

# Private Sector Engagement for Sustainable Development

## Introduction

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The Private Sector Engagement for Sustainable Development strategy presents an approach to broaden and deepen Global Affairs Canada's engagement with the private sector<sup>1</sup> in Canada and overseas through international assistance policy and programs. In doing so, the strategy seeks to reinforce Canada's contribution to the Sustainable Development Goals (SDGs), recognizing the need to engage all actors and resources in order to leave no one behind. It reflects the commitment in Canada's Feminist International Assistance Policy (FIAP) to develop more effective and innovative partnerships with the private sector and Canada's inclusive approach to trade and investment. It also responds to the Organisation for Economic Co-operation and Development (OECD) Development Co-operation Peer Reviews of 2012 and 2018, which recommended that Canada develop a strategy for private sector engagement. An implementation plan will be developed to support this strategy.

The strategy has three objectives:

1. to facilitate a systematic approach to engaging the private sector in support of the SDGs;
2. to improve the number and quality of partnerships with the private sector through regular dialogue, improved tools and guidance on key issues such as the department's risk appetite, and more timely partnership procedures; and
3. to improve development effectiveness through applying the private sector's unique expertise, intelligence and capital to the delivery of international assistance policies and programming.

The strategy is built around six pillars (detailed in the Annex). The first two pillars seek to expand opportunities for the local private sector to contribute to sustainable development through strengthening the enabling environment (pillar 1) and building capacity (2). The next three focus on partnerships through sharing information (3), advancing practice (4) and mobilizing expertise (5). The last pillar focuses on increasing transnational and local private sector investment toward the SDGs by catalysing capital (6).

Consistent with Canada's Feminist Foreign Policy, this strategy promotes gender equality and the empowerment of women and girls in all their diversity as the most effective way to reduce poverty and inequality and promotes inclusive growth and prosperity.

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<sup>1</sup> For the purposes of this strategy, the private sector consists of for-profit enterprises both in Canada and abroad. They can be informal micro-enterprises (such as farmers and street traders), co-operatives, small and medium-sized enterprises, large locally owned companies, financial institutions including banks, investment firms and institutional investors, and transnational enterprises.

The strategy is designed to support all six [Action Areas of Canada's FIAP](#). In particular, it supports [Growth that Works for Everyone](#) and its three action paths to reduce barriers to women's economic empowerment, build more inclusive and sustainable economies, and strengthen economic resilience. Moreover, success in implementing the strategy will require a concerted effort within Global Affairs Canada to promote alignment and coherence across other priorities, strategies and policies including [the policy guidance on Innovative Financing for Sustainable Development](#), Canada's [Responsible Business Conduct Strategy](#), the department's Guidance note on Trade and Development and [Canada's 2030 Agenda National Strategy](#).



## The case for action: Why do we need a strategy?

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### Global context

There is global consensus on the need for an enhanced global partnership bringing together governments, the private sector, philanthropic organizations, civil society and other actors to achieve the ambitious 2030 Agenda for Sustainable Development. This partnership is integral to increasing the total resources devoted to the SDGs. The immediate and long-term impact of the COVID-19 pandemic has magnified the importance of mobilizing the private sector's capital to achieve the SDGs.

Donor and developing countries alike recognize the potential for private sector expertise and capital to address challenges facing the developing world. The 2030 Agenda recognizes that “private business activities, investment and innovation are important drivers of productivity, inclusive economic growth and job creation.”

SDG 12.6 encourages companies—especially large and transnational ones—to adopt sustainable practices and to integrate sustainability information into their reporting cycle. More and more, companies are committing to environmental, social and governance (ESG) indicators to guide “impact first” investing and business practices. Increasingly, companies are focusing on a “triple bottom line approach” that places equal importance on achieving social and environmental impacts while also seeking financial returns. In fact, evidence indicates that the quality of a company's ESG practices is often associated with stronger returns.<sup>2</sup> Inclusive and sustainable economic growth relies on dynamic, innovative and people-centred economies. Adopting practices in a way that achieves gender equality, supports women's economic participation and empowerment, as well as those of other historically marginalized communities, is not only the right thing to do, it has the potential to improve progress toward meeting all SDGs.

The private sector can be a vital source of knowledge and expertise with regard to local economic, trade and investment infrastructure, including in the manufacturing and service sectors; construction and completion risks; the quality of the local workforce; macroeconomic policy; and the regulatory environment. It can also provide valuable insights around policy reforms and investment patterns in sectors that can have a social impact, such as finance, retail, services, agriculture and infrastructure. This knowledge and expertise can contribute to improving the enabling environment for business and build markets, including encouraging coherence between international and local legal regulations; supporting enhanced rule of law and inclusive and accountable governance; and promoting and protecting human rights and gender equality.

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<sup>2</sup> A [report](#) comparing MSCI Canada and MSCI Canada ESG Leaders indices shows that on average, the ESG index has outperformed its counterpart by 2% (annual average) since its inception in 2007.

In fragile contexts and least developed countries (LDCs), the private sector can generate long-term and sustainable growth, create employment opportunities and foster trade. Supporting an enabling environment for the private sector can further improve transparency and reduce corruption. However, engaging private sector actors in such settings presents additional risks, including difficult operating environments, access to skilled labour, high levels of informality and poor infrastructure or supply chains. With many years of diplomatic and international assistance engagement working in fragile contexts and LDCs, Global Affairs Canada has developed expertise and local knowledge, which can be leveraged to support private sector operations in accordance with the [Principles for Good International Engagement in Fragile States & Situations](#).

Private sector engagement can also help address limited digital readiness in developing countries and improve women's and girls' access to and application of digital technologies alongside disadvantaged communities. Digitalization is increasingly affecting industrial production and economic activities in all sectors, from agriculture to services. The growing role of services in the global economy, the rise of global value chains and the adoption of new digital technologies are changing the very nature of trade within countries and regions and internationally.

These changes create new and powerful opportunities—and challenges—particularly for marginalized groups or those in vulnerable situations. The [United Nations Conference on Trade and Development](#) notes that seizing these opportunities and overcoming challenges will require governments to work in close collaboration with the private sector; for example, to reduce transaction costs of electronic payments, and boost uptake of cashless e-government solutions such as the provision of monetary transfers to the most vulnerable groups.

As COVID-19 has evolved from a health emergency to a global socio-economic crisis, the pandemic has had a dramatic effect on both the formal and informal private sector, with disruptions to imports, exports, and global and local value chains, and reduced foreign investment and remittance flows. As countries look to rebuild their economies and build back better, this strategy will help inform Canada's response, which will pay particular attention to the economic impact of COVID-19 on women in all their diversity as well as on marginalized communities. This response will also take into account the important role that the private sector and blended

**Gender-lens investment:** The International Finance Corporation (IFC) estimates that only 7% of total private equity and venture capital funding in emerging markets goes to women-led businesses. Gender-lens investing (GLI) aims to mobilize capital in ways that increase women's access to capital, advance gender equality in the workplace and throughout supply chains or increase the availability of products and services that benefit women and girls.

An example of GLI at scale is the 2X Challenge: Financing for Women, which was launched during Canada's G7 Presidency and has been expanded as part of the U.K.'s 2021 G7 Presidency. Between 2018 and 2020, G7 Development Finance Institutions (DFIs) committed US\$7 billion and mobilized another US\$3 billion from private investors, far surpassing the initial challenge target of mobilizing US\$3 billion. In 2021, G7 DFIs and others agreed to a more ambitious 2X Challenge target to mobilize US\$15 billion by the end of 2022 to support women to access good quality jobs, build resilient businesses and manage the devastating impacts of the COVID-19 pandemic.

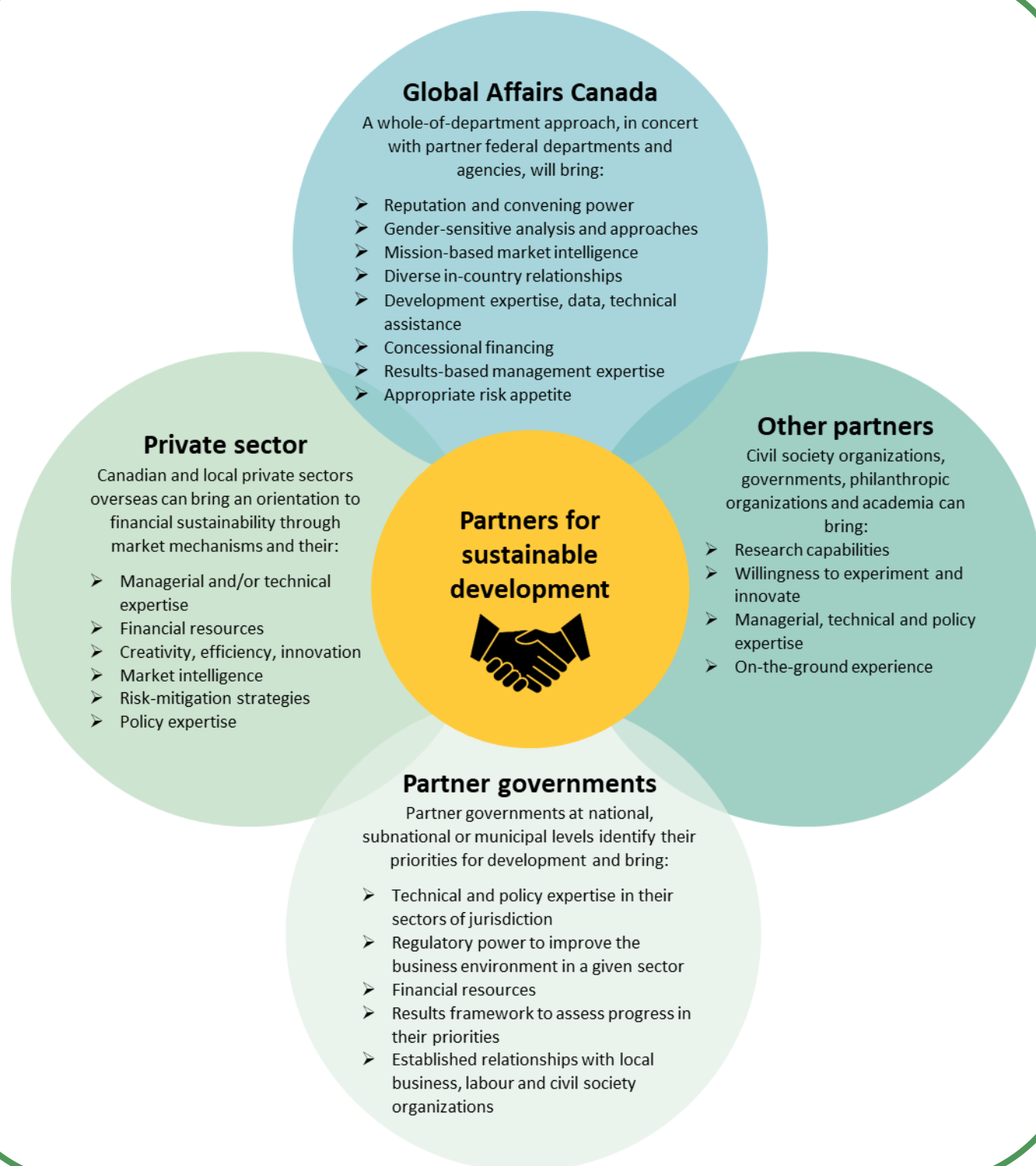
finance can play in the medium- to long-term recovery of health systems and economies, especially in developing countries.

Not every international assistance initiative is amenable to a partnership with the private sector. Nevertheless, greater engagement with the private sector for sustainable development reflects international trends and the growing public recognition of the benefits that these partnerships can produce. Other donors, notably the United States, the Netherlands and Finland, have developed specific outcome metrics and entry points for private sector engagement activity. The U.S. [private sector engagement policy](#) includes private sector engagement skills-development resources for staff and partners. Finland has developed the [Developing Markets Platform](#) to leverage private finance for development. The Netherlands introduced [A World to Gain: A New Agenda for Aid, Trade and Investment](#), a policy to combine aid, trade and investment and support both local and Dutch companies in doing business, thereby lifting local economies and increasing sustainable trade. In implementing this strategy, Global Affairs Canada will draw on lessons learned from donor countries and international organizations to build capacity for deeper and broader engagement with the private sector and enhanced policy coherence and integrated approaches among the diplomatic, trade and development streams.

**Women's economic empowerment (WEE) and the private sector:** Women's economic empowerment is critical to achieving economic and social wellbeing, poverty eradication and inclusive economic growth, and Global Affairs Canada has made it a central focus of its efforts to help build inclusive and sustainable economies in the developing world. While WEE cuts across many of the FIAP Action Areas, it is explicitly integrated as part of the three objectives of the [Growth that Works for Everyone Action Area](#):

- **Bring down barriers to women's economic empowerment** through fostering the legal, regulatory and policy environments that support women's participation in economic life and decision making.
- **Build more inclusive economies** through helping women as innovators become more competitive, increasing their employment and market opportunities, as well as shaping markets that are economically and environmentally sustainable and which work better for the poorest, most vulnerable and most marginalized, particularly women.
- **Strengthen women's financial security and their economic resilience**, which aims at advancing the basic material needs of the poorest and most vulnerable women, particularly rural and Indigenous women, and building their economic resilience, including through improved access to financial literacy, services and products and access to climate-smart agriculture.

## Partners for sustainable development



## Canadian context

Private sector development has been a priority of Canada's international assistance for decades. This has included support to business-enabling environments (notably through initiatives seeking to reduce corruption or to strengthen public financial management), as well as capacity building for enterprises, including on responsible business conduct (RBC). It has also included technical assistance to help partner countries make the most of trade and investment agreements. In some cases, Canada has supported the private sector to advance gender equality and environmental sustainability objectives. It is also important to note that other federal government departments, agencies and crown corporations, including the Business Development Bank of Canada, the Canadian Commercial Corporation and Export Development Canada play important roles in working with the private sector to support sustainable development.

At the same time, Canada recognizes that the Canadian private sector can bring unique expertise to the benefit of the women and men living in poverty in developing countries. Where feasible, Global Affairs Canada needs to be more deliberate in its programming to tap into Canada's commercial and technological strengths.

In 2018, the Government of Canada launched FinDev Canada to support private sector investment in developing countries and recently, agreed to its recapitalization, recognizing its contributions to date. Moreover, Global Affairs Canada has been provided new authority to issue repayable contributions and guarantees and to take equity positions. These innovative financing mechanisms enable Global Affairs Canada to support a broader range of initiatives with the private sector.

To make the most of these new instruments, the department will adapt its approach and seek to be more systematic in its consideration of how Canada can harness the power of the private sector—whether local, Canadian or transnational—to solve development problems in a sustainable way.

Complementing private sector engagement for development are trade and development initiatives whereby the benefits and opportunities that flow from trade are more widely shared, including with local exporters who have traditionally been underrepresented in international trade, and notably women in all their diversity, minorities, Indigenous peoples and members of the LGBTQ2+ community.

## Principles for the strategic engagement of the private sector

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The following five principles outline considerations for how Global Affairs Canada will approach private sector engagement for sustainable development across the six pillars of this strategy. The principles aim to guide how the department can engage the private sector more strategically as a partner as it delivers Canada's international assistance.



## 1. Integrate development effectiveness principles and ensure alignment with Canada's *Official Development Assistance Accountability Act* and the Feminist International Assistance Policy

**Global Affairs Canada will engage with the private sector in a manner that enables it to deliver the best development results for its investment.** The department will prioritize investments that have the potential for gender-transformative impact and reaching the poorest and most vulnerable. This may mean targeting more of its support toward firms that explicitly follow an “inclusive business” model.

### **Global Affairs Canada's engagement with the private sector will be informed by good development practice and principles for development effectiveness**

that demonstrate country ownership, value for money, transparency, inclusive partnerships and financial and development additionality. Whenever possible, the department will build upon and leverage partner country perspectives and expertise to inform country-level private sector engagement. Several key international initiatives help frame Canada's principles for private sector engagement. These include the [Kampala Principles on effective private sector engagement through development cooperation](#), the [Principles for Responsible Investment, ISO 14,000](#) (environmental management), the [Equator Principles](#), and [IFC's Performance Standards](#). The Kampala Principles, in particular, illustrate the importance of aligning broader development effectiveness principles with the involvement of the private sector. The G7's [Whistler Principles to Accelerate Innovation for Development Impact](#) provide a useful frame for engaging with the private sector in promoting inclusive innovation.

“**Inclusive businesses** provide livelihood opportunities and help close key developmental gaps, such as access to water, for the poor and the underserved—people often referred to as being at the base of the economic pyramid. The companies achieve both commercial viability and development impact by focusing on people across their value chain, as suppliers, employees, distributors, retailers or customers.

“The strategies for inclusive business are relevant across various sectors, including efforts to source from smallholder farmers, upskill low-income workers, provide financial services to the unbanked, treat low-income patients, teach low-income students and extend power and mobile phone services to last mile customers.”

Source: IFC, [IFC's Work in Inclusive Business](#)

For engagement with the private sector that involves the use of blended finance, the OECD Development Assistance Committee's (DAC's) [Blended Finance Principles](#) and the [OECD-United Nations Development Programme Impact Standards for Financing Sustainable Development](#) provide guidance on how to ensure investments achieve improved development outcomes. Private sector partnerships that involve blended finance should also demonstrate **financial** and **development** additionality, where more resources are mobilized and greater development results are achieved than either partner would realize if working alone.

**Global Affairs Canada will exercise due diligence with its partners, assessing compliance with the highest applicable ESG standards**, whether based on legal or voluntary frameworks.



Canada expects and encourages Canadian companies working internationally to respect human rights and all applicable laws, and Canada subscribes to international guidelines and treaties to operate transparently and in consultation with host governments and local communities, to work in a socially and environmentally responsible manner<sup>3</sup> and to show leadership on reconciliation with Indigenous peoples abroad. These expectations apply to all Canadian companies of any size, in all sectors.

Canada expects Canadian companies to follow the [OECD Guidelines for Multinational Enterprises](#) and the [UN Guiding Principles on Business and Human Rights](#), together with other international human rights agreements. The [UN Global Compact](#) is a voluntary initiative that relies on businesses committing to implement universal sustainability principles and take steps to support UN goals. Similarly, the [World Business Council for Sustainable Development](#) (WBCSD) has developed an online portal introducing the SDG Essentials for Business for SMEs.

By doing business in compliance with local and international norms, respect for local communities and the rights of Indigenous peoples, women and children, companies also make a significant contribution to achieving the SDGs.

## 2. Integrate business and poverty reduction objectives

Private sector actors support sustainable development for a variety of reasons. For example, some firms are guided by a corporate social responsibility strategy, sometimes volunteering their expertise pro-bono to development partners. For many firms, however, the main motivation will be the search for new customers or suppliers.

**Global Affairs Canada will work to increase the quality of its engagement with the private sector through regular dialogue.** To make the most of partnerships, Global Affairs Canada needs to understand what innovative solutions, expertise or knowledge the private sector can bring to specific sectors in particular locations, and the resources that could be mobilized toward a particular development solution. At the same time, the private sector needs to understand Global Affairs Canada's engagement parameters. To further mutual understanding

### Developmental and financial additionality:

"Public finance should only be used to catalyse private finance through blended finance structures if there is a plausible degree of certainty that private investment is required and is not forthcoming on its own and that blended finance delivers additional development outcomes over those delivered purely by the amount of public finance used for blending. Otherwise, blended finance risks unduly subsidising commercial finance and potentially distorting markets as a result. [The] incremental outcomes catalysed by a blended finance transaction beyond what public and private finance alone would be able to deliver need to be clearly identified, e.g. through a clear theory of change that can be monitored with key performance indicators for development impact and additional amounts of private finance catalysed for financial additionality."

OECD DAC, *Blended Finance Guidance*

<sup>3</sup> Based on international standards, the [OECD Guidelines for Multinational Enterprises](#) and the [UN Guiding Principles on Business and Human Rights](#).

and learning, the department, in implementing this strategy, will consider how best to institutionalize regular senior level Government of Canada and private sector dialogue.

**Innovation in international assistance:** For Global Affairs Canada, innovation in international assistance is a process, mindset and means to enable new or improved locally driven solutions to gain better results and greater impact, to benefit and empower the poorest and most vulnerable, including women and girls.

As outlined in [The Whistler Principles to Accelerate Innovation for Development Impact](#), adopted by G7 ministers in 2018 under Canada's leadership, Global Affairs Canada has notably pledged to "facilitate collaboration and co-creation across public, private and civil society sectors and coordinate the application of scientific, technical, social and business innovations to leverage intellectual, financial and social resources from all, and share data, standards, results and learning widely."

Private sector partners can contribute to development innovation by offering differentiated and complementary capabilities that spark new ideas or solutions, and by helping to deliver and sustain significant impact and cost-effectiveness at scale.

This strategy complements Global Affairs Canada's guidance note on [Canada's approach to innovation in international assistance](#), which notably encourages innovators to facilitate collaboration and co-creation across public, private and civil society sectors, identify scalable solutions and integrate proven innovations into programming to bring to scale. The strategy's implementation plan will propose incentives in this regard.

### 3. Incentivize private sector participation using financial and non-financial resources, as well as procurement mechanisms

**Global Affairs Canada will contribute to international efforts regarding innovative finance policy and programming by supporting the development of standardized impact reporting practices and metrics in specific sectors.** This will include gender-lens investing.

**The department will seek to continually update its processes and evolve how it works with the private sector.** Working with a for-profit organization has important project design and contractual implications. To improve its ability to respond to the needs of its developing country partners and reduce the burden on potential private sector partners, Global Affairs Canada will seek to streamline project assessment and approval procedures, including for requests for proposals.

**Global Affairs Canada will establish internal tools and metrics that incentivize private sector engagement in support of development impact.** The development of metrics as part of the strategy implementation plan will enable the department to monitor the implementation of its strategy at policy and program levels. In addition, developing value-for-money benchmarks for some common types of projects will make it easier for the department to assess an initiative's value added.

#### 4. Leverage Canadian technological and commercial strengths where they can have an impact on poverty

**Global Affairs Canada will establish more systematic exchanges between its development programs and its Trade Commissioner Service (TCS).** This will enable information sharing on where Canadian companies are operating and their potential for advancing partner countries' national poverty reduction strategies. The commercial networks that are central to the work of Canada's TCS, as well as the department's trade policy experts and those in other government departments and agencies (e.g. Export Development Canada and FinDev Canada) have an important role to play in implementing this strategy. It will be important to understand the capacities of the Canadian private sector (such as exporters, developers and financiers—as well as importers) when considering international assistance investments. Consistent with the FIAP, Global Affairs Canada can look for opportunities to invest international assistance in support of sectors where Canadian firms have a unique expertise that can be leveraged for poverty reduction.

**Opportunities exist to use Canada's free trade agreements (FTA) and multilateral channels as vehicles to nurture partnerships with the private sector.** Canada's FTAs and foreign investment promotion and protection agreements (FIPAs) help support enabling environments that promote private sector activity in developing countries.

**Global Affairs Canada remains committed to the principles of aid effectiveness and upholds Canada's policy on aid untying.** Aid untying ensures that Canada's official development assistance is used effectively to support sustainable development. It enables Canada to source goods and services locally or regionally, thereby contributing to building local capacity and strengthening its development impact.

#### 5. Factor risk into investing with the private sector

Segmenting and distributing risk is not easy, particularly where local capital markets lack the depth and sophistication necessary to finance long-term and socially beneficial projects. Yet, by taking on risk through private sector engagement, the public sector can spur on innovation and investment. It must be done, however, in ways that minimize financial and reputational risks. With clear partnership criteria, expertise and evidence-based analysis, due diligence and careful attention to private sector motivations, Global Affairs Canada expects to achieve greater impact and mitigate most risks, while recognizing that some investments will fail.

Global Affairs Canada can serve as a first mover on opportunities seeking to create a strong demonstration effect. For example, taking a first-loss position can be an effective means to crowd in additional private capital. Guarantees and risk insurance can also promote private sector investment by reducing financial risk.

**Canada will use clear criteria for partnership to help manage financial, reputational and developmental risk.** These comprise transparent screening processes that include

commitments to RBC, thorough due diligence and selecting partners that are good corporate citizens. Screening criteria can also provide a clear indication of exclusions, including the industries and types of partners with which Global Affairs Canada is unwilling to work.

## The strategy's six pillars

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The five private sector engagement principles outlined above set out key considerations that will inform how Global Affairs Canada will engage the private sector as it seeks to work across the following six pillars:

### Improving the business environment

1. Strengthen local public sector enabling environments to:
  - support local policy agendas and frameworks, including standards compliance and legal, investment, innovation and regulatory reform to improve the business and trade environment; and
  - improve the capacities of partner country governments to build investment environments that advance gender equality and inclusive and sustainable economic growth.
2. Build capacity of developing countries' private sectors to:
  - develop inclusive business practices that contribute to local economies and advance gender equality;
  - enhance private sector capacities and practices related to RBC to identify and mitigate risks, such as human rights abuses, corruption and abuse of labour rights through business supply chains, and ensure internal accountability and due diligence; and
  - promote greater private sector investment in sustainable consumption and production, and inclusive and green business practices.

### Developing partnerships

3. Share information and seek alignment with the private sector to identify shared and complementary interests and capabilities to:
  - understand challenges and obstacles to private sector investment and engagement in local markets, including risk and return considerations;
  - promote joined-up strategic planning and project design, including participatory, feminist and human rights-based approaches that include beneficiary perspectives; and
  - build a learning and evidence base for effective private sector engagement.

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4. Integrate private sector perspectives into SDG implementation at global and local levels and advance good private sector engagement practice that:
    - support developing country SDG strategies that integrate private sector perspectives, including RBC;
    - continue to work with international financial institutions (IFIs) / multilateral development banks (MDBs) and OECD-DAC on mobilizing (versus crowding out) and measuring contributions of private sector capital toward sustainable development outcomes;
    - advocate for greater sustainability in corporate RBC and industry standards and for enhanced company focus on the SDGs; and
    - continue to engage in the development, promotion and advancement of key international RBC frameworks and guidelines within Canada and multilaterally.
  5. Mobilize private sector expertise, creativity and innovation, including technology, R & D, industry expertise and entrepreneurial skills to:
    - incentivize and test innovations and scale success to develop country-level capacities for self-reliance;
    - apply private sector expertise and market-based solutions and other capabilities to address development challenges;
    - incentivize the private sector to deploy innovation and technology that support sustainable business practices and contribute to the SDGs;
    - support expansion of better business, including through the promotion of business-to-business partnerships, inclusive business and RBC; and
    - support trade and investment in developing countries, including trade capacity building and trade facilitation.

## Increasing investment

6. Catalyse private sector capital to address development challenges and/or bring solutions to scale, including efforts to “crowd in” capital to address the SDG financing gap, through:

- providing more financial resources and expertise to finance new models and solutions to development challenges;
- monetizing development results to promote outcome-based programming (e.g. impact bonds, challenge prizes);
- avoiding unsustainable and non-market-based subsidy programs; and
- expanding local businesses, especially those that can unlock investment that would not occur without grants and contributions from Global Affairs Canada. A primary target of these investments could be supporting minority-owned businesses and women entrepreneurs to expand into global value chains, or businesses implementing inclusive businesses practices in markets that benefit women and men in situations of vulnerability and poverty.

Several possible approaches are available to Global Affairs Canada to engage the private sector where shared interests exist in supporting sustainable development, including:

- **Policy dialogue:** Multi-stakeholder consultation and collaboration to encourage policy or behaviour change, such as improvements in corporate practices or adoption of standards (e.g. bilateral consultations, multilateral networks, cross-sector round tables, specialized hubs).
- **Knowledge and information sharing:** Transparent and easily accessible information supporting new methods and innovative approaches to addressing development challenges (e.g. multi-stakeholder networks, conferences/seminars/workshops, funding for research).

**Challenge funds/prizes:** Challenges are an open innovation approach designed to crowd-in innovative solutions from a wide variety of actors and sources. They differ from other traditional funding programs as they are designed as an “outcomes based” approach, where innovators are awarded based on the results achieved during the challenge.

Since 2010, the Government of Canada has provided financial support to Grand Challenges Canada (GCC) to seek innovative solutions to challenges in global health, with a focus on maternal, newborn and child health and sexual and reproductive health and rights. Of the 502 innovations supported by GCC with Global Affairs Canada funding, 20% are being implemented by for-profit institutions, of which three-quarters are based in low- and middle-income countries.

**Impact bonds:** “In an impact bond, private investors provide up-front capital for social services and are repaid by an outcome funder contingent on the achievement of agreed-upon results.”

Convergence, 2017, *Impact Bonds in Developing Countries: Early Learnings from the Field*

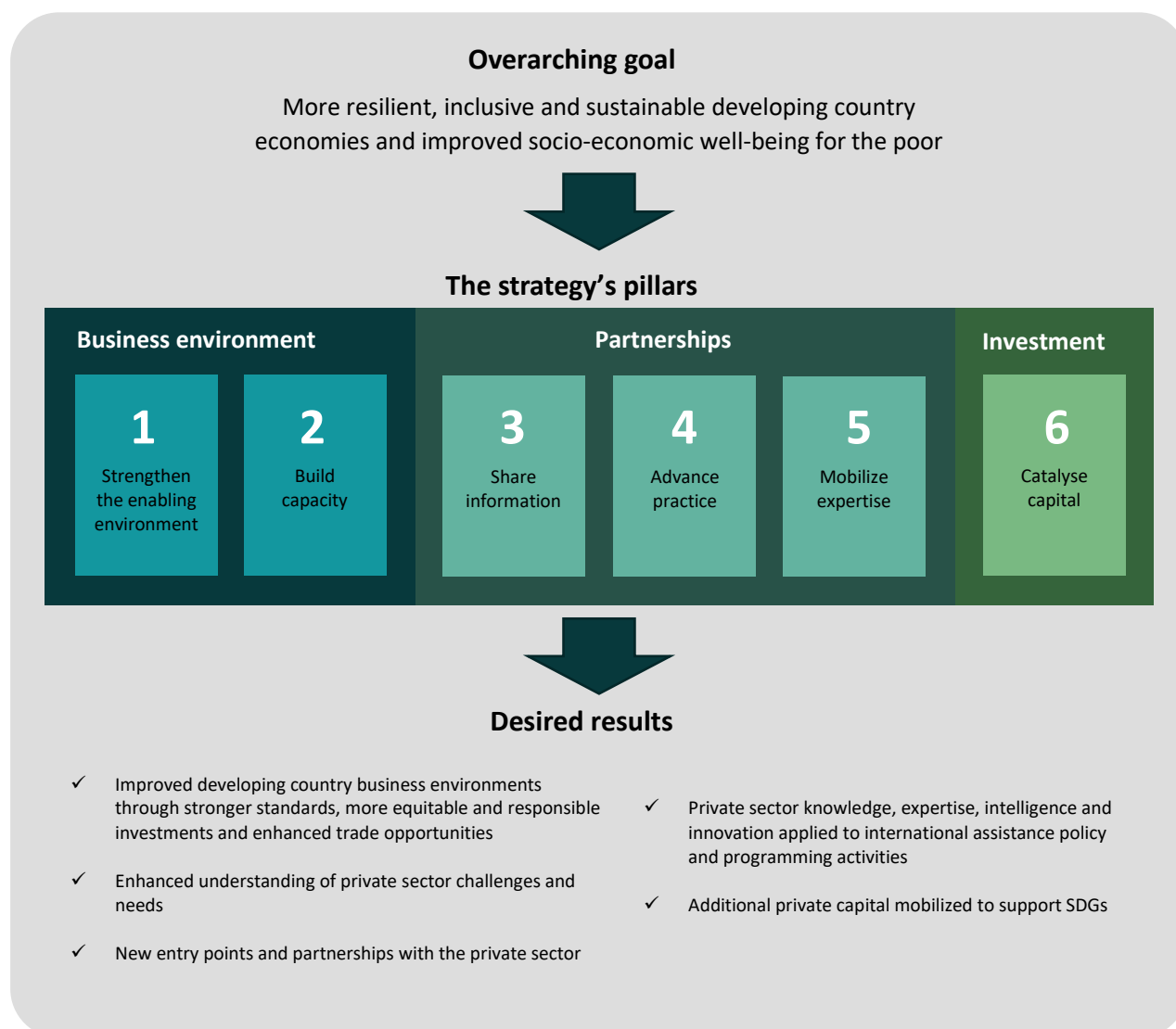
- **Technical co-operation / capacity development:** Expert technical assistance provided (e.g. business advisory services, feasibility studies) to strengthen investment environments or incentivize the private sector to design and implement international assistance programming or reform business practices in support of sustainable development.
- **Finance:** Leverage or mobilize additional private capital for sustainable development with grants, loans, guarantees, insurance, equity and outcome-based financing.

Additionally, implementing this strategy will require country-level analysis to help frame policy and programming priorities, strategies, design elements and partnership approaches. Other analysis to inform decision making could include:

- **SWOT analysis:** What are the development and commercial instruments that may affect private sector engagement, the enabling environment and trends affecting engagement, geographic analysis or risk in all its dimensions?
- **Gender equality analysis:** What barriers exist to improving gender equality as part of the private sector's operations and advancing gender equality through private sector business practices? How can these best be addressed in the context of the six pillars of this strategy?
- **Investor/stakeholder mapping:** Who are regional or local actors (including Canadian firms and investors) that are shaping private sector activities, creating obstacles or opportunities?
- **National and regional economic analysis:** What sectors are most relevant and have the greatest potential to promote sustainable development? This analysis will rely (chiefly) on mission intelligence, including from trade commissioners. It should also identify any policy or regulatory limitations that might contribute to slowing growth within that sector.
- **Trade readiness analysis:** Investigate a region's relative competitive advantages (such as supply chains and industrial clusters, infrastructure, energy and IT assets, specialized workforce skills, higher education levels, collaboration among stakeholders, capacity to undertake free trade negotiations/commitments) and relative competitive disadvantages (for example, a risk-averse or change-resistant local culture).



## Theory of change



## Monitoring, evaluation and learning

Three interlinked and overarching objectives of this strategy will provide the frame for a performance measurement approach that will be developed as part of the strategy's implementation plan.

1. **To establish a more systematic approach to engaging the private sector in support of the SDGs.** This objective will advance policy coherence and an integrated approach to engage the private sector in activities to achieve better development results. To monitor the department's progress on this objective, the strategy's performance measurement

plan will examine the extent to which guidance, tools, dedicated expertise and training are made available to staff.

2. **To improve the number and quality of partnerships with the private sector.** This objective focuses on the department's performance in providing the necessary tools, guidance and communication to partners on key issues, including the department's risk appetite, regular dialogue and speed of the processes involved (for example, service standards). To monitor progress on this objective, the department will regularly survey key stakeholders to measure satisfaction.
3. **To increase development effectiveness by channeling the private sector's unique expertise, intelligence and capital in support of international assistance policies and programming.** The performance measurement plan will focus on learning to deliver results more effectively in partnership with the private sector using various instruments (for example, technical assistance, repayable contributions and guarantees) to reduce poverty and to support the empowerment of women and marginalized groups.
  - **Operational guidance will be provided on monitoring approaches for innovative financing.** Guidance will be developed for Global Affairs Canada programs to monitor the high-level outcomes of their projects—possibly through better contracting clauses, by investing in supplementary monitoring and evaluation mechanisms or by developing sampling approaches to measure results for beneficiaries. Moreover, guidance will be developed in collaboration with industry leaders to operationalize concepts that are key to private sector engagement, notably those of additionality and value for money.
  - **Decentralized evaluations will be harnessed toward a learning agenda on private sector engagement for development.** To promote learning on select strategic themes, high-level policy-relevant evaluation questions will be formulated for inclusion, when relevant, into decentralized project evaluations.

## Next steps

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Following the release of this strategy, Global Affairs Canada will develop a plan to identify concrete next steps and actions the department will take toward implementation.

Building on existing mechanisms, the implementation plan will identify and/or establish operational procedures, tools, training and communication to clarify and provide guidance on how Global Affairs Canada will work with the private sector and other partners to implement the approach. By bringing together the private sector's unique skills, expertise and capital with those of other partners, the department expects to deliver international assistance more effectively and improve progress toward achieving the SDGs. Canada's experience working with the private sector across all Global Affairs Canada business lines, as well as the experience of other international actors, will help to inform the implementation plan.

Priority will be placed on developing internal guidance tools and training for all Global Affairs Canada work streams. The implementation plan will consider pilot work with select missions and partners to test and refine the tools and products that will be developed. This strategy takes an ambitious approach to engaging the private sector for sustainable development—it will take a concerted departmental effort to implement and operationalize.

## Success factors

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The key success factors in implementing the strategy will be:

- resource availability (human and financial);
- responsiveness of the private sector, private sector institutions, donors and IFIs to deepen partnerships;
- alignment with existing approaches within Global Affairs Canada and other federal government departments and agencies; and
- adaptable policies, tools, capacities, procedures and processes in Global Affairs Canada.

## Annex: Strategy pillars

Private sector engagement for sustainable development: Strategy pillars					
Improving the business environment		Developing partnerships			Increasing investment
1. Strengthen the enabling environment	2. Build capacity	3. Share information	4. Advance practice	5. Mobilize expertise	6. Catalyse capital
<ul style="list-style-type: none"> <li>• Support development of local <b>policy agendas and frameworks</b>, including standards compliance and legal, investment, innovation and regulatory reform to improve the business environment.</li> <li>• Leverage Canada's <b>FTAs, FIPAs</b> and multilateral channels as vehicles to establishing/growing partnerships with the private sector.</li> <li>• Improve the capacities of developing country governments to build <b>investment environments that support inclusive growth</b>.</li> </ul>	<ul style="list-style-type: none"> <li>• Develop inclusive business practices and promote <b>gender equality</b>.</li> <li>• Enhance private sector capabilities and practices related to RBC.</li> <li>• Improve capacities of private sector actors to invest in sustainable <b>consumption and production</b> and inclusive and green economies.</li> </ul>	<ul style="list-style-type: none"> <li>• Understand <b>challenges to private sector investment</b> and engagement, including risk and return considerations.</li> <li>• Promote joined-up <b>strategic planning and project design</b>, using participatory approaches that include beneficiary perspectives.</li> <li>• Build a <b>learning and evidence base</b> of what works in private sector engagement.</li> </ul>	<ul style="list-style-type: none"> <li>• Support developing country <b>policy and regulatory frameworks</b> for partnering and investing at international, national and local levels.</li> <li>• Strengthen our work with IFI/MDBs, OECD-DAC on mobilizing and <b>measuring private sector capital contributions</b> toward sustainability.</li> <li>• Advocate for greater sustainability in <b>corporate RBC</b> and industry standards.</li> <li>• Continue to engage in the development, promotion and advancement of the key international RBC frameworks and guidelines.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Incentivize and test innovations</b> and scale success to develop country-level capacities for self-reliance.</li> <li>• Apply private sector expertise and <b>market-based solutions</b> and other capabilities to address development challenges.</li> <li>• Incentivize the private sector to deploy <b>innovation and technology that support sustainable business practices and contribute to the SDGs</b>.</li> <li>• Support expansion of <b>more and better business</b>, including through the promotion of business-to-business partnerships, inclusive business and RBC.</li> <li>• Support <b>trade and investment</b> in developing countries, including trade capacity building and trade facilitation.</li> </ul>	<ul style="list-style-type: none"> <li>• More <b>financial resources and expertise</b> to finance new models and solutions to development challenges.</li> <li>• <b>Monetize development results</b> in order to promote outcome-based programming (e.g. impact bonds).</li> <li>• Avoid <b>unsustainable and non-market-based</b> subsidy programs.</li> <li>• <b>Expand local businesses</b>, especially those that can unlock investment that would not occur without Global Affairs Canada's support.</li> </ul>