

»» DEG: More than finance

Measuring the Development Effectiveness of Private Sector Investments

DEG's Development Effectiveness Rating (DERa)

Berlin, Juli 2017

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»» Successful private enterprises are key drivers of development ... and for achieving the SDGs

The private sector plays a key role in

- achieving full, productive and decent employment (*“9 out of 10 jobs are created by the private sector”*),
- generating local income,
- paying taxes, and thereby enabling governments to invest in education, health, infrastructure, and the environment,
- and in enhancing livelihoods within local communities through CSR activities.



It is DEG's mission to promote business initiative in developing and emerging market countries as a contribution to sustainable growth and improved living conditions of the local population.

»» DEG and its clients' development effects

For more than 50 years, we have been promoting entrepreneurial initiative in developing and emerging markets

DEG at a glance (31.12.2016)

Employees	539
Locations worldwide	14
Portfolio	EUR 8.6 bn
Clients	> 600
Countries	81
New business 2016	EUR 1.6 bn
Corporates	37%
Funds	20%
Financial institutions	28%
Project financiers	15%

Development Effects (31.12.2016)



Create and secure 800.000 jobs



Contribute EUR 280 million taxes annually



Over 1.3 million SMEs supported by DEG-financed banks and funds



Produce 17 TWh green energy which supplies more than 19 million people



Extensive CSR activities implemented by DEG's clients

A photograph of a modern building's exterior, featuring a grid of large, rectangular glass windows. The windows reflect the sky and other buildings, creating a pattern of light and dark. To the right of the glass section, there is a vertical strip of light-colored, horizontally-laminated panels. A semi-transparent white banner is overlaid across the middle of the image, containing text in a dark blue font.

»» How DEG measures, reports, and steers on development effects / impact

»» DERa – DEG's Development Effectiveness Rating[©]

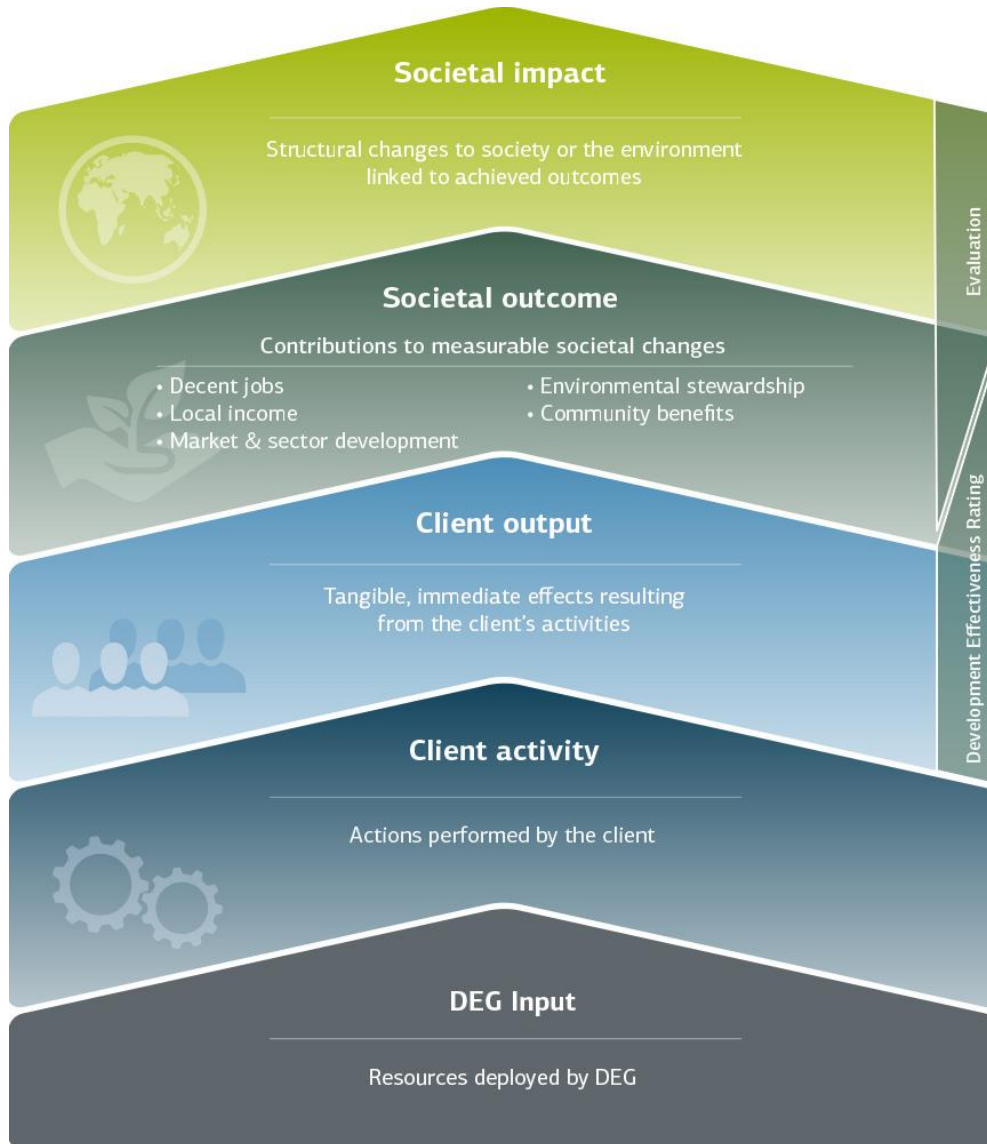
The multidimensional index enables DEG to steer and report on development impact / effectiveness for its entire portfolio

- A multidimensional index-based Development Effectiveness Rating (DERa)[©] to:
 1. steer the overall development quality (impact) of DEGs portfolio (clients) and
 2. build DEGs impact reporting, ensuring transparency and accountability towards stakeholders.

- The DERa...
 - › reflects more than 15 years of experience with reporting and monitoring of development effectiveness with DEG's Corporate Policy Project Rating (GPR)[©]
 - › was guided by the 2030 Agenda for Sustainable Development and the SDGs
 - › uses harmonized indicators by 25 International Financial Institutions (see www.hipso.net)
 - › builds upon DEG's substantial evaluation work
 - › has been challenged by a large number of (inter-)national experts
 - › based on a theory of change / impact value chain

»» DERA is based on the following Theory of Change

The focus lies on clients' effects (client output / societal outcome)



What DEG wants to achieve is for our clients to increase impact by...

- providing more and better jobs,
- increasing local income
- and supporting transformation in developing markets
- while acting in a sustainable manner
- and creating benefits for local communities.

»» DERa is structured along five key outcome categories

Each category consists of up to three pillars with underlying indicators

Outcome Category

Pillars for scoring

Decent jobs



- # of jobs (weighted by level of decency)
- % job growth
- Indirect job potential



Local income



- Σ local income (weighted by GNI p.c. PPP)
- Annual growth of local income



Market & sector development



- Going where we need to go (countries, sectors)
- Promoting innovation



Environmental stewardship



- Environmentally responsible practice
- Avoidance and savings



Community benefits



- Manage community risks
- Pro-active community development



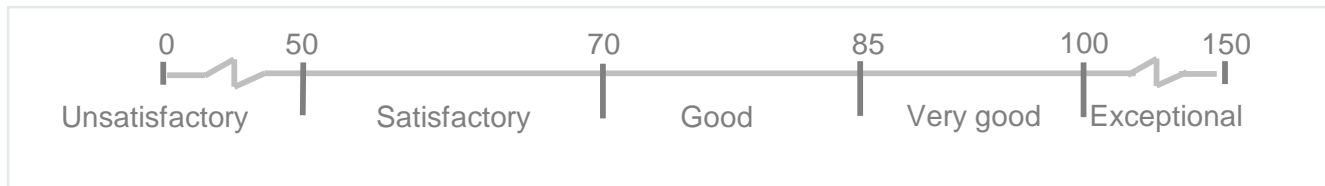
Core development contribution
75% of DERa score

Way of doing business
25% of DERa score

»» DERa results in a summary score...

... based on (harmonized) indicators with different units of measurement

- The variety (different sectors) of projects is reflected in the multidimensional nature of the DERa. No type of investment can achieve the maximum of 150 points.
- For ease of interpretation, the score is linked to a qualitative categorisation



- Moving from an ex-ante perspective towards a portfolio perspective. Strategic portfolio target 2017 = 75 points. Thus monitoring and steering becomes key!

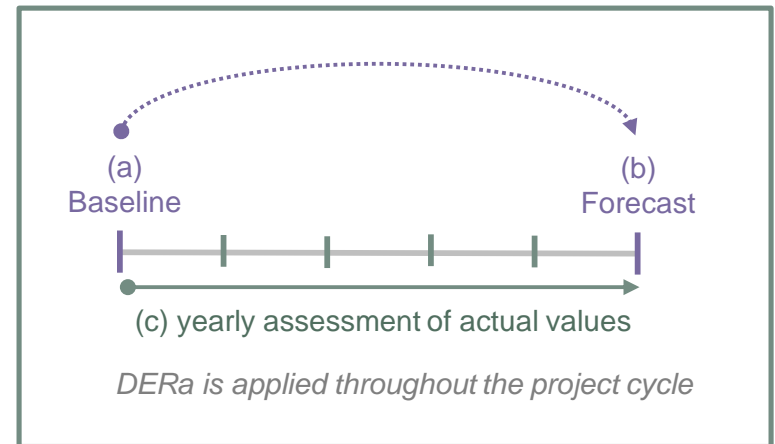
»» DERa captures baseline data in addition to expectations and is applied annually throughout the project cycle

During the appraisal phase the first DERa for the client is filled in.

- (a) Actual values prior to investment (Baseline)
- (b) Expected effects (Forecast)

After commitment, DERa is updated yearly.

- (c) Actual values



Clients are expected to show an **improvement** in actual values over time due to

- (1) long-term positive business performance
- (2) sustainable practices

The improvement can be seen by comparing the baseline (a) with actual values (c).

»» A variety of impulses to steer on development

Focusing on acquisition as well as support portfolio clients



Outcome Category

Impulses for DEG activities

Decent jobs



- Select clients with job potential
- Support clients to improve social standards (e.g. via our BSS service *"People Management"*)

Local income



- Improve financial sustainability of the client
- Focus on local sourcing and responsible tax behavior

Market & sector development



- Select clients in lower income countries and in sectors which enable private sector development
- Select clients offering (innovative) business solutions

Environmental stewardship



- Select clients contributing to / FIs with portfolio focus on climate protection
- Support clients to improve their environmental performance (like BSS standard product energy and resource efficiency checks)

Community benefits



- Support clients in mitigating negative effects on local communities
- Support clients in their efforts to support development of local communities

»» Excursus and example: Impulse for decent jobs

From evaluation to new „impulse“ / advisory product

Bridging the skills gaps in developing countries

A practical guide for private-sector companies

- 200 practical examples demonstrate how companies can close skills gaps at all levels and how they benefit from these activities.
- A cost-benefit appraisal helps companies make a meaningful assessment of their investment.
- Five case studies demonstrate that closing skills gaps by private sector companies can be a win-win-win situation for companies, employees and local communities as well as for suppliers.
- A practitioners guide shows how to bridge skills gaps in five steps.

People Management+

Creating your success.



- Identifying and prioritizing of companies' HR challenges by filling out our Self-assessment tool.
- Company and context analysis gives us a clear understanding of your business's context.
- Deep dive on-site visit: developing of ready-to-use solutions for most business critical and urgent challenges.
- Staying supported by our sparring partner during the implementation set-up.
- Getting co-financing by DEG's Business Support Services (BSS) funds for Follow-up implementation projects, if needed.

»» Feedback Sheet

Shows the score and links the effects to the SDGs

XXX supports the following SDGs:



**SUSTAINABLE
DEVELOPMENT
GOALS**

In 2015, 194 nations agreed on seventeen Sustainable Development Goals (SDGs) to be reached by 2030.

Achieving these targets requires the engagement of the private sector. DFIs like DEG are recognized having an important role to play in supporting, financing and promoting private sector development.

Thank you for submitting your DERA report!

By financing XXX, we advance global sustainable development.

If you have any questions, do not hesitate to contact us or check out our DERA community on DEGbox.

»» DERa links key outcome categories to the SDGs

Outcome Category

Contribution to SDG

Decent jobs



Local income



Market & sector development



Environmental stewardship



Community benefits



THE GLOBAL GOALS
For Sustainable Development

»» Thank you very much!

Please feel free to contact us.



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