



SECO's engagement with the private sector

For the first time, SECO's economic cooperation division SECO-WE mandated an independent evaluation to assess and take stock of the experiences with an implementation modality, namely Private Sector Engagement (PSE). The evaluation was carried out in 2021/22 and highlights achieved results, success factors, and challenges.

Background

For SECO-WE, private sector engagement (PSE) is not an objective in itself, but a means to achieve development objectives. In light of the growing consensus among development partners about the need to engage with the private sector and to leverage its innovative power and financial resources to generate development impact and meet the SDGs, this evaluation adds value in terms of a clearer analysis of the current situation regarding the PSE modality and its application across SECO-WE's overall portfolio of projects.

Key findings and Lessons learned

- At strategic level, the evaluation finds that SECO-WE's PSE projects are aligned with the Swiss international cooperation strategy 2021-24 and also with the new Swiss Foreign Economic Policy Strategy, enhancing their effectiveness in achieving the SDGs.
- The PSE approach enables to effectively mobilise private capital, to benefit from multi-stakeholder approaches and to generate innovation. Project managers should however be conscious as to why the PSE modality is chosen over other implementation alternatives.
- SECO-WE should keep an eye on the cost-benefit ratio and the size of PSE projects (do "fewer but larger projects"), without losing sight of the importance of innovative smaller PSE projects with possibly a higher risk profile.
- To ensure success and long-term sustainability, PSE projects need a clear business case to incentivise the private sector to 1) replicate and scale-up the program, 2) include domestic stakeholders to ensure wider ownership and buy-in at the country level and 3) seek greater collaboration on shared priorities across sectors.

Key Facts of the evaluation

Purpose

While serving accountability and institutional learning, the principal aim of the evaluation is to show aggregate results and learnings emphasising issues and success factors that have significance beyond a particular project or program.

Methodology

The evaluation applies different qualitative methods, including case studies and structured interviews with the aim to investigate underlying assumptions of PSE projects and to give voice to the private sector and the project beneficiaries and stakeholders.

Scope

The portfolio covered was highly diverse, comprising more than 140 projects implemented since 2013 belonging to various business lines (e.g., access to finance, integration into value chains, urban development and infrastructure) in different regions (Africa, Asia, South America).

Duration of evaluation

2021-2022

Cost

CHF 185'000

Evaluation team

orange & teal GmbH, Basel

PROJECT EXAMPLE

Swiss Platform for Sustainable Cocoa (SWISSCO)

Countries Global

Duration 2018-today

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. The programme leverages private sector investments through a co-financing facility that covers up to 50% of the total costs of initiatives of its members. As of 2022, SWISSCO has 74 members, ranging from cocoa traders and importers, chocolate manufacturers, food retailers, to non-governmental organisations, research institutes and the public sector. The goal is that by 2025, at least 80 % of all cocoa products physically imported into Switzerland come from sustainable agricultural production.



Identified challenges

Overall, the evaluation highlights positive results that call for a continuation of the existing strategy on PSE while indicating areas for improvement. These include a) the lack of baselines and clear targets in some projects make it harder to gauge to what extent the ambitions of the PSE approach were achieved, b) the limited use of key principles of the PSE modality hinders a common understanding of this approach among SECO representatives and partners, c) the monitoring, learning, and collaboration mechanisms regarding the PSE modality are characterised by a large degree of non-formalisation.

Selected key recommendations

1. Clarify and operationalise SECO-WE's PSE ambitions and plans.

SECO agrees with the need to clarify the concept and foster a common understanding of PSE as a modality, i.e., a means to an end, both internally and with its partners. Management doesn't fully agree with the "operationalise" part of the recommendation. This, because the PSE modality is already widely and successfully applied. New findings on PSE would however continuously flow into the operational work.

2. Support the application of PSE principles as the main conceptual mechanism to ensure that PSE projects add value and create impact.

SECO fully agrees with this recommendation. It can be expected, if the update of the PSE Approach Paper is done in an appropriate (i.e., inclusive) process, that the subsequent application will follow more or less automatically, supported by management action as well as individual counselling and trainings.

3. Enhance support and learning structures. Addressing and disseminating lessons learnt can be essential to enhance the performance across the PSE portfolio.

SECO, in principle, fully agrees with this recommendation. While addressing the recommendation, however, human resources constraints must be taken into account, as staffing is unlikely to increase. SECO has to work within the given limits, mainly by reinforcing competences and knowledge, such as by creating an internal PSE network.

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