aware and understand “where we are coming from, why we insist on certain things, what our assumptions are”. Considering the complexity of the principles and absence of more concrete guidance, some respondents therefore called for SECO to sharpen the descriptions and stated to benefit from more guidance. Several of them cautioned at the same time that cost-benefit of guidance notes, working aids etc. need to be taken into consideration. A SECO survey participant mentioned in this context that various guidance documents contain interesting leads for SECO too, including the ones of the DCED or SDC’s recently issued PSE handbook.

### Reflecting on the principles

A key element for the PSE principles to be ensured is that there is discussion around them.

Many SECO PM confirm that these principles are often discussed and addressed at the beginning of a project. The discussions can take place at various stages: at the design stage of a concept note, during the review process by the OPK, as well as during the procurement stage (for instance, by recommending that offers and funding proposals demonstrate how they meet the principles).

Intermediaries and partners report that they were part of discussions related to the principles. The survey results indicate that there seems to be discussions (or involvement of stakeholder in discussions) regarding subsidiarity – which is the principles which is considered as least clear (see section 4.2). It seems likely that there is a connection between the two findings. Overall,



there is little difference in the assessment about the clarity of the principles between stakeholders.

To assess whether such reflections are also documented, we reviewed the design documents (e.g., credit proposals and log frames if available) of five randomly selected projects.<sup>112</sup> The review shows that the Swiss Platform for Sustainable Cocoa covers all principles, whilst another one refers to selected principles (without providing reasons why only those were chosen). This is the case, for instance, in the Sustainable Cities in Colombia and Peru project, which covered complementarity and ESG risks. It also shows that the depth with which the PSE principles are referenced varies considerably. In one project, some of the PSE principles are considered implicitly in the credit proposal, namely by referring to the intermediary's (IFC) mission and principles. The subsidiarity principle, for instance, can be linked with IFC's practice that *"entails assessing projects with a "cascading" approach, which begins with identifying, first, if the transaction is viable under a PPP/PSP and only after ruling out all private sector-based options, recommending publicly funded solutions"*. The proposal for the Swiss Platform for Sustainable Cocoa, on the other hand, covers all principles. Subsidiarity is sought to be ensured by setting a 50% cap of SECO's financial contribution, and additionality by defining appropriate award criteria for projects of the co-financing facility.

### Ensuring the principles

Looking at whether the PSE Principles are adequately emphasised and safeguarded – as shown in Figure 34 – the following findings are particularly noteworthy because they are the end points of the range:<sup>113</sup>

- **Subsidiarity:** Among those who scored the item, 73% believe (agree or somewhat agree) that the principle is safeguarded, while a substantial minority thinks it is not, or not sufficiently. Splitting between SECO and intermediaries, it is particularly SECO staff which is critical (60% versus 83% agree or somewhat agree). The result is also reflected in the below-average score on monitoring, and to a lesser degree design work. Based on the survey results, subsidiarity seems to be the principle that is most difficult to realise.
- **Additionality and ESG risks:** 92% of the survey participants believe (agree or somewhat agree) that the principle is safeguarded. This is reflected in the scores of SECO and intermediaries, which are almost the same for these principles. Both principles are also better integrated in design and monitoring, according to the survey participants.<sup>114</sup>

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<sup>112</sup> These projects are: Blockchain ecosystem South Africa ,Europe and Central Asia: PPP Transaction Advisory Program, Sustainable Cities Platform, Sustainable Cities in Colombia and Peru, Swiss Platform for Sustainable Cocoa.

<sup>113</sup> The agreement rates for complementarity are 85% (in design), 81% (monitored), and 78% (safeguarded); for market distortion, they are: 97% (in design), 92% (monitored), and 88% (safeguarded). These rate lies in between the more positive ratings (additionality / ESG risks) and less positive ratings (subsidiarity).

<sup>114</sup> These results are noteworthy in light of literature which, at least with respect to blended finance operations, argues that there are a number of challenges to measure effectiveness, impact and "development additionality" due issues of access to data and complexity. See, for instance: Winckler Andersen, O., Hansen, H. and Rand, J.: Evaluating financial and development additionality in blended finance operations, OECD Development Co-operation Working Papers No 91, Paris





## 4.15. Sustainability

This section addresses one evaluation question, namely whether results are sustainable (EQ 14). Sustainability is a complex concept, typically assessed by looking at technical and financial capacity but also motivation and ownership of key stakeholders. Such detailed analysis was not possible given the nature of the thematic evaluation; rather, sustainability is assessed as a whole.

### EQ14: Do interventions provide results sustainably?

The assessment of the reports and completion notes (included in section 4.1 above) shows that sustainability is considered a comparatively problematic evaluative dimension for PSE projects. Among the 25 projects assessed, none was assessed as "highly satisfactory" (non-PSE: 13%). Three quarters received a rating of "satisfactory" (non-PSE: 62%), and one quarter as "unsatisfactory" (non-PSE: 22%). No PSE project was classified as "highly unsatisfactory" (non-PSE: 3%). External and internal scores are relatively similar in this regard. Notwithstanding, in the survey the vast majority of the participants believe that the PSE modality made their project more sustainable. This result is true for all types of stakeholders (see section 4.1) and it is worthwhile to point out that the NGO representatives have rated this element particularly high, compared to the other DAC criteria.

In the interviews, different examples and viewpoints regarding sustainability were shared. Because most of the feedback was project-specific, it is hard to find communalities and infer findings that hold true for the PSE approach generally. However, a common theme has been that projects achieve sustainability when there is a clear business case and opportunity to reap profit for the private sector. Combining seed funding and formulating a clear exit strategy for SECO has been identified as a factor benefiting sustainability in the creation of multistakeholder platforms; creating dependencies and 'artificial partnerships' were mentioned as challenges. Interviewees considered Swiss Sustainable Finance as a successful example and said that it is harder to create sustainability for the Better Gold Initiative or SIFEM.

Table 7 below contains a selection of justifications based on which the respective evaluators assessed sustainability of the PSE intervention. While the table shows the heterogeneity of why project results are (likely) to sustain or not, four features can be identified:

- **Business interests:** An essential prerequisite for sustainability is that the results meet priorities and interests of the private sector and that the activities correspond to core business.
- **Enabling environment:** Ownership and leadership of private and public institutions are key. This includes the commitment to implement regulatory reforms to create framework conditions that are beneficial or needed to sustain results.
- **Enough time:** Sustainability can be increased if enough time is given until reforms and change are firmly anchored in the private sector. This can mean require engaging in several project phases.
- **Adequate exit strategy:** Sustainability can be enhanced with adequate exit strategies; this needs ex-ante planning to identify the elements that can contribute or the bottlenecks that can undermine sustainability.



It is interesting to observe that some of these features also emerged in a recent study that identified factors that can contribute to sustainable PSE projects; we summarise the key findings in the excursus further below.

Table 7: Sustainability assessment in evaluation reports

Satisfactory (randomly selected examples)	Rating	Unsatisfactory (all)	Rating
It is likely that the program's benefits will continue ... <b>most partner organizations will remain dependent on continued government, development partner or philanthropic support to maintain their business.</b> ... [in one country] the <b>government's leadership role poses a clear (albeit not imminent) risk.</b> [in another] partner organizations have in the mean-time stopped their operations.		The core of its activities (large scale trainings) are <b>becoming less relevant.</b> ... Although the management is doing broadly the right thing to respond to overall trends, they could be <b>more strategic in its planning</b> for project end and assess its value proposition more deliberately. Overall, the current ... <b>sustainability strategy could be better fleshed out.</b>	
Many initiatives require complex and well-designed change processes, with a lot of institutional and political will to carry them out. The initiatives financed by [the project] took important steps in these reforms. Now it's <b>up to the counterparts to implement the improvements and recommendations and maintain the piloted process.</b>		<b>Responsibilities and ownership of the project remains largely with the contractor and national implementing partners.</b> ... A <b>sustainable model for pipeline development</b> needs to be developed. ... Whereas today it is the project that identifies, prepares and presents potentially interesting mines ... this current system will no longer work once there are no more project funds.	
... it is currently growing well and on track for CRs to likely become a popular, sustainable financial instrument with widespread use ... the importance of a sound legal and regulatory basis is emphasized and a <b>continued project focus remains necessary for refining some of the regulations</b> ... .		Project results at BSO level are unlikely to be maintained without ongoing further support. <b>Tools developed are not yet replicable and scalable by BSOs.</b> For this reason, the initial positive changes observed are unlikely to be maintained beyond the current phase.	
It is difficult to arrive at an overall conclusion concerning the sustainability of the results reached since the program involved multiple beneficiaries and stakeholders across three different regions. Across all three regions, progress towards sustainability was nevertheless, made.		The <b>difficulty in getting local and international financial institutions and impact investors to provide the required financing</b> for [the SMEs] is a challenge to project success. Their continued negative perception of the riskiness of agriculture or agribusiness is worrying.	
Capital market development in the target countries is likely to require multiple-year effort and a second phase is needed to contribute further to outcome and impact. ... The CAPs reviewed are robustly designed and aligned with priorities identified for capital market development, both by counterparts and international assessments.		ex-post program evaluation reports show <b>mixed results with regard to the long-term business cases</b> for farmers. ... for some interventions, <b>securing structural funding remains a challenge.</b> [The] foreseen <b>exit strategies do not always seem feasible</b> within the given timeframe.	

Note: For this analysis we screened 23 evaluation assessment grids (all of them for projects implemented with the PSE modality), of which 17 contained a score for sustainability. The table includes all projects with a score 'unsatisfactory' while we selected randomly projects with a 'satisfactory' score. Emphasis in quotes added.





# Annex 4: Case study SEC017

## Case study 1: SEC017 – Partnerships to Support the UN Sustainable Development Goals (SDGs)

### Introduction

The Swiss State Secretariat for Economic Affairs (SECO) commissioned an independent evaluation of SECO's approach to Private Sector Engagement (PSE). The purpose of the evaluation is to shed light on the extent to which SECO's PSE approach is contributing to reach sustainable development goals. The evaluation applies different qualitative methods, including case studies with the aim to illustrate the causal links and their underlying assumptions of the PSE project and to give voice to the private sector and the project beneficiaries.

This case study reflects on the PSE approach in the context of **SEC017 – Partnerships to Support the UN Sustainable Development Goals (SDGs)**. Methodologically, the case study builds on document review, semi-structured interviews with representatives of SECO and the Meloy fund. The report is structured as follows: Following a description of the project (chapter 2), the report discusses the result chain and achievements so far (chapter 3). The motivation for applying the PSE approach (chapter 4) and how the PSE principles were considered in design and implementation (chapter 5) complement the case study.

### Background

The objective of SEC017 was to contribute to job creation and greenhouse gas emission reduction. In the context of the programme SECO provided a *“financial contribution, which would cover part of the costs of technical assistance (TA) provided by the applicant or a third party to support an Investment for Development vehicle.”*<sup>115</sup> The latter vehicles could consist of an Investment facility and a TA facility. SECO financial contribution amounted to CHF 7 million during the four-year programme period (01.01.2018 - 31.12.2024), with a minimum contribution per vehicle of CHF 0.5 million.

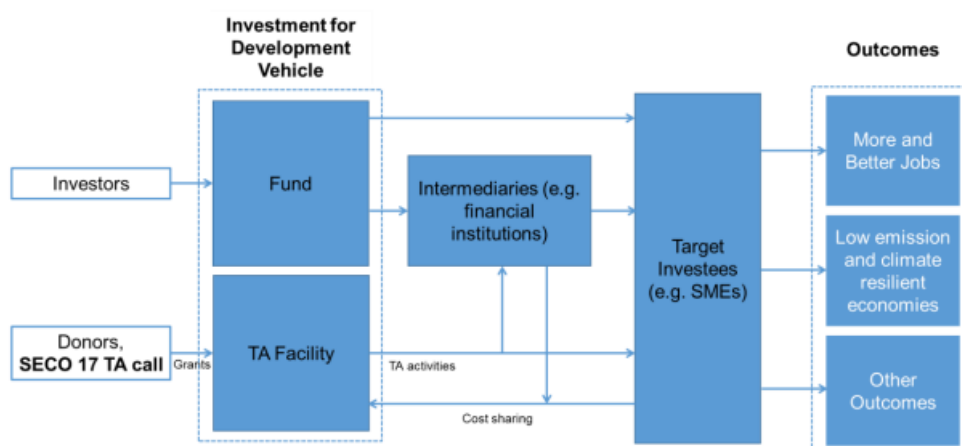
Operationally the programme was launched in 2017 with an open call for proposals to provide technical assistance in form of grants to complement and thus support investments for development as visualised in Figure 1 below. From a total of about 10 to 15 submissions, three projects were selected.

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<sup>115</sup> Main Document Call for Proposals for SEC017 – Partnerships to Support the UN Sustainable Development Goals (SDGs), SECO, undated



Figure 1: Content of SECO17



Source: Main Document SECO17, p.6

Among the selected projects was the **Meloy Fund**, an impact investment fund that incentivises the development of sustainable fisheries by making debt and equity investments in fishing-related enterprises that support the recovery of coastal fisheries in Indonesia and the Philippines.

The Meloy Fund is managed by Deliberate Capital, LLC in partnership with Rare, an international organisation dedicated to adopting behaviours that protect the natural resources that sustain them. The Meloy Fund is a structured fund with a first loss tranche that is provided by USAID and a mixture of Development Finance Institution (DFIs). Philanthropic investors, commercial banks and family offices are investors of the other tranches. The fund’s actual size in 2021 amounted to 22 million USD. Instead of contributing to the funds as an investor, SECO is the main funder of the Technical Assistance Facility (TAF) of the Meloy Fund.

The Meloy Fund’s Fisheries Technical Assistance Facility (TAF) was established to fulfil the vital task of supporting the Meloy Fund. It supports the Meloy Fund “by developing the coastal fisheries ecosystem needed in order to facilitate successful investment at scale, such as providing support across relevant seafood supply chains and improving the management of fisheries as a common pool resource.”<sup>116</sup> The TAF provides two types of services to the Meloy Fund portfolio, namely Business Improvement Services and Fisheries Technical Assistance.

Table 1 below summarises key information of the TAF.

Table 1: Meloy Fund TAF

Meloy Fund	
Duration	2018-2021
TAF Meloy Fund Budget	CHF 2 million
SECOs contribution	CHF 1 million

<sup>116</sup> Annual Update Report 2021, Meloy Fund, January 2022



Goal	<ul style="list-style-type: none"><li>• Accelerating the business development of enterprises to achieve business and environmental sustainability</li><li>• Increase the rate at which sustainable small-scale fishery improvement projects are deployed and scaled</li></ul>
Target beneficiaries	<ul style="list-style-type: none"><li>• Direct beneficiaries: investees of the Meloy fund, SME in the fisheries sectors in Indonesia and the Philippines</li><li>• Indirect beneficiaries: Fisher community</li></ul>

Every potential Meloy Fund investee underwent an Environmental, Social and Governance (ESG) and impact due diligence that identified the suitability of the company for an investment and it assessed the company's ESG capabilities. Considering the main gaps found during this process, the Meloy Fund developed a "Collective Action Plan" to avoid, minimise, offset or compensate for such weaknesses. After the approval of an investment, the Corrective Action Plan was then the basis for the Technical Assistance Plan. For the TAF a cost sharing model was applied, which meant that the investees provided counterpart funding to the TA project costs to ensure alignment of incentives.

Operationally the TAF was independent of the Meloy Fund's investment body. The main governing body was the TAF Committee that consisted of representatives of SECO and the Meloy Fund and had the responsibility to approve the TA Plan for each investee.<sup>117</sup>

## Results

### Result chain

The TAF of the Meloy Fund (hereafter called fund) contributed mainly to the two dimensions in the Theory of Change that was developed for the PSE evaluation: Approach Dimension 1 (Capital) and Approach Dimension 3 (Commitment).

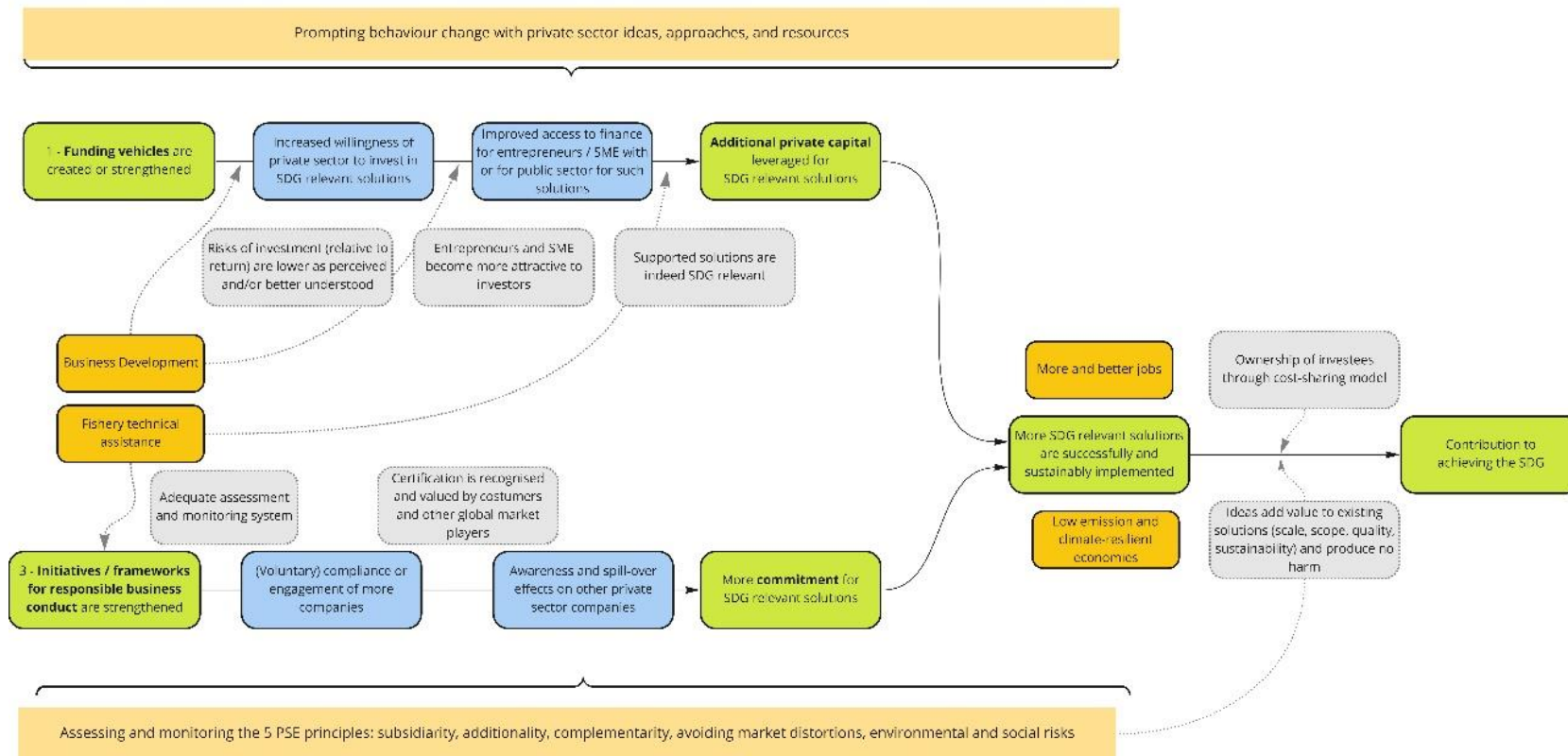
While the fund's fishery technical assistance directly addressed the impact areas for dimension 3, the contribution of the TAF Business Development for dimension 1 is more to work on the assumptions that lie between the impact areas (see Figure 2).

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<sup>117</sup> Meloy Fund Technical Assistance Facility Manual, 2019



Figure 2: Meloy Fund ToC



Note: The elements of the PSE ToC are intended objectives (green) that correspond to the PSE Approach Dimensions of Capital, Solutions, and Commitment; main intermediary outcomes (blue) of the main result chains. The objectives (outputs, outcomes, impact) of the Meloy Fund are added in orange; the assumptions, which describe the most important assumptions and conditions that are needed for the causal links to work, in grey.



With regard to Approach Dimension 3, the activities in the area of Fishery TA included training for sustainable fishing at the supply chain of the investees. In this respect, the training addressed both the management of the investees themselves and the fishermen from whom the investees buy the raw fish. This includes, for example, the creation of transparency in their own supply chain or training on resource-conserving and high-quality fishing.

Although these practices require a lot of effort on the part of the investees and the fishermen, they also increase the efficiency of the fishery. This is because higher prices are paid for high-quality and certified fish products. This, in turn, is conducive to ensuring that businesses in the fisheries sector will continue to catch and process high-quality and thus resource-efficient fish in the future. The obstacles the interviewed investees mentioned, however, is that while the efforts are made in the short term, the benefits of these efforts only materialise in the long term. On the other hand, it is beneficial if traders demand sustainable fish products. Due to the competitive situation and the increasing demand for sustainable fish products, it is likely that the effects of the Fishery TA will lead to spill-over effects on other private sector companies in the longer term.

An important prerequisite for this causal chain of effects is that the Fishery TA should lead to an adjustment of awareness and behaviour at the level of the investees and the fishermen. In order to promote this, the trainings were accompanied by an elaborate monitoring system. The interviewees also pointed out that the closeness to the fishermen is essential to induce behavioural changes. This became especially clear when, due to the pandemic and the resulting loss of revenues, monitoring staff could no longer be sent to the fishermen. In addition, there was mixed information on the loyalty of fishermen to the processing companies of the fund. While on the one hand it was emphasised that the fishermen were very price sensitive and that this determined to whom they sold their produce, the interviewees mentioned on the other hand a strong loyalty between the fishermen and the processing companies. In this respect, it is important to build trust in order to work loyally with each other and hence bring about changes in behaviour through the cooperation. Trust builds especially in times of crisis, the interviewees argued, when it becomes apparent who continues to stand by to support.

SECO has responded very flexibly to the effects of the pandemic on the fish market through the TAF. Because high-quality fish was primarily exported or sold to the domestic hospitality industry (hotels, restaurants, etc.), the market for fish completely collapsed during the pandemic. SECO responded by providing a short-term donation through the TAF, which primarily benefited fishermen. Again, there is no telling how long-lasting the resulting trust that was built up will be.

With regard to Approach Dimension 1, the TA in the area of Business Development is particularly relevant. The goal of these activities was to improve the financial sustainability and operational efficiency of the companies in the fund's portfolio. TAF pays for trainings in this area but also for hiring trained staff. Through these activities, the TAF promoted repayment ability of the investees and thus the financial sustainability of the fund. This in turn reduced the investment risk of the investors in the fund. This effect is likely to be small, as the investment risk was already reduced by the first-loss tranche.

In addition to private capital mobilisation, which was already well established in the fund before SECO's involvement in the fund through the TAF, a particular challenge was to work on the pipeline. In the 2022 project risk analysis of SECO17, this is addressed as a medium-high development risk. As a mitigation strategy it is stated that the fund is actively seeking for

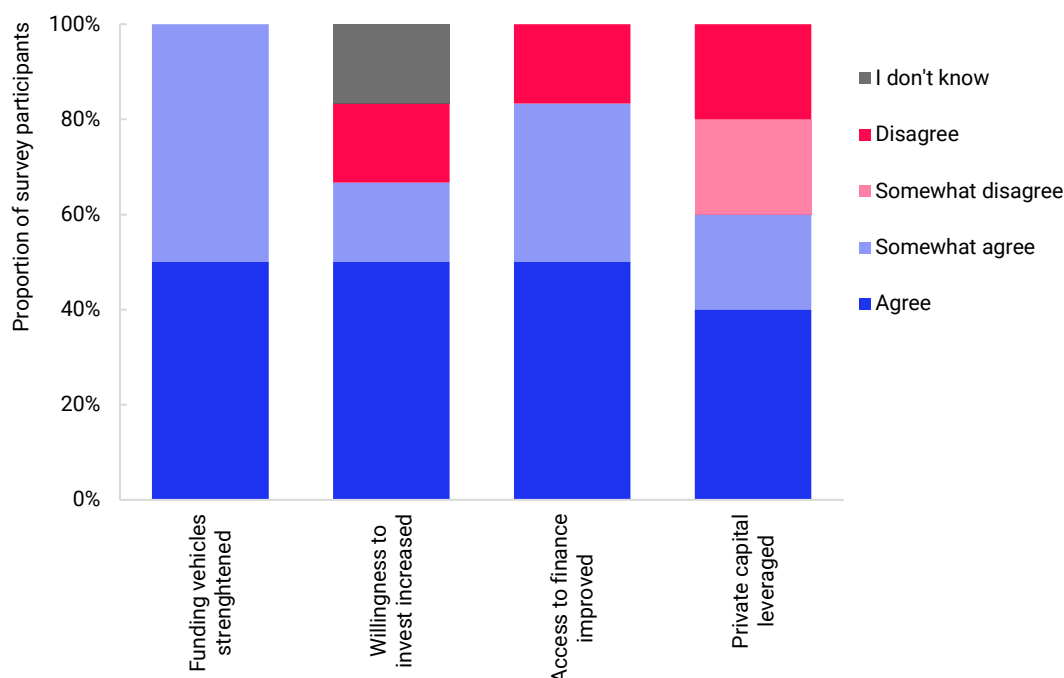


investment opportunities and that the TAF helps transforming the pipeline in bankable investments. In this respect, an important assumption that must hold in order for the impact chain of Approach Dimension 1 to be realised is the existence of investable projects. For the fund, this presents a challenge. Interviewees stated that since the TAF *“only addresses the needs of investees and does not have a decisive role in the investments of the fund”*, the TAF cannot be used to work on the pipeline with potential projects that the fund can invest in. Nonetheless, the role TAF plays here in building up investees and thus increasing its attractiveness to other investors should not be underestimated, even though this case has not yet occurred, possibly due to the short duration of the TAF.

In a survey in which nine stakeholders of SECO17 participated, six persons stated that the project is mainly about the Approach Dimension 1 (“Capital”). As shown in Figure 3, four of them stated that the SECO17 contributes to *“increased willingness of the private sector to invest in SDG relevant solutions”*.

For the developmental added value of the fund, it is also important that the loan-based capital made available to SMEs demonstrates additionality. It emerges from the interviews that we conducted as part of the case study that the fund also provides credit lines to SMEs that cannot access credit in the domestic credit market due to a lack of collateral. In the survey described above, out of six people who saw the focus of SECO17 in the “capital dimension”, again five stated that the objective of *“Improved access to finance for entrepreneurs/ SME/ public sector”* will be achieved by the project (Figure 3).

Figure 3: Positioning to the objectives of the Approach Dimension (Capital)



Source: Own Survey: Answer to question: *Do you agree or disagree with the following statements? These objectives related to Approach Dimension 1 (Capital) will be reached at the end of the duration of your project: funding vehicles strengthened / willingness to invest increased / access to finance improved/ private capital leveraged.*

Number of responses: 9



## Achievements

Until the end of 2021, the TAF has worked with three investees. Table 2 shows that targets with respect to greenhouse gas emission reduction were already met and that targets with respect to more and better jobs are not yet met but are on a good track, as reported by the Meloy Fund. Only the trainings for fishermen lag. With respect to the development impact this could be worrisome, as the fishermen's work is essential for both objectives of the fund, better and more jobs and the reduction of greenhouse gas emission. To mitigate this risk, that is also addressed in the project risk analysis, it is stated that the TAF ensures that the TA activities are aligned with the fund mission and the TA Policy. All TA activities are approved by the TA Committee.

Table 2: SECO's Outcome targets and achievement values

Outcome	Impact metric	Target impact	Achieved as of 2021
<b>More and better jobs</b>	Total direct jobs retained	900	577
	Total direct jobs created	83	77
	Total indirect jobs retained (fishers)	4,500	3,969
	Total indirect jobs created (fishers)	411	733
	Management trained	45	11
	Fishers trained	4,500	687
	Increase company sales	\$ 2,500,000	\$ 1,595,772
	Increase gross profits	\$ 250,000	\$ 706,725
<b>Low-emission and climate-resilient economies</b>	Increase hectares seascape under improved management	49,500	100,000
	Tons CO2 equivalent savings	39,204	123,288

Source: The Meloy Fund (January 2022). Annual Update Report State Secretariat for Economic Affairs.

How sustainable the effects of the TAF are at the level of the investees cannot be assessed due to the short duration of the project. However, the TAF operates according to a cost-sharing model, which implies that all TA project costs will be covered by a combination of grant funding from the TAF and the company. On average, TA projects require 25% of the costs to be paid by the investees. At least 10% of such counterpart costs are paid by the investee itself and in cash, the remaining 15% may be in-kind, and from the investee or any other third party.<sup>118</sup>

This cost sharing approach is intended to ensure that the companies have stakes in the project and hence that the established processes are maintained even after the funds have been exited. This should render sustainability of the TA more likely.

In addition to the cost sharing model, linking the TA to the fund can also be conducive to the sustainable effect of the TA. By taking out a loan with the fund, the investees commit themselves

<sup>118</sup> Meloy Fund Technical Assistance Facility Manual, 2019



to using the loan in such a way that they will be able to a) repay the loan and b) pay the interest and costs in the future. In this respect, the companies have an incentive to further develop their business in a profit-increasing manner. The extent to which this development is also SDG-relevant must be ensured via monitoring indicators.

## Motivation

The fund mobilises private capital on two different levels. Firstly, at the level of the investors who provide private capital for the fund. This private capital is generated by the blended finance structure, i.e., a first-loss tranche serviced by donor funds, which reduces the investment risk for private investors.

From a global perspective, this instrument is justified by the lack of financial resources to achieve the SDGs, which cannot be met solely through development cooperation or domestic public budget.<sup>119</sup> Instead, private capital must be mobilised through financing instruments for development purposes. This funding gap can also be observed in relation to small-scale fisheries in Indonesia and the Philippines as argued in the proposal that the Meloy Fund submitted to SECO.

The second component of the PSE is the investees of the fund, who are also the beneficiaries of the TAF. Through the cost-sharing model, the TAF grants mobilises additional private capital, be it the capital of the investees themselves or the capital of third party funder, which is used for the development of the SME, both with the intent of creating jobs and protecting the marine environment.

## PSE Principles

SECO is guided by five principles in working with the private sector, namely:<sup>120</sup>

- Subsidiarity
- Additionality
- Complementarity
- Avoiding market distortion
- Assessing environmental and social risks

The realisation of these principles at the fund takes place primarily through the established process of the TAF. The Eligibility Criteria, that show the criteria with which all TA projects need to comply, are not congruent but closely related to the PSE principles.

The issue of **additionality** receives particular attention here, as it was determined that every project assessed must have an impact on the company's financial performance and impact as compared with business as usual. Due to the lack of a counterfactual, the assessment of additionality can only be approximated. From the interviews it became apparent that the TA plan

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<sup>119</sup> Blended Finance in the Least Developed Countries, United Nations Capital Development Fund, 2018; Closing the SDG Budget Gap, Move Humanity, 2018; Addis Ababa Action Agenda of the Third International Conference on Financing for Development, United Nations, New York, 2015

<sup>120</sup> SECO Approach to Private Sector Engagement, Bern, 2019





is demand-driven. The investees themselves have ideas which TA projects can help them in their further development. The TAF manual defines the so-called “*business-buy-in eligibility criterion*”, which states that “*investee needs will be identified and prioritized jointly by the Meloy Fund and the investee team*”. In addition to the cost-sharing model, this needs-based approach makes developmental additionality more likely. In order to promote developmental additionality, the TAF manual stipulates: “*Progress will be measured against a specified set of metrics [see outcome targets, Table 2]. TA projects may be deployed in tranches and tied to specific results or milestones*”. By identifying developmental milestones, the objectives and targets of the TA become evident to all involved parties as well as traceable. The eligibility criteria mentioned all have a potential positive effect on the developmental additionality.

**Subsidiarity** is ensured by SECO's identification of the adequate region and sector for their activities. In line with this, the Meloy Fund highlighted the underfunding of the small-scale fisheries sector in its proposal for SECO's TA. From the interviews, it can be seen that companies that received TA support have had difficulties in obtaining funding outside of the Meloy Fund. At the company level, the subsidiarity of the TAF cannot be verified, since the TAF is only available for investees of the Meloy Funds. The TAF and the Meloy investment funds are strictly separated, so SECO cannot influence the fund's loan decisions. In terms of subsidiarity, SECO's control is therefore limited.

The principle of **complementarity** can mainly be generated by the cooperation office in Jakarta. Especially for TAF projects in Indonesia, there are links to SECO's funding pillar “Trade Promotion”. According to interviewees, there is regular contact between these programs in order to exploit potential synergies. The effects of these contacts or synergies could not be established.

The principle **assessing environmental and social risks**, is not so much related to the TAF, but rather to the due diligence of the fund. Before becoming an investee of the fund, a company has to undergo a full ESG and impact due diligence. The fund applies the Performance Standards of the International Finance Corporation (IFC) to categorise and identify ESG risks in the due diligence process.

**Market distortion** risks are likely to exist at the level of the credit line itself or through the TA. In relation to the credit line, the risk can be considered to be likely low as the credit interest rates are higher than the market interest rates. In the case of the TAF, it is assumed that the partner companies will gain a comparative advantage over their competitors through the TAF. However, through capacity building at the level of the fishermen, work is also being done to ensure that the effects of the TAF also have a positive impact on the industry as a whole.

All principles seem to have been discussed with project partners according to the survey in relation to SECO17 and act as guiding principles in the Meloy Fund TAF. The Proposal of the Meloy Fund to SECO 17 confirms this assessment. Additionality is addressed through the definition of outcome indicators, as well as through elaborating on the question how the TA increases the quality and quantity of an enterprise's social and environmental outcome. The avoidance of market distortion is addressed through the comment of the Meloy Fund on how the TA provided does not displace commercial funding.



## Learnings

SECO17 is one of SECO's first experience in the field of development investment. SECO decided to scale this approach a launch the Sustainable Development Goals Impact Finance Initiative (SIFI) on 1 December 2021. This initiative aims to mobilise up to one billion Swiss francs.

Table 3: SIFI

Sustainable Development Goals Impact Finance Initiative (SIFI)		
Duration	01.12.2021 - 2030	
Country	Global	
Goal	<ol style="list-style-type: none"><li>1. To support innovative financial solutions for new impact investing tools through grant and seed funding. Impact investing refers to investments that aim to generate positive, measurable social and environmental impact alongside a financial return.</li><li>2. To scale impact investing solutions by mobilizing more private capital and strengthening underlying portfolio companies.</li><li>3. To contribute to improved framework conditions for impact investing in Switzerland and promote impact management practices. For this purpose, the initiative will cooperate closely with the association Swiss Sustainable Finance and the State Secretariat for International Finance.</li></ol>	
Budget	SECO: CHF 19,5 million	SDC: n/a
Target	<ul style="list-style-type: none"><li>• Raise CHF 100 million from public and philanthropic actors</li><li>• Use these funds to unlock up to CHF 1 billion in additional private capital towards the SDGs in developing countries.</li></ul>	

According to the interviews, a key lesson learned from SECO17 is the importance of the TAF. In order to leverage private capital in SGD-relevant activities, the technical assistance facility can be used to identify and prepare potential projects and hence, work on the pipeline. Additionally, the TAF should also be used to support investees in their business and sustainability approach. Another success factor of the Meloy Fund TAF has been the cost sharing model, as it is an approach to contribute to ownership of the investees and with it the additionality of the project.



## Annex: Interviewees

Name	Organisation
Massimo Bloch	HQ SECO, Programme Manager
Philipp Orga	Head, Economic Cooperation and Development (SECO) Embassy of Switzerland in Indonesia
Veronica Yow	ESG and Impact Manager at Meloy Fund
Anita Njoo	Founder and CEO Agrita (investee of the Meloy Fund)
Guilemette Forato	Project Manager Meliomar (investee of the Meloy Fund)
Fabian Mollet	Blueyou (parent company of Meliomar)



## Annex: SAP extract

The table below contains a short description of SECO17 based on entries in SECO's SAP project/programme database.

### SECO17 – Partnerships to Support the UN SDG (UR\_00943-01)

- **WBS Txt (L2):** SECO 17- Meloy Fund / responsAbility / Blue Orchard / South Pole / Blue Orchard, Rückerstatt.
- **Start date:** 01.01.2018
- **End date:** 31.12.2024
- **DS published countries (L1):** N/A [from the proposals: Meloy: Indonesia and Philippines / South Pole (Indonesia, Vietnam, Philippines PLUS Cambodia, Laos, Myanmar)]
- **Contract Partner Name (L2):** Third country, Investment funds and other collective investment institutions [Meloy] / Swiss Investment funds and other collective investment institutions [others]
- **Budget all donors (L1):** 0 [CHF]
- **SECO Budget total in CHF (L2):** [sum across all entries: CHF 7 Mio; between CHF 0.9 and 2.6 Mio per entry]
- **PL Contact (L1):** Massimo Bloch
- **Section Contact. (L1):** WEIF
- **Strategic objective 21-24 (L1) text:** Innovative private sector initiatives
- **Business line 21-24 (L2) text:** Access to financing
- **Markers:** All 0, but PSE (2) and Climate Mitigation (2)
- **Lead (L1):** SECO17 – Partnerships to Support the SDGs (SECO17) is part of SECO's contribution to partner with the private sector to achieve the UN Sustainable Development Goals (SDGs). It seeks to support Investments for Development to deliver job creation and GHG emission reduction.
- **Context (L1):** SECO 17 provides targeted technical assistance support to complement investments for development ('impact investing') funds. The Project focuses on two key outcome areas: "more and better jobs" and "low emission and climate resilient economies". The Meloy Fund was one of the projects selected through an open competition.
- **Outcome (L1):** Number of jobs created and/or retained / Greenhouse gas emissions saved or avoided in t CO<sub>2</sub>eq / Green investments additionally triggered in mio. USD and financing instruments supported
- **Output (L1):** Business Development Services: TA activities to help improve the Fund's investees' financial management, operational efficiency, corporate governance, and strategic planning to enhance their sustainability. / Fisheries Technical Assistance: TA activities to set up multi-stakeholder efforts to steer small-scale fisheries towards sustainable practices (e.g., responsible sourcing and resource management), develop sustainable seafood supply chains, and provide accurate fisheries impact measurement and reporting.
- **Overall (L1):** The financial contribution to the Meloy Fund Technical Assistance (TA) Facility aims to foster successful investing in the fisheries sector in Indonesia and The



Philippines. This requires that private capital is paired with investment in natural resource management. The Fisheries Ecosystem Technical Assistance Facility ensures that businesses engaged by the Meloy Fund achieve the latent value inherent in managing natural resources to optimal sustainability.

- **Result PP (L1):** N/A

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# Annex 5: Case study SWISSCO

## Case study 2: Swiss Platform for Sustainable Cocoa (SWISSCO)

### Introduction

The Swiss State Secretariat for Economic Affairs (SECO) commissioned an independent evaluation of SECO's approach to Private Sector Engagement (PSE). The purpose of the evaluation is to shed light on the extent to which SECO's PSE approach is contributing to reach sustainable development goals. The evaluation applies different qualitative methods, including case studies with the aim to illustrate the causal links and their underlying assumptions of the PSE project and to give voice to the private sector and the project beneficiaries.

This case study reflects on the PSE approach in the context of the **Swiss Platform for Sustainable Cocoa (SWISSCO)**, a multistakeholder initiative that was launched in 2017. The report is structured as follows: Following a description of the programme (chapter 2), the report discusses the result chain and achievements so far, including from the perspective of the beneficiaries in Ghana (chapter 3). The motivation for applying the PSE approach (chapter 4) and how the PSE principles were considered in design and implementation (chapter 5) complement the case study.

Methodologically, the report builds on document review, semi-structured interviews with representatives of SWISSCO members and SECO's program manager, 'most significant change' stories that were collected from 32 cacao farmers and farmer representatives in Ghana (for a list of interviewees see Annex 2), as well as selected results from an online survey that was carried out in the context of the evaluation.

### Background

Since the early 2000s the environmental and social sustainability of the global cocoa and chocolate value chain has been increasingly discussed. The prevalence of child labour specifically on West African cacao farms, in Côte d'Ivoire and Ghana specifically, deforestation as well as soil erosion, and declining cocoa bean production are just some of the issues that value chain actors have been confronted with. These issues also had ramifications on the livelihoods of cacao farming households and communities. Against this background a range of firm-level as well as sector-wide initiatives emerged, including the World Cocoa Foundation and the International Cocoa Initiative. Country-level initiatives such as the German Initiative on Sustainable Cocoa (GISCO) have been created too.

The Swiss Platform for Sustainable Cocoa (SWISSCO) is a multi-stakeholder initiative that aims to *"increase social, ecological and economic sustainability in cocoa production and the value chain in order to substantially improve the living conditions of the cocoa producers and create an*



attractive cocoa sector for the current and future generations.”<sup>121</sup> More specifically, the programme focuses on three components: 1. Seed support to the Swiss Cocoa Platform Association; 2. Strengthening peer learning in a pre-competitive space; 3. Leveraging private sector investments, through a co-financing facility, that covers up to 50% of the total costs of initiatives of platform members.<sup>122</sup>

As of 2022 SWISSCO has 74 members, ranging from cocoa traders and importers, chocolate manufacturers, food retailers, to non-governmental organisations, and research institutes and the public sector. In a “Declaration of Intent” issued in June 2017, the members of the platform committed to ten strategic goals for ensuring more sustainability in the cocoa value chain. The key goal is that by 2025 at least 80% of the cocoa in products containing cocoa that is imported to Switzerland is procured sustainably.<sup>123</sup> This is a first milestone to the long term goal that cocoa shall originate entirely from sustainable sources.

SWISSCO is supported by the State Secretariat for Economic Affairs (SECO). The programme builds on lessons learnt and experiences from previous SECO financed cocoa value chain projects implemented in various countries. Most notable in this context is the Sustainable Cocoa Production Program (SCPP) initiated in 2012.

Table 1 summarises key features of the programme.

Table 1: Programme key features

Programme	Swiss Platform for Sustainable Cocoa Support Programme		
Duration	01.03.2018 - 31.08.2022		
Country	Global		
Goals	<ul style="list-style-type: none"> <li>To increase social, ecological, and economic sustainability in cocoa production and the value chain in order to substantially improve the living conditions of the cocoa producers and create an attractive cocoa sector for the current and future generations. Specifically, the platform commits to measurably contribute to the 2030 Agenda.</li> <li>Cocoa imported to Switzerland shall originate entirely from sustainable sources in the long term, defining as a first milestone an 80% sustainable sourcing goal by 2025.</li> </ul>		
Component	1. Seed Support to the Swiss Cocoa Platform Association <sup>124</sup>	2. Strengthening peer learning in a pre-competitive space (the Peer Learning Network)	3. Leveraging Private Sector Investments (the Co-financing Facility)

<sup>121</sup> Credit Proposal, Annex 1, 08.12.2017

<sup>122</sup> A list of projects that are financed through the co-financing facility of the SWISSCO is provided in Annex 1.

<sup>123</sup> The Declaration of Intent specifies that it should be produced and certified according to internationally recognised sustainability standards; or be produced according to a procedure comparable to one of the standards and that was credibly verified; or originate from another form of procurement that makes a measurable contribution to the SDGs and that was credibly verified.

<sup>124</sup> As of 1st of February 2018, the Swiss Cocoa Platform was functioning as a legal association. The members of the organisation are organised in five sections: chocolate manufacturers and traders, food retailers, the public sector, non-profit organisations, and research institutions. Each member sector represents a stakeholder group along the cocoa value chain.



Total contribution by Platform partners (as of April 2020) <sup>125</sup>	<ul style="list-style-type: none"> <li>• CHF 1.4 Mio</li> </ul>	<ul style="list-style-type: none"> <li>• CHF 2.25 million</li> </ul>	<ul style="list-style-type: none"> <li>• CHF 25.83 million</li> </ul>
SECO contribution (as of April 2020) <sup>126</sup>	<ul style="list-style-type: none"> <li>• CHF 0.3 Mio</li> </ul>	<ul style="list-style-type: none"> <li>• CHF 1 million</li> </ul>	<ul style="list-style-type: none"> <li>• CHF 6.7 million</li> <li>• Requested an increase of CHF 1 million because of high private sector demand for the Co-financing Facility</li> </ul>
Target beneficiaries	<ul style="list-style-type: none"> <li>• Direct beneficiaries: Cocoa farmers and their families, farmers organisations, SMEs, traders, and service providers</li> <li>• Indirect beneficiaries: Local population, communities and also government offices</li> </ul>		

Source: Credit Proposal, 8.12.2017

## Results

This chapter discusses the programme’s Theory of Change and results chains as well as the achievements that are reported hitherto.

### Results chain

The objectives of the programme – as defined in the Credit Proposal – are **1.** to leverage private sector investments and know-how through the creation of a co-financing facility with a view to achieve more sustainable supply chains; **2.** to encourage dialogue between various stakeholders and interested parties and to create a shared understanding of the problems, challenges, and potential solutions along the cocoa value chain; and **3.** to strengthen peer learning and exchange of know-how and best practices.

These objectives cover all three so-called Approach Dimensions or result chains that make up the Theory of Change (ToC) which we elaborated to guide the PSE evaluation, namely **1.** Capital, **2.** Solutions, and **3.** Commitment. Figure 1 below embeds the programme’s objectives (boxes in orange) into the ToC and shows in a simplified form how SWISSCO is expected to lead to the intended results, setting out the steps along the way from outputs to outcomes and impact, and how these relate to each other.<sup>127</sup>

<sup>125</sup> Request Budget Increase Cocoa, UR-01047.10.05, signed, 20 April 2020

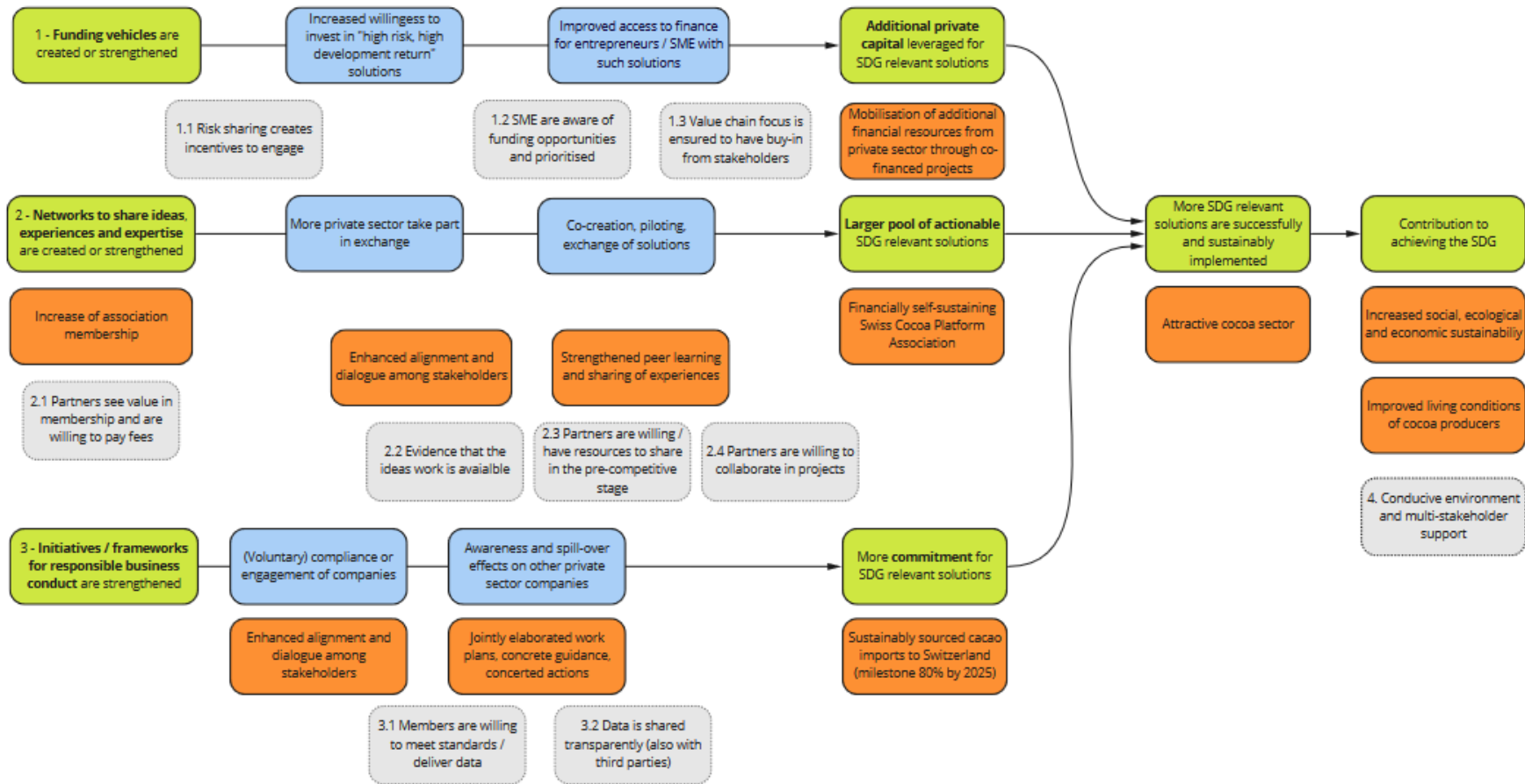
<sup>126</sup> Ibid.

<sup>127</sup> We note that SWISSCO is currently developing an own theory of change or results chain respectively. Because the draft version thereof is under consultation and has yet to be approved, we base our reflections on the output, outcome, impact statement in the Credit Proposal.





Figure 1: SWISSCO result chain as embedded in PSE ToC



Note: The elements of the PSE ToC are intended objectives (green) that correspond to the PSE Approach Dimensions of Capital, Solutions, and Commitment; main intermediary outcomes (blue) of the main result chains. The objectives (outputs, outcomes, impact) of the SWISSCO platform are added in orange; the assumptions, which describe the most important assumptions and conditions that are needed for the causal links to work, in grey.



A central element of a ToC are the assumptions and conditions that need to be fulfilled to bring the desired change about. Building on the document review and the interviews, we added assumptions to the ToC and discuss them in the following. We thereby note that the list is not an exhausting one; developing a full-scale ToC is beyond the remit of the case study.

### Approach Dimension 1 - Capital

- **Ad 1.1** With a view to mobilising resources for the design and delivery of the value chain projects (as well as the smaller scale research activities, workshops etc. in the programme's second component), SECO's co-financing needs to be (perceived as) incentivising and/or reducing risk associated with the projects. While the feedback from the interviews is mixed, it suggests that the co-financing threshold of up to 50% is high enough specifically for "smaller" members of the platform.
- **Ad 1.2** Closely related is the assumption that interested partners become aware of the funding opportunities from the co-financing facility and that **Ad 1.3** the projects that are designed and implemented have focus on value chain issues so that they align with core business of the partners. The fact that the membership to the platform has grown during the past years and that collaborative projects are favoured is an indication for some interviewees that these assumption are met.

### Approach Dimension 2 - Solutions

- This approach dimension comprises two strands, namely the development of the platform itself and the nurturing of networks and spaces to share ideas, experiences, and expertise. For the former an essential assumption **Ad 2.1** is that the platform creates added value for its members – technical, reputational, etc. – enhancing their willingness to engage and correspondingly pay membership fees. For the latter the assumption is that **Ad 2.2** there is evidence to demonstrate that the solutions (can) work and that **Ad 2.3** is that partners are willing to share and **Ad 2.4** to collaborate. While the growing number of members on the one hand suggests that these assumption is met, some interviewees on the other hand noted a decline of interest with regard to the Community of Practice / Working Groups. Generally, it is likely that what is considered to be value adding will differ among the stakeholders; with regard to the private sector partners, for instance, whether they are sustainability leaders, industry leaders, or "newcomers".
- Since some of the platform partners are active in various platforms, one of the assumptions to ensure and motivate private sector engagement is **Ad 2.1** to differentiate SWISSCO. The co-financing is considered one of the tangible benefits of the platform which helps engage "smaller partners" in the network and encourage their collaboration with other "bigger" ones. Furthermore, because the projects need to be designed and implemented collaboratively **Ad 2.4**, they foster the creation of solutions to improve value chains. High coordination and transaction cost (e.g., because firms are in different platforms/initiatives that have different reporting standards) can undermine this assumption.<sup>128</sup>

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<sup>128</sup> The risk of coordination expenses is also discussed in SECO's project risk analysis of the SWISSCO programme.



- The platform comprises a wide range of actors, including suppliers, manufacturers, retailers, researchers, as well as public and non-profit organisations. It emerged from the interviews that there are different interests and vantage points (“inherent conflicts”) among them. Overcoming the latter and especially in the context of sharing information, good practice etc. necessitates safe spaces to exchange and to speak openly about challenges, which in turn requires trust.

### Approach Dimension 3 - Commitment

- **Ad 3.1** Willingness to comply with the agreed key performance indicators that the platform set itself, to **Ad 3.2** share data and to report the latter transparently internally and externally, are assumptions underlying the objectives to foster and align dialogues regarding sustainable cacao value chains and creating spill-over effects to actors both within and beyond the platform.
- The above assumptions on sharing data internally and externally similarly comprises, according to some interviewees, that there are common reporting standards between different platforms / initiatives.

Regarding SWISSCO’s ToC several interviewees mentioned that the challenges in the sourcing countries are manifold and complex, exceeding the possibilities of one industry to provide remedy.<sup>129, 130</sup> They therefore reiterated to interpret the potential impacts and influences of the platform’s activities and projects within the industry, in the sector, in producing countries, and at international level realistically. Implicit in this feedback is the assumption **Ad 4** that public and private sector actors as well as civil society find common objectives and address the challenges to realise the latter comprehensively and collaboratively. SECO’s project risk analysis similarly notes that the impact on farmers of the activities to promote sustainability may be limited due to “[u]nderlying structural problems [that] require a more effective state...”.

The alignment between the platform’s objectives and those of the governments of producing countries, and of the government of Switzerland is essential since it could result in supportive policy and regulatory framework, rendering the intended development impact possible. According to these interviewees, for successful achievement, the clarification of roles and responsibilities of different stakeholders, as well as the expected impacts and limitations of their contribution should be understood and agreed within the platform, as well as among other actors in the industries, sectors, and countries.

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<sup>129</sup> In a recent report the Austrian Foundation for Development Research concluded “that the challenges and problems in the global [cacao sector-value chain] remain complex and that answers and solutions must be geared accordingly. A comprehensive view is needed, which, for example, considers child labour and deforestation against the background of the political-economic conditions of the respective countries and includes social communities and their needs in its approaches to solutions. The complexity of the problem is sometimes cited as a reason why the increasing investments, especially by companies in their own projects, to increase sustainability have so far had little or limited effect.” Translated with [www.DeepL.com/Translator](http://www.DeepL.com/Translator) (free version); ÖFSE, Research Report 13, Vienna, June 2021

<sup>130</sup> The question whether the sectoral approach taken by SECO (cacao, textile, coffee, etc.) is sufficient to address more complex problems of, for instance, water scarcity, biodiversity loss, pollution, or child labour was raised repeatedly in the context of the evaluation of the PSE approach. These complex problems are not limited to one sector but are tangential to many sectors. At the project level, the so-called “landscape approach” intends to address the limitations of the sectoral approach.



## Achievements

In the following we summarise the achievements of the programme, primarily referring to the aggregated results reported in the SWISSCO Annual Report; the assessments and experiences of programme stakeholders that we interviewed for this case study; and the results of an online survey. In addition, we summarise the ‘most significant change stories’ that farmers and farmer representatives in two communities in Ghana shared with us.

In its **Annual Report 2021**, SWISSCO reports, *inter alia*, the following achievements regarding the platform itself as well as the value chain projects:

- approval of the Roadmap 2030, a strategic document defining 12 specific targets in four target areas for sustainable cocoa value chains
- 71% of all cocoa bean equivalents imported to Switzerland sourced from sustainable production (of which 92% were imported by SWISSCO members)
- 88’112 farmer households of whom 26% are female headed farmer households were reached in the value chain projects
- 91% of the farmer households reached through the value chain projects were covered by Child Labour Monitoring and Remediation Systems
- enhanced reach of farmers who participated in capacity building activities regarding income diversification as well as climate smart agriculture
- progress on the rehabilitation and rejuvenation of the farms and implementation of agroforestry systems

Among the achievements that were most often cited in the **interviews** were the continuous increase in membership during the past five years; being on track to achieve the 80% sustainable sourcing goal by 2025 (with the current achievement rate of 71%, down from 74% in 2020); the agreement among all platform partners to report on common key performance indicators; the implementation of fourteen collaborative projects in eight countries to contribute to sustainable value chains; as well as the fact that funds were mobilised to implement the latter.<sup>131</sup>

A challenge, according to some of the interviewees, are the dynamism of the Communities of Practice / Working Groups and their interplay with those that exist at the European level. In this context some of the company representatives also called for *“improved cooperation between different platforms, especially in Europe, in terms of setting up a common development agenda and objectives, implementation of similar M&E frameworks and reporting requirements to minimise time, effort, and resources needed for partaking in such platforms whilst maximising the impact of a company’s contribution and input”*, as one interviewee put it. SWISSCO meanwhile decided to

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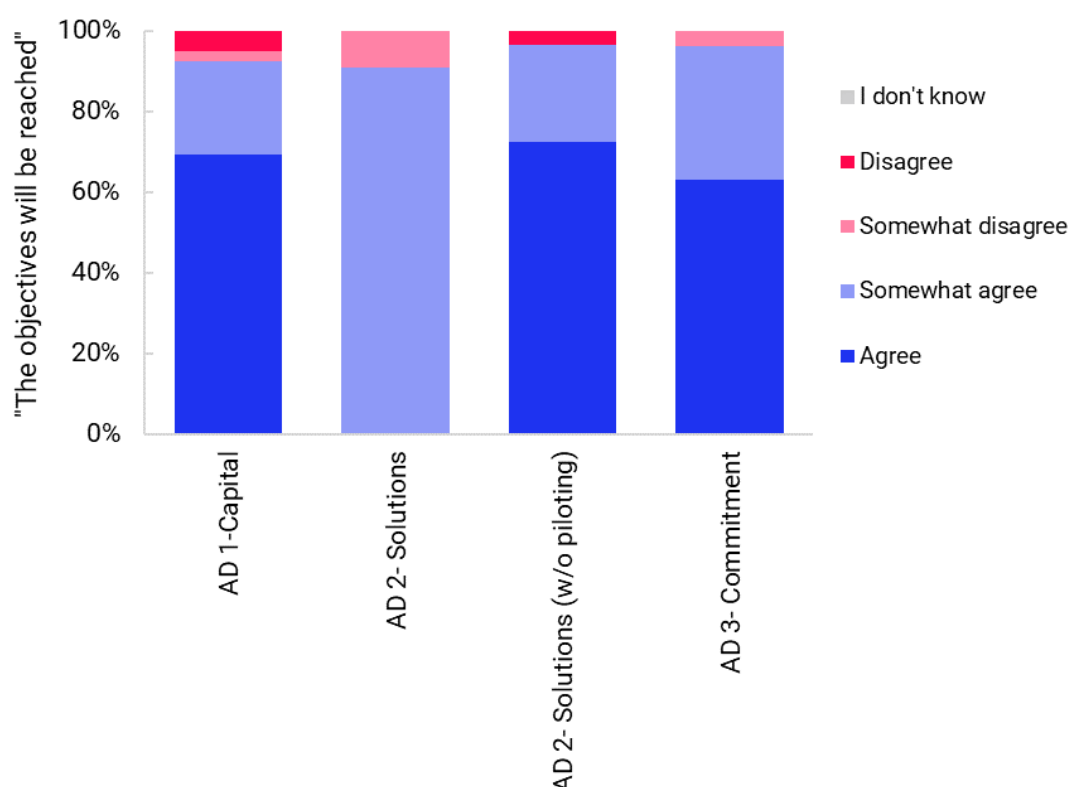
<sup>131</sup> Regarding the latter, we use data annexed to SWISSCO’s Annual Report 2020 to estimate the extent to which private sector resources could be mobilised – which is one of the objectives under Approach Dimension 1. During the period from 2018 to 2022, there has been total project funding of approximately CHF 26 million, including a SECO contribution of CHF 7.6 million. Based on this data, which is shown in Annex 1, we calculate that every Swiss Franc contributed by SECO leverages CHF 2.4 by platform partners (with a ratio ranging from CHF 0.8 to 8.3).



merge all Communities of Practice / Working Groups with the joint Working Groups of the European Initiatives for Sustainable Cocoa.

We present below the results from an **online survey** to which SWISSCO members participated. The survey participants were asked to assess each of the four elements in the Approach Dimensions, which constitute the ToC elements (see Figure 1 above) from left to right. The survey did not ask about the project goals per se but a more generalised objective statement. With approval rates above 90% for all Approach Dimensions, Figure 2 shows that the programme partners believe that the objectives related to the PSE Approach Dimensions will be achieved by the project(s) they were involved in.

Figure 2: The objectives will be reached ... (Survey)



Question: Do you agree or disagree with the following statements? The objectives related to Approach Dimension 1 (Capital) / 2 (Solutions) / 3 (Commitment) will be reached at the end of the duration of your project? .

Notes: The above figures aggregates three separate evaluation questions; the question were addressed to participants who earlier indicated that their project covers the respective Approach Dimension. Because of a likely misunderstanding regarding one of the ToC elements in the question on Approach Dimension 2, this dimension is shown twice in the figure.

Number of responses: 10, 12, 12, 7

## Motivation

The idea for setting up a platform dates back to 2014 and emerged in the context of prevalent child labour on cocoa plantations and continued deforestation and loss of biodiversity because of the cacao production. It was also a reflection of similar-type platforms that had been established in Europe, including the aforementioned GISCO, as well as global industry platforms



and initiatives. In the Credit Proposal, SECO noted that the platform was the “*result of an intense, iterative process coordinated by SECO, Chocosuisse, Helvetas and Swisscontact*”.

The choice to implement the programme with a PSE modality is explicitly stated in the Credit Proposal, namely that it “*will provide a concrete example to SECO’s Approach to Partnering with the Private Sector*” and that “*partnering is not an objective but a means of attaining, in this case, sustainable growth*”. Building on these statements, additional reasons that motivate the application of the PSE modality emerged in the document review and in the interviews. These reasons include (in no specific order):

- the platform reflects the general understanding and narrative that public money will not be enough to achieve the Sustainable Development Goals, that it needs investments of the private sector to close the (funding) gap
- the leading role that Switzerland has “*as chocolate manufacturer that couples quality with sustainability*”<sup>132</sup> as well as the high concentration of key players in the global cacao industry in Switzerland
- the Global Cocoa Agenda’s objective to “*overcome uncoordinated efforts and to strive for PPP both in the producing and consuming countries*” that makes the collaboration with the private sector a necessity<sup>133</sup>
- that the platform is primarily an initiative of the private sector where “*a growing number of companies are realizing that engaging on the sustainability agenda [...] can bring short or long term benefits*”;<sup>134</sup> without engagement, the programme would lose its “*raison d’être*”

In our interviews we learned that SECO understands the platform as a sector initiative in which SECO itself plays the role of a convener and facilitator. This idea, the interviewees argued, mirrors experiences in previous interventions that have shown that projects of networking, of governance, of trust building on a pre-competitive basis benefit from external support, because they do not have immediate effects on the value chain actors. The ‘exit strategy’ of SECO thus also foresees that the platform will become independent financially, with membership fees from the private sector, enhancing the notion that it is a private sector initiative.

For SECO, PSE is a means to increase effectiveness and sustainability of its development work.<sup>135</sup> As shown in the discussion on the Theory of Change above, the platform embodies several elements in this regard across the three Approach Dimensions / result chains. This includes mobilising private sector resources for the various projects funded under the platform, the knowledge sharing across a range of partners, or the pledges to source cocoa products sustainably.

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<sup>132</sup> Credit Proposal, December 2017

<sup>133</sup> Ibid.

<sup>134</sup> Ibid.

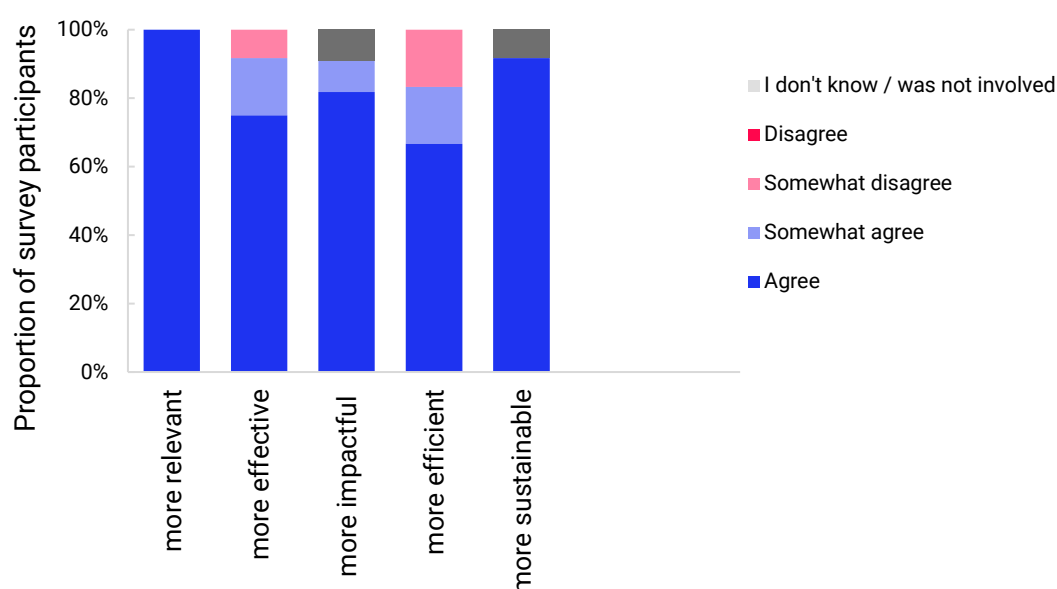
<sup>135</sup> SECO Approach to Private Sector Engagement, Bern, 2019



The above considerations explain well that the programme received the PSE marker “principal”<sup>136</sup>, meaning that private sector engagement is the main modality of the programme and fundamental in its design and expected results. The programme directly engages with private sector partners to reach certain development goals and would not have been undertaken without the modality.

Finalising the reflections on the motivation of the PSE modality, Figure 4Figure 3 below shows whether the project partners believe that applying the PSE modality rendered their project more relevant, effective, efficient, impactful, and sustainable. The results show that the respondents believe that this was the case with regard to all the evaluative criteria. There are very few stakeholders who somewhat disagree with the statement with respect to efficiency and effectiveness.

Figure 3: Working with the private sector made the project ... (Survey)



Question: Do you agree or disagree with the following statements? Working with the private sector made your project ... more relevant, more effective (immediate project results), more impactful (long-term contributions to SDG), more efficient, more sustainable.

Number of responses: 12

### Experiences of cacao farmers in Ghana

During 14-17 May 2022, we carried out interviews and focus group discussions with farmers and farmer representatives who partake in the “Sankofa” and “Akuafuo Nkoosoo” projects.<sup>137</sup> The focus was to

<sup>136</sup> The PSE marker is one of several markers to classify/categorise interventions in SECO’s SAP project/program database.

<sup>137</sup> The “Sankofa” project aims to contribute to three pillars of sustainable livelihoods of stakeholders in the cacao and associated crops value chains through a multi-stakeholder approach on income diversification, climate resilience, and biodiversity conservation. The “Akuafuo Nkoosoo” project intends to support the livelihoods and financial inclusion of 5000+ Ghanaian cocoa farming households by combining rejuvenation of their cocoa farms with small-scale vegetable production to diversify incomes and increase resilience. Income from vegetable farming and access to improved cook stoves shall benefit women in the family especially. Shade trees are integrated in the rejuvenation planting; the resulting agroforestry system shall





collect 'most significant change stories' and to thereby understand the results that the projects achieved from the perspective of the beneficiaries. In total, we engaged with 32 farmers, of which 10 are women, in Alavanyo, Dadiasoaboa, and Abrofem as well as the Juaso/Kwaben and Akronwe communities in Ghana.<sup>138</sup>

In both communities farmers explained various challenges that they face, ranging from seasonality of the cocoa crops to declining yields, and many find it difficult to cater for their livelihoods and that of their families. However, speaking to them gave the opportunity to learn about what kind of change the projects brought about. Overall, the conversations suggest that farmers have benefited from the respective projects, learning about good farming practices such as intercropping, pruning, or dynamic agroforestry; following community-based approaches to farming; and various income diversification activities. Some stated that their health improved as a result of using new cooking stoves they have received from the project.

In the following we exemplify these results with stories that farmers shared with us.

- *"The project has been very useful to me. It has helped change the way I farm. I now perform regular pruning, stopped applying toxic chemicals that are harmful to the plant and human. I have ceased bush burning on my farmlands. Engaging in mix cropping affords me the chance to have something to eat at all times and a little more money in my hands. Thus, my ability to see my child through university abroad. Even so, some of us farmers find it hard to make ends meet when the planting season is over, so I propose the projects finds some income earning farm activities to engage farmers during such periods."* Farmer, Sankofa project
- *"I have been able to diversify my income as a result of the training I received for planting vegetables and the vegetable (okro) seedlings that I received from the project. I have always relied on my cocoa farm for survival but when the cocoa season is over, I struggle to cater for the needs of my family. With the okro nurseries I am now able to sell okro and the income supported us through the cocoa off season."* Farmer, Sankofa project
- *"I have always been a farmer, but I also worked in construction because I never believed I could get enough out of farming to make ends meet. Now my perception changed. Not only do I get good farm produce, but I also earn more income. Now I do only farming. This project has diversified and increased my income, changing my standard of living - I now have a television, gas stove, and bicycle and roofed my uncompleted building. My only bother is sometimes, the weather does not support the growth of the seedling at the time of receipt so I would kindly ask for the seedlings to be brought in time for planting to meet the right favourable condition. I look forward to using the money I will earn from the various sale of farm produce to cater for my nephew through high school since I did not get the chance to do so."* Farmer, Sankofa project
- *I have been able to diversify my income as a result of the training I received for planting vegetables and the vegetable (okro) seedlings that I received from the project. I have always relied on my cocoa farm for survival but when the cocoa season is over, I struggle to cater for the needs of my family. With the okro nurseries I am now able to sell okro and the income supported us through the cocoa off season.* Farmer, Akuafoo Nkoosoo project
- *"The technical officer introduced me to clean cookstoves during one of his routine visits. I bought one and used it instead of our traditional mutchia [a traditional cookstove]. Since I started using their stove, my health has improved because there is less smoke which used to irritate my eyes. I spent my meagre funds on hospital visits; but since I started using their stove my hospital visits have decreased. I now use the money that I would have paid at the health centre for something else."* Farmer, Akuafoo Nkoosoo project

Author: Michael Osei Nkrumah

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further increase climate change resilience of households. These summaries are taken from the 2020 SWISSCO Annual report; additional information regarding the projects (and others) is available [here](#).

<sup>138</sup> We take the opportunity to thank Martin Peter, Program Manager at SECO; Christian Robin, Executive Director of the Swiss Cacao Platform; as well as the teams of Barry Callebaut (Akuafoo Nkoosoo project) and Chocolats Halba (Sankofa project) for their support in facilitating the visits to the two communities.





## PSE principles

SECO defines five PSE principles when working with the private sector. The principles – subsidiarity, additionality, complementarity, avoiding market distortions, and avoiding environmental and social risks<sup>139</sup> – can be understood as "rules of engagement" and necessary conditions to enhance development impact or, conversely, avoid negative unintended effects from SECO's engagement with the private sector.

In the following we examine how these principles were considered in the programme's design, thereby focusing *primarily* on platform itself and partly the projects that are financed under the platform.

**Document review:** The first source of our analysis are design documents and programme and project reports, including SWISSCO's Roadmap 2023.

- **Subsidiarity** (no funding should be provided for projects that would anyway have been financed or implemented by the private sector) is expressly discussed in the Credit Proposal for each of the three components mentioned therein. The contribution to the platform is defined as 'seed funding' and limited to a quarter of the total cost and the first four years of its operations; the peer learning activities of the platform are co-financed with a small-grant facility with a budget ceiling of CHF 50'000; furthermore, the Credit Proposal notes that *"seizing on the PPP principles defined in SECO's approach to partnering with the private sector [...] SECO's financial contribution must not exceed 50% of total cost."* With regard to the projects, the selection criteria expressly required that the project would not come about without SECO funding.<sup>140</sup> There is also a focus on supporting small and medium sized firms.
- **Additionality** (application of the PSE approach leads to an intervention of more scale, scope, quality, and sustainability) is discussed in the Credit Proposal, including with respect to the award criteria and the communication efforts of the platform.<sup>141</sup> Additionality should be ensured with the inclusion of small and medium sized manufacturers and traders that were not part of the aforementioned sector-wide global initiatives; the focus on prototyping innovative approaches; the commitment to harmonisation and transparency of reporting common indicators; or the sharing of experiences among other so-called Communities of Practice.
- **Complementarity** (application of the PSE approach strengthens other SECO interventions): Complementarity and the opportunities that the platform provides in terms of policy dialogue were specifically referenced with regard to Ghana as well as bilateral interventions in Colombia, Indonesia, and Peru that were ongoing at the time of approving the Credit Proposal. The SWISSCO Roadmap 2030 states that it seeks to

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<sup>139</sup> Ibid.

<sup>140</sup> «Das Projekt käme ohne Fördermittel in dieser Form nicht zustande.», Credit Proposal, Annex 7

<sup>141</sup> The Operations Committee requested that the final version of the credit proposal strengthens the explanations around additionality; this suggests that there was particular interest in ensuring this PSE principle.



“support actively Switzerland policy dialogue to address factors that undermine enabling conditions for a sustainable cocoa value chain”. The extent to which the SWISSCO projects indeed positively affected SECO’s other interventions, could not be established, however.

- **Avoidance of market distortions** (no harm is done to the market): This principle is sought to be ensured with several measures, including 1. two rounds of calls for proposals open for all interested actors, 2. selection and award criteria that favour submissions by partnerships of different players (which links to the principle of additionality above); and finally, 3. three categories of grants were defined to take different project scales and concrete possibilities of SME financing into account. In this context we note that the second call for proposals in 2019 “explicitly encourage[d] co-applications with members from different sectors, a wider cooperation among companies and the engagement of local organizations to promote landscape approaches for systemic change”.<sup>142</sup> As mentioned under subsidiarity, the selection criteria for projects expressly required that the later orients itself credibly on sustainability standards.<sup>143</sup>
- **Assessing ESG principles** (no harm is done to environment and society) is discussed and detailed in Step VI (Accountability and SDG Reporting) of the programme governance and monitoring. An expert panel in the field of sustainability, impact assessment, performance monitoring and harmonised metrics are expected to support the setting up and implementation of an accountability framework aligned with the 2030 Agenda.<sup>144</sup> Goals 1 and 2 of the platform, which are mentioned in the Declaration of Intent, also emphasise the commitment to “enhancing the social, environmental, and economic sustainability in the cocoa value chain” and to “making measurable contribution to the UN Sustainable Development Goals (SDGs)”. The joint MEL Framework (2019) contains indicators for the platform’s different stakeholders to have shared understanding of “sustainable cocoa” and how the achievements towards the platform’s goals and the SDG’s are measured. In this framework, social and environmental principles are sought to be ensured through the monitoring of decent living condition, prevention of child labour, as well as prevention of deforestation and promotion of reforestation, and climate-smart agriculture, and on-farm biodiversity.

**Interviews:** We learned in the interviews that the main effort to ensure the PSE principles is at the concept stage, concretely in the Credit Proposal and by defining respective criteria in the call for project proposals. Regarding the latter the interviewees stated that principles may not be mentioned explicitly and maybe also not all of them, yet if during the review of proposals doubts arise regarding the principles then SECO raises this question with the tenderer. To what extent are companies willing to do something in addition to the value chain? How much are they to share knowledge with others, including competitors? How much do companies invest themselves – hard cash and in-kind?

At the same time the interviewees consistently noted that proving and consequently ensuring the principles is dependent on the principles. *Market distortions*, for instance, are mitigated by having

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<sup>142</sup> Annual Report, 2020

<sup>143</sup> «Das Projekt orientiert sich an glaubhaften Nachhaltigkeitsstandards.», Credit Proposal, Annex 7

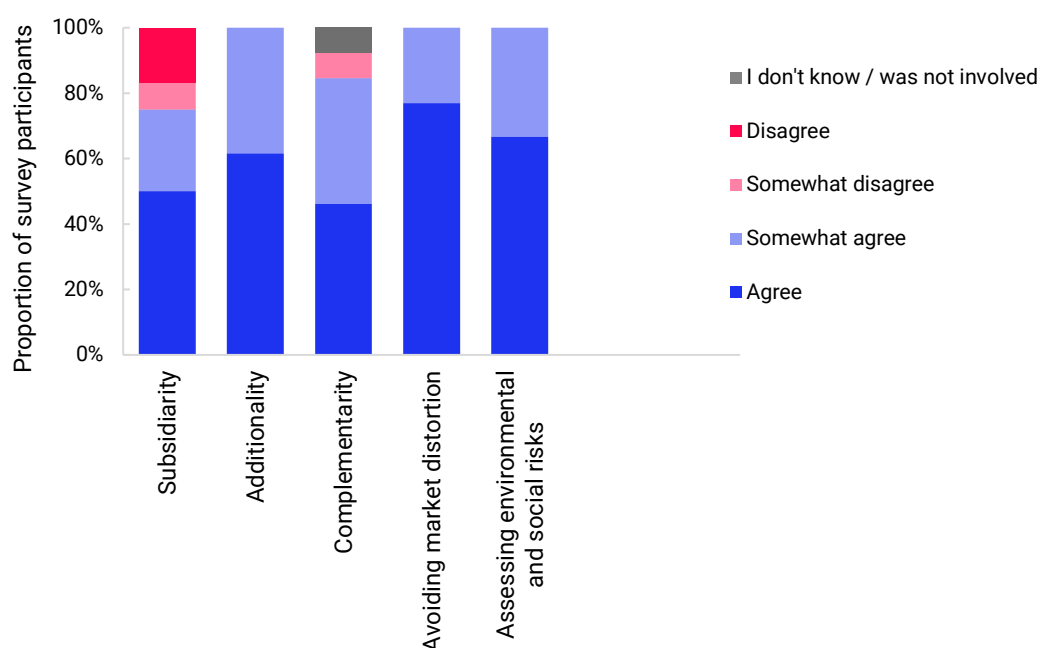
<sup>144</sup> Ibid.



the platform open for all interested stakeholders. At present, the platform reports coverage of more than 90% of cocoa imports to Switzerland. Furthermore, there is an express provision to support participation of SME in the platform and several of the firms represented in SWISSCO are also partaking in other platforms and initiatives, which diffuses any comparative advantages. The interviewees stated that it would be much harder to ensure *additionality*, which is considered as very complex. We also learned in the interviews for the case studies that the interpretation and understanding of the principles varies among the platform partners.

**Survey:** With a view to validate our findings from the document review and the interviews we asked in a survey about whether the PSE principles were discussed; respondents said that this was the case. This mirrors our document review and interview findings.

Figure 4: The SECO PSE Principles have been discussed among project partners ... (Survey)



Do you agree or disagree with the following statements? The SECO PSE Principles have been discussed among project partners: Subsidiarity / Additionality / Complementarity / Avoiding market distortion / Assessing environmental and social risks

Number of respondents: 12, 13, 12, 13, 12

## Conclusions

This case study illustrates that the SWISSCO programme embeds well into the ToC of the PSE modality and identified several assumptions that underly the programme's causal links from outputs to outcomes, and development impact. The findings show that the motivation to apply the PSE modality is well substantiated and that the five PSE principles are well reflected in the design stage, including of the projects that are funded under the co-financing facility.



## Annex: Project overview

Project (abbreviated names)	Total budget	SECO contribution	% of SECO contribution	% of PS	Leverage
Akuafoo Nkoosoo	3'330'000	1'000'000	30.0%	70.0%	2.3
Village Cocoa Competence Centers	1'127'000	500'000	44.4%	55.6%	1.3
Sankofa	3'500'000	1'000'000	28.6%	71.4%	2.5
Cocoa Tech Bridge	190'000	95'000	50.0%	50.0%	1.0
Improve cocoa farmer livelihoods	9'300'000	1'000'000	10.8%	89.2%	8.3
Risk based CLMRS	870'000	435'000	50.0%	50.0%	1.0
Indigenous organic and fairtrade	180'000	90'000	50.0%	50.0%	1.0
Climate resilient Cocoa Landscape	582'000	300'000	51.5%	48.5%	0.9
Landscape approach	781'000	300'000	38.4%	61.6%	1.6
Rethinking Cocoa Farming	764'000	300'000	39.3%	60.7%	1.5
Cocoa Sourcing Landscapes	2'621'000	1'200'000	45.8%	54.2%	1.2
Colombian special cocoa	1'479'000	800'000	54.1%	45.9%	0.8
Open source software solution	516'000	250'000	48.4%	51.6%	1.1
Organic cocoa farming	590'000	330'000	55.9%	44.1%	0.8
	<b>25'830'000</b>	<b>7'600'000</b>	<b>29.4%</b>	<b>70.6%</b>	<b>2.4</b>

Source: Annex Project Reports 2020; figures in CHF



## Annex: Interviewees

Name	Organisation
Larry Attipoe	Halba
Yayra Glover	Yayra Glover Limited
Manuel Kiewisch	Mondelez
Martin Peter	SECO, WEHU
Christian Robin	SWISSCO
Anne Schick	Swiss Embassy / SECO, Ghana
Andres Tschannen	Mondelez
Maya Wolfensberger	Helvetas

32 farmers and farmer representatives in Alavanyo, Dadiasoaboa, and Abrofem of Asunfo South, Asunfo North and Atwima Mponua districts respectively as well as Juaso/Kwaben and Akronwe communities in the Ashanti Bekwai district in Ghana.



## Annex: SAP extract

The table below contains a short description of SWISSCO based on entries in SECO's SAP project/programme database.

### Swiss Platform for Sustainable Cocoa (UR\_01047-01)

- WBS Txt (L2): Swiss Cocoa Platform Support Programme / Swiss Cocoa Platform Ghana / Swiss Cocoa Platform Colombia / Swiss Cocoa Platform Peru / Swiss Cocoa Platform Supp Prog Aufsch'
- Start date (L1): 1.3.2018
- End date (L1): 31.12.2022
- DS published countries (L1): Colombia; Ghana; Peru
- Contract Partner Name (L2): Donor Country, Other non-financial corporations / Swisscontact / HELVETAS
- Budget all donors (L1): 16600000 [CHF]
- SECO Budget total in CHF (L2): 9000000 [varying between 0.5 and 3.5 Mio]
- PL Contact (L1): Peter, Martin
- Section Contact. (L1): WEHU
- Strategic objective 21-24 (L1) Text: Innovative private sector initiatives
- Business line 21-24 (L2) text: Integration in value chains
- Markers: all zero but PSE (N/A), gender (1), Climate Adaptation (1), Climate Mitigation (1), Biodiversity (1), digitalization (N/A)
- Lead (L1): The Programme supports the Swiss Platform for Sustainable Cocoa, the objective of which is to join public and private forces and promote sustainability in the cocoa value chain. Launched in 2017, the multistakeholder initiative is driven by chocolate manufacturers, traders, retailers, NGOs, research, and the federal government represented by SECO.
- Context (L1): Despite the manifold attention received by donors and governments, cocoa farmer income has been stagnating over the last decades. Average per capita income lies globally below the poverty threshold of \$2 per day. Moreover, cocoa farm expansion is considered a key driver of forest degradation and deforestation. Recognizing that in the past measures have been isolated, too small and overly reliant on grant means, the Swiss Cocoa Platform seeks to align objectives and resources to strengthen the sustainability along the value chain and thus underpins Switzerland's leading role as chocolate manufacturer that couples quality with sustainability.
- Outcome (L1): Financially self-sustaining Swiss Cocoa Platform Association. / Enhanced alignment and dialogue among Swiss cocoa stakeholders from government, private sector, civil society as well as with authorities and organizations in producing countries. / Strengthened peer learning and sharing of experiences in topic-specific communities of practice in pre-competitive areas such as climate resilience, traceability of cocoa butter, access to finance and non-tariff measures (e.g., cadmium content in cocoa beans). / Leveraged private investments through innovative value chain interventions in SECO priority countries aimed at improving the living conditions of cocoa farmers and their families through a public-private co-financing mechanism.
- Output (L1): Annual accountability reports from the Swiss Cocoa Platform Association and its members, informing about the contributions to the Sustainable Development Goals and the progress on the defined sourcing goal. / Enhanced dialogue with authorities and organisations in 4 producing countries, formalized through a Memorandum of Understanding or equivalent agreements. / Increase of association memberships and securing of self-sustainable finances, i.e., 100% of running costs are covered by members at latest by 2021. / Four well-functioning communities of practice based on members' active participation. The Communities of Practice shall meet regularly, follow jointly elaborated work plans and provide concrete guidance for joint projects and concerted actions in the prioritized topics. / Mobilization of additional financial resources from private sector through co-financed value chain projects, aligned with the objectives of the platform and including at least eight small and medium sized enterprises.
- Overall (L1): The Programme is fully aligned with the goals of the Swiss Platform for Sustainable Cocoa (hereafter Swiss Cocoa Platform). By signing a joint Declaration of Intent in June 2017, 50



manufacturers, traders, retailers, NGOs, research institutes and government representatives, committed to contribute to ten strategic goals, out of which the following two stand out: 1) To increase social, ecological and economic sustainability in cocoa production and the value chain in order to substantially improve the living conditions of the cocoa producers and create an attractive cocoa sector for the current and future generations. Specifically, the platform commits to measurably contribute to the 2030 Agenda. 2) Cocoa imported to Switzerland shall originate entirely from sustainable sources in the long term, defining as a first milestone an 80% sustainable sourcing goal by 2025.

- Result PP (L1): The programme builds on lessons learnt and experiences from previous SECO financed cocoa value chain projects implemented in Peru, Colombia, Ghana, Honduras, Togo, and Indonesia. The multistakeholder initiative at the Swiss level is a further development of such national projects and the public-private partnerships tested herein. Most notable in this context is the Sustainable Cocoa Production Program (SCPP) initiated in 2012, which is currently the largest Public-Private Partnership development program of its kind.

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# Annex 6: Case study RGF

## Case study 3: Remittance Grant Facility

### Linking SECO's private sector engagement with migration

**Background:** Reducing the causes of forced displacement and irregular migration is one of four thematic priorities of the Strategy for International Cooperation 2021-24. This case study examines the migration effects of the Remittance Grant Facility (RGF) in Ghana. It was established jointly by the governments of Ghana and of Switzerland and resourced with 2.2 million Swiss francs. Implemented between 2016-2021, the RGF aimed to *“maximise the development impact of remittances through reducing the cost of remitting and increasing the percentage of remittances that pass through formal channels and extending the reach of remittance backed products and services to rural areas”*. (Tender Document)

**Migration marker:** While 15% of the PSE portfolio for this evaluation had a migration marker (see also the portfolio analysis in section 1.4), the RGF was one of two projects with objectives and activities that address migrants and migrants' needs directly, namely by contributing to the reduction of the costs of transferring remittances and developing remittance-backed financial products (micro-saving, -credit, -insurance; pensions). Consistent with the respective guidance, the RGF has the Migration Policy Marker “principle” in the SECO-WE project database.

**PSE Approach Dimensions:** The RGF was implemented as so-called ‘challenge fund’, a variant of a matching-fund. SECO intended to de-risk and incentivise the development of an innovative remittance service value chain and remittance-backed financial products for poor and rural Ghanaians. By inviting firms in two competitive calls to pitch their innovations and requiring them to provide a co-investment matching 50% of the grant amount they received, the RGF mirrors well the dimensions capital and solutions, with which SECO intends to engage with the private sector to jointly achieve development outcomes. As the newly released Working Aid on Migration (2021) mentions, providing goods and services to migrants is just one of the roles private sector actors can play.

**Results:** Following two calls soliciting proposals, six firms operating in the payment space were supported with grants amounting to 950,000 Swiss francs. According to data provided by KPMG, the fund manager, the firms themselves invested another 1,7 million Swiss francs. According to the final report of KPMG, the firms were able to contribute to the *“digitalisation of transactions along the remittance value chain”* which enabled them to *“deliver remittances at an average price of 2.3% of the amount sent (ranging from 0.9% to 3%)”*. This is below the SDG 10 target of 3% by 2030; it is also well below the 11.5% that were reported in the Tender Document. However, because many migrants continue to use cash and agent networks for sending the money (reportedly because they often are illegal migrants and do not have access to mobile services), which results in significant service fees, they cannot reap the benefits. Regarding newly developed products, the report concludes that four of the six firms “have achieved modest successes in promoting remittance-linked financial products among senders and users”. This includes micro-savings (1), micro-credit (1), micro-insurance (4), and pension products (1). As of





mid-2021 about 6,500 users in total registered for these products (of which 45% signed up for a micro-insurance of PayInc Ghana Limited, one of the grantees).

**Impact:** In the project reports there is no analysis or discussion regarding its migration-related higher level effects; the Tender Document generally states that remittances have the “potential to increase the leverage remittances achieve in contributing to longer-term developmental objectives”. This may not come as a surprise because the services and products that the RGF co-financed were still at a nascent stage and small in scope; furthermore, impact often takes time to emerge. While there is thus no evidence for the impact of the project to be reported on, it can still be reflected on. There is a body of literature that finds that “migration-cum-remittances contributes to increase the income and consumption of origin households, reduces poverty, and has a stabilising influence on households’ living conditions”, yet that its “impact on inequality is less clear-cut” (Gubert, 2017). Such positive household-level effects are also mirrored in SDG 10, which states that reducing the cost of transferring remittances can increase disposable income from remittance-receiving families substantially. Data of the RGF suggests that most remitters are sending smaller sums and the latter are mainly used for basic life expenses (food, medication, school fees etc.). Less consensus is found regarding the macroeconomic impact of remittances on country economic growth (Clemens and McKenzie, 2018), not least because of the opportunity costs of emigration, which precede any remittances.



# Annex 7: Case study ECA PPP

## Case study 4: Public-Private Partnerships in South-Eastern Europe and Central Asia (ECA PPP)

**Background:** The ECA PPP program, funded by SECO with an amount of USD 7.5 million for a five-year duration, is managed by the International Finance Corporation (IFC). The program intends to bridge between public (municipalities, local and national governments) and private sector actors (investors, operators, financing institutions etc.) to increase the availability of well-prepared and mutually attractive infrastructure projects. On the impact level, the program aims to contribute to regional poverty alleviation, economic growth, and environmental improvement.<sup>145</sup> To this end the IFC provides 1. transaction advisory services in public-private partnerships (PPP), 2. post-transaction advisory services to support launching PPPs in their early stages, and 3. PPP knowledge management events and capacity building activities.<sup>146</sup>

**PSE markers:** With its focus on the identification and implementation of PPP transactions in various sectors the project received the SECO-internal PSE Marker “principal”. This means that the program directly engages private sector partners to implement the program and to reach certain development goals. It also means that the program would not have been undertaken without this modality. With regard to the three PSE Approach Dimensions (as described in the evaluation Theory of Change), SECO explained that the program has “Capital” as its principal dimension (considering PPP as a funding vehicle), while “Solutions” are marked as significant (since some of the activities are linked to solutions when engaging with the private sector to enter new markets). In the following we thus concentrate on the PSE Approach Dimension “Capital”.

**Results:** Since 2005, 31 Financial Advisory Services Agreements (FASA) were signed with governments and nine projects were successfully closed commercially.<sup>147</sup> Five projects were terminated since 2020 due to political transition or inactivity of the government.<sup>148</sup> The program led to a total of EUR 1,5 billion of private sector investment mobilised according to the IFC. The IFC also reports that there has been “positive fiscal impact” (understood as “fiscal savings”) to

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<sup>145</sup> [Phase 3 \(admin.ch\)](#)

<sup>146</sup> Public-Private Partnership Transaction Advisory Program in Europe and Central Asia, Donor Report March-December 2020, IFC

<sup>147</sup> These projects are in Albania, Kazakhstan, Kyrgyzstan, Serbia, Ukraine, and Uzbekistan and cover the sectors transport/ports, healthcare, energy, and social infrastructure.

<sup>148</sup> The independent evaluation concludes that “the average time taken for projects to reach commercial close following FASA signing has been three and a half years, which is at least one year more than the average for IFC. Project delays have however, for the most part, been due to circumstances outside of IFC’s direct control.” The evaluation further states that in terms of converting 50% of mandates to commercial closures, the ECA team performs above the global average that sits just above 30% (Independent Evaluation).



the client governments of EUR 31.2 million, which is about 9% of the overall target of 350 million, and that some 4.9 million people were reached with new or improved infrastructure services.<sup>149</sup>

**PSE approach dimension “Capital”:** Building on document review and interviews with IFC and SECO staff, we discuss in the following how additional private sector capital was leveraged. The IFC operates *“from the premise that mobilizing private capital is key to closing the growing infrastructure financing gap in the emerging markets and developing economies”* by *“proactively creating markets and commercially viable opportunities”* with transaction advisory services.<sup>150</sup> To this end the program on the one hand relies on early involvement of the private sector to understand to its interests and priorities and on the other hand to support public sector representatives to enter into cooperation with the private sector. Aligning the respective objectives is essential for private capital mobilisation but also to clarify expectation since, as one interviewee noted, *“the public sector sometimes has exaggerated ideas about what the private sector can do”*. A 2020 external evaluation concluded in this context that *“extensive support/hand holding”*, specifically *“in markets where the government is less accustomed to PPPs and competitive tendering”*, is a prerequisite of a successful PPP project. To promote the commitment of the involved actors, IFC operates under a partial cost recovery model, by charging monthly retainer fees to the public sector client as well as success fees to the winning bidder. This cost model is meant to ensure that the projects are successfully completed, even though it may reduce the attractiveness of the IFC offer.<sup>151</sup>

The external evaluation of the program from 2020 reports that the investments for the nine projects referred to above break down as follows: commercial providers provided 37% equity investment, while 63% has been provided as debt.<sup>152</sup> In comparison to other projects in this region, which have equity financing of 27% on average, equity financing is quite high. Of the debt that has been raised about 80% is provided by International Finance Institutions, mostly by the EBRD, and thus only to a lesser extent by lenders of the private sector.<sup>153</sup> A reason that was invoked to explain this is that ECA PPP projects are mostly ‘first-mover transactions in a market with little or no PPP experience, rendering mobilisation of significant private debt finance more difficult. One of the interviewees argued in this context that *“in the ECA region there are very few commercial lenders that would invest in PPP projects”*. The same person continued to explain that pilot and therefore risky projects come at the cost of lower private capital mobilisation, which would have to be accounted for when interpreting and assessing the achievements of the

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<sup>149</sup> Public-Private Partnership Transaction Advisory Program in Europe and Central Asia, Donor Report September 2021 - January 2022, IFC (Donor Report 2022)

<sup>150</sup> Donor Report 2022

<sup>151</sup> Ibid.

<sup>152</sup> In this context it can be noted that to date, different measurement methods for private capital mobilisation are used. The OECD and the DFI Working Group are working to harmonise some of these different approaches (DFI Working Group, 2018; OECD, 2018). One of the ways in which the two working groups differ, we learned in the interviews, is in their valuation of investment by IFIs, which is defined as mobilised capital in the DFI Working Group approach but not in the OECD approach. Depending on which assessment approach is chosen, the capital mobilization figures differ significantly.

<sup>153</sup> Independent Evaluation of the Operations of the ECA PPP Programme, Final Report, 23 November 2020, CEPA



projects.<sup>154</sup> Reducing the risks of investments (relative to return) is a central element of the “Capital” results chain as explained in the ToC.

It emerges from the interviews that (establishing) trust between private and public partners is an important element for successful PPP projects that can contribute to reducing the (perceived) investment risks or to better understand the latter. Referring to the Theory of Change, trust can be understood as an underlying assumption to increase the willingness of the private sector to invest. The interviewees noted that the post-transaction advisory services are an important trust building measures, since they allow for intensive and informal negotiations between the private and the public sector on the implementation after the tender/procurement process.

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<sup>154</sup> The example given was that of a dialysis centre in Uzbekistan, a project that is of value to provide essential health services. It has lower investment costs and that reaches fewer people, it harder to mobilise private sector investment.



# Annex 8: Standard Indicators

The following tables contain various assessments of the standard indicators.

Table 8: Standard Indicators (values for the year 2020)

	Total all projects	# projects	Average per project
SI 2 Domestic resources mobilised, in Mio USD			
PSE	2'370	1	2'370
non-PSE	4'216'032	2	2'108'016
SI 4 Measures for improving institutional and professional capacity/skills, persons trained			
PSE	322'466	13	24'805
non-PSE	20'472	37	553
SI 5 Direct compliance cost savings, in Mio USD			
PSE	-	0	-
non-PSE	1.6	2	0.8
SI 6 Amounts mobilised from the private sector (for climate), in Mio USD			
PSE	152,9	16	7'124
non-PSE	1.2	1	1.2
SI 7 Number of cities with measures for sustain. urban development, ... inhabitants or companies benefiting			
Number of cities			
PSE	33	2	17
non-PSE	36	9	4
Number of inhabitants			
PSE	-	0	-
non-PSE	1'028'154	4	257'039
SI 8 Number of persons with access to better public infrastructure services			
PSE	8'075'326	6	1'345'888
non-PSE	4'727'985	11	429'817
SI 9 Leverage effect of SECO's support on public investments (for climate), in Mio USD			



PSE	596	5	119
non-PSE	478	8	60
SI 10 Reduction of greenhouse gas emissions in Mt CO <sub>2</sub> eq			
PSE	11'514'947	7	1'644'992
non-PSE	409'676	5	81'935
SI 11 Kilowatt hours saved through energy-efficiency measures or ... produced from renewable energy			
PSE	3'091'697'000	2	1'545'848'500
non-PSE	139'734'847	4	34'933'712
SI 12 Number of companies ... with access to capital			
PSE	23'012	6	3'835
non-PSE	-	0	-
SI 13 Number of jobs created or retained or improved			
PSE	38'025	11	3'457
non-PSE	4'048	7	578
SI 14 Number of persons benefiting from measures for improved working conditions			
PSE	-	0	-
non-PSE	264'743	2	132'372
SI 15 Number producers or companies gaining access to new (international) markets or value chains			
PSE	76	1	76
non-PSE	-	0	-
SI 16 Increase in trade volume of (sustainable) commodities, products or services, in Mio USD			
PSE	1'112	2	556
non-PSE	11'772	4	2'943

Note: For SI 2, a second indicator "Domestic Revenue mobilized, volume in %" is not included in the table above; there are only 2 non-PSE projects, and the indicator doesn't lend itself to aggregation. For SI 4, most entries relate to "persons trained"; two entries relating to "SMEs trained" and "institutions strengthened" were omitted.



# Annex 9: Project and methods overview

The table below shows how and with which methods data and information to respond to the evaluation questions was collected from the PSE programme and project portfolio that was subject for this evaluation.

SAP number	Project title	Data analysis: Portfolio	Data analysis: Approach Dim.	Data analysis: Assess. Grid	Doc. review: Evaluation	Doc. review: Design	Interviews: SECO	Interviews: Intermediary	Survey	Case Studies
UR_00115-01	Global program on Textile & Clothing - GTEX	1	1						1	
UR_00419-01	Triodos Trade Fund	1	1							
UR_00429-01	Scaling-up Renewable Energy Program in Low Income Countries (SREP)	1	1							
UR_00554-01	Sustainable Cocoa Production Program	1		1						
UR_00554-02	Sustainable Cocoa Production Program, Phase II	1	1	1	1			1	1	
UR_00556-01	Remittance Grant Facility Ghana	1	1				1			1
UR_00556-88	Remittance Grant Facility, Scoping	1								
UR_00592-01	Microfinance project in Vietnam	1	1				1			
UR_00608-01	Financial Sector Strengthening Indonesia, Phase I	1	1				1			
UR_00608-02	Financial Sector Strengthening Indonesia, Phase II	1	1	1						
UR_00608-03	Financial Sector Strengthening Indonesia, Phase III	1								



UR_00616-01	Sanad Fund for MSME	1	1			1				
UR_00656-01	Asia Corporate Governance Programme	1	1	1			1			
UR_00723-01	Swiss Entrepreneurship Program	1		1						
UR_00723-02	Swiss Entrepreneurship Program, Phase II	1	1		1			1	1	
UR_00723-88	Entrepreneurship Programme, Scoping	1								
UR_00731-01	Local Economic Development South Africa, Phase I	1	1				1			
UR_00731-88	Local Economic Development South Africa, Scoping	1								
UR_00769-01	Cities Development Initiative Asia CDIA Phase I	1		1						
UR_00769-02	Cities Development Initiative Asia CDIA Phase II	1	1	1						
UR_00774-01	Crop Receipts Project Ukraine	1		1						
UR_00774-02	Crop Receipts Project Ukraine, Phase II	1	1				1			
UR_00784-01	Hydropower Sustainability Assessment Protocol (HSAP)	1		1						
UR_00784-02	Hydropower Sustainability Assessment Protocol, Phase II	1								
UR_00803-01	Sustainable Urbanization Indonesia IDSUN	1	1	1					1	
UR_00806-01	Strengthening Small Business Membership Organisations	1		1						
UR_00806-02	UNDP Strengthening SMEs Business Membership Organisations in Ukraine Phase II	1	1				1			
UR_00819-01	Indonesia Microfinance Project	1	1				1			





UR_00831-01	SeCompetitivo Strengthening Peru's competitiveness, Phase I	1		1						
UR_00831-02	SeCompetitivo Strengthening Peru's competitiveness, Phase II	1	1				1		1	
UR_00832-01	Debt Resolution Vietnam	1	1	1			1			
UR_00832-02	Debt Resolution in the Balkans, Phase I	1								
UR_00832-03	Debt Resolution in the Balkans, Phase II	1								
UR_00834-01	Small Business Initiative Central Asia, Phase I	1	1			1				
UR_00913-01	Natural Capital Finance Alliance	1	1							
UR_00934-01	Azerbaijan and Central Asia Financial Infrastructure, Phase I									
UR_00934-02	Azerbaijan and Central Asia Financial Infrastructure, Phase II	1								
UR_00934-03	Global Financial Infrastructure Programme	1	1							
UR_00939-01	Green Building EDGE standard Program	1	1				1			
UR_00941-01	Energy Sector Management Assistance Program (ESMAP), 1st contribution									
UR_00941-02	Energy Sector Management Assistance Program (ESMAP), 2nd contribution	1								
UR_00941-03	Hosting the ESMAP Knowledge Exchange Forum	1								
UR_00941-04	Energy Sector Management Assistance Program (ESMAP), 3rd contribution	1	1	1						
UR_00941-05	Energy Sector Management Assistance Program (ESMAP) 2021-24	1								



UR_00953-01	Urban Climate Change Resilience in Asia	1	1							
UR_00955-01	Market Access of Products of Terroir - Tunisia, Phase I	1		1						
UR_00955-02	Market Access of Products of Terroir - Morocco, Phase I	1								
UR_00955-03	Market Access of Products of Terroir - Tunisia, Phase II	1								
UR_00969-01	Colombia + Competitiva	1	1	1			1	1		
UR_00969-02	Colombia + Competitiva, Phase II	1	1				1	1		
UR_01002-01	Swiss Import Promotion Programme SIPPO, ≤ 2003									
UR_01002-06	Swiss Import Promotion Programme SIPPO 2004-2007									
UR_01002-07	Swiss Import Promotion Programme SIPPO 2008-2011									
UR_01002-08	Swiss Import Promotion Programme SIPPO 2012-2017	1								
UR_01002-10	Swiss Import Promotion Programme SIPPO 2017-2021	1	1	1			1	1	1	
UR_01002-11	Swiss Import Promotion Program (SIPPO) 2021-2025	1								
UR_01002-88	SIPPO 2017-2020, Scoping	1								
UR_01042-01	Ghana Private Sector Competitiveness Program	1	1	1			1		1	
UR_01042-88	Private Sector Competitiveness Program, Scoping	1								
UR_01057-01	Warehouse Receipts System in Ghana	1	1	1			1			
UR_01067-01	Green Bond Technical Assistance Program	1	1						1	



UR_01075-01	Organic Market Development	1		1						
UR_01075-02	Food Safety in the Dairy Sector	1								
UR_01075-03	Quality Food Trade in Ukraine	1								
UR_01075-04	Organic Trade 4 Development in Eastern Europe	1	1						1	
UR_01075-88	Food Safety in the Dairy Sector, Scoping	1								
UR_01161-01	Khorog Urban Resilience Programme, Tajikistan	1	1				1			
UR_01189-01	Financial Inclusion for Growth Ukraine	1								
UR_01189-02	Financial Inclusion for Growth	1	1						1	
UR_01244-01	Program for promoting sustainable investment through integrated ESG Standards	1	1						1	
UR_01244-02	Integrated Environmental, Social and Governance (ESG) Programme	1								
UR_01248-01	Renewable Energy Skills Development RESD in Indonesia	1	1							
UR_01248-88	Renewable Energy Skills Development RESD in Indonesia, Scoping	1								
UR_01287-01	Sustainable Infrastructure Sector Reform and Capacity Development Program	1	1							
UR_00022-01	SECO Start-up Fund - Administration prior 2005									
UR_00022-02	SECO Start-up Fund - Replenishment									
UR_00022-03	SECO Start-up Fund - Replenishment 2004									



UR_00022-04	SECO Start-up Fund - Administration 2005-09									
UR_00022-05	SECO Start-up Fund - Administration 2010-14	1								
UR_00022-06	SECO Start-up Fund - Administration 2015-16	1								
UR_00022-07	SECO Start-up Fund - Administration 2017-24	1								
UR_00022-08	SECO Start-up Fund – Fund Transactions	1								
UR_00040-01	Pamir Private Power Project I	1								
UR_00040-02	Pamir Private Power Project II	1								
UR_00040-03	Pamir Private Power Project - Phase III	1	1				1			
UR_00040-88	Scoping Study, Pamir Private Power Project - Phase III	1								
UR_00085-01	Private Infrastructure Development Group, Phase I									
UR_00085-02	Private Infrastructure Development Group, Water Window									
UR_00085-03	Private Infrastructure Development Group, Phase III									
UR_00085-04	Private Infrastructure Development Group, Phase IV									
UR_00085-05	Private Infrastructure Development Group, Phase V	1								
UR_00085-06	Private Infrastructure Development Group, Phase VI	1								
UR_00085-07	Private Infrastructure Development Group, Phase VII	1	1			1		1		
UR_00121-01	Private Enterprise Partnership for Southeast Europe									



UR_00121-02	Private Enterprise Partnership for Central Asia, Ukraine and Caucasus	1								
UR_00121-03	Europe and Central Asia : PPP Transaction Advisory Program	1	1	1	1		1		1	1
UR_00123-01	Platform Renewable Energies REPIC									
UR_00123-02	Platform Renewable Energies REPIC II									
UR_00123-03	Platform Renewable Energies REPIC III	1								
UR_00123-04	Platform Renewable Energies REPIC IV	1		1						
UR_00123-05	Platform Renewable Energies REPIC V	1	1		1				1	
UR_00123-06	Platform REPIC 2022-2024									
UR_00123-88	Platform Renew. Energies REPIC Feas'Stu	1								
UR_00154-01	Replenishments Trust Fund, EBRD									
UR_00154-02	Replenishments Trust Fund IBRD									
UR_00154-03	Consultant Trust Fund, IFC 1999									
UR_00154-04	Consultant Trust Fund, IBRD 1999									
UR_00154-05	Consultant Trust Fund, EBRD 1999									
UR_00154-06	Consultant Trust Fund, IFC 2000-01									
UR_00154-07	Consultant Trust Fund, IDB 1999-02									
UR_00154-08	Consultant Trust Fund, IFC 2004-05									



UR_00154-09	IFC Let's Work (Global, 2014-2016, former Consultant Trust Fund, IFC 2005-06)	1								
UR_00154-10	Consultants Trust Funds EBRD, 2003-07									
UR_00154-11	Consultant Trust Fund, IFC 2005-07									
UR_00154-12	Consultant Trust Fund, IDB 2010	1								
UR_00154-13	Membership Multilateral Investment Fund	1	1						1	
UR_00154-14	WBG IDA, Contributions									
UR_00154-15	WBG IDA, Swiss Consultants TF									
UR_00154-16	WBG IFC, Consultants TF									
UR_00154-17	IDB: Migration Initiative	1								
UR_00559-01	Better Gold Initiative, Phase I	1		1						
UR_00559-02	Better Gold Initiative, Phase II	1	1	1			1		1	
UR_00559-03	Swiss Better Gold Initiative, Phase III	1								
UR_00600-01	The Sustainable Trade Initiative IDH	1	1	1		1	1			
UR_00600-02	The Sustainable Trade Initiative IDH Phase II	1								
UR_00807-01	Public Private Infrastructure Advisory Facility, 1997-2004									
UR_00807-02	Public Private Infrastructure Advisory Facility, 2003-2008									
UR_00807-03	Public Private Infrastructure Advisory Facility, 2008-2011	1								



UR_00807-04	Public Private Infrastructure Advisory Facility, 2009-2013	1								
UR_00807-05	Public Private Infrastructure Advisory Facility, 2014-2017	1	1	1			1			
UR_00807-06	Public-Private Infrastructure Advisory Facility, 2018-2022	1	1				1			
UR_00863-01	SME Finance Loans for Growth Fund	1	1				1			
UR_00880-01	Technical Assistance for Borrowers of the responsAbility Energy Access Fund	1	1				1			
UR_00917-01	World Bank Capital Markets Strengthening Facility, Phase I	1	1	1						
UR_00917-02	Sustainable Long-Term Finance Facility	1	1				1			
UR_00943-01	SECO17 – Partnerships to Support the UN Sustainable Development Goals	1	1				1		1	1
UR_00943-02	SDG Impact Finance Initiative SIFI	1								
UR_00943-88	Preparation, Feasibility Studies SIFI	1								
UR_00959-01	Sustainable Cities in Colombia and Peru	1	1				1			
UR_01047-01	Swiss Platform for Sustainable Cocoa	1	1				1		1	1
UR_01047-88	Swiss Platform for Sustainable Cocoa, Scoping	1								
UR_01055-01	Technical assistance programme for SME in South Africa	1	1				1		1	
UR_01099-01	INCA Municipal Debt Fund and Capacity Building Fund	1	1				1			
UR_01099-88	Feasibility study for project ZA: First Loss Facility Inf Debt Fund	1								
UR_01225-01	Sustainable Cities Platform	1	1			1	1		1	



UR_01306-01	The Currency Exchange Fund (TCX), Loan 2020	1	1			1				
UR_01306-02	The Currency Exchange Fund (TCX), Loan 2021-2045	1								
UR_01342-01	Blockchain ecosystem South Africa	1	1				1			
UR_01343-01	ETH-Ashesi Masterprogram Ghana	1	1				1			
		<b>117</b>	<b>59</b>	<b>27</b>	<b>5</b>	<b>5</b>	<b>35</b>	<b>5</b>	<b>19</b>	<b>4</b>