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Long-term Assistance and Services for Research (LASER)
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Private Sector Engagement in Democratic Processes: An Evidence Gap Assessment

SUPPLEMENT TO AGREEMENT NO. AID-7200AA18CA00009

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May 2023

This publication was produced by the LASER PULSE Program, led by Purdue University, with support from the United States Agency for International Development (USAID). The views expressed herein do not necessarily reflect the views of USAID or the United States Government.



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A consortium led by Purdue University, with core partners Catholic Relief Services, Indiana University, Makerere University, and the University of Notre Dame, implements the LASER PULSE program through a growing network of 3,000+ researchers and development practitioners in 82 countries.

LASER PULSE collaborates with USAID missions, bureaus, independent offices, and other local stakeholders to identify research needs for critical development challenges; it also funds and strengthens the capacity of researcher-practitioner teams to co-design solutions that translate into policy and practice.

ACKNOWLEDGEMENTS

This document is made possible by the generous support of the American people through the United States Agency for International Development (USAID) under the terms of agreement no. AID-7200AA18CA00009. This report was produced by Kevin Hans Waitkuweit, Paul Perrin, Jaclyn Biedronski, and Shriniwas Gautam at the University of Notre Dame’s Pulte Institute for Global Development as well as by Elischia Fludd and Kyle Seasley at the University of Notre Dame’s Keough School of Global Affairs.

Drafting of the codebook was supported by Assistant Professor Susan Ostermann at the Keough School of Global Affairs, University of Notre Dame. Support in coding documents was provided by Marshall Smith at the University of Notre Dame. Subject matter expertise on democracy, governance, and anti-corruption was provided by Senior Researcher Tom Hare, Pulte Institute for Global Development. The contents of this document are the sole responsibility of the Pulte Institute for Global Development and do not necessarily reflect the views of USAID or the United States Government. May 2023.

SUGGESTED CITATION

Waitkuweit, K.H., Perrin, P., Biedronski, J., Gautam, S., Fludd, E., and Seasley, K. 2023. “Private Sector Engagement in Democratic Processes: An Evidence Gap Assessment.” USAID: Washington, DC.

CONTENTS

List of Figures	4
Acronyms	4
Executive Summary	5
Findings	6
Evidence Gaps	7
Recommendations	8
Introduction	9
Methodology	10
Limitations	13
Private Sector Collaboration in Accountability and Transparency	14
Findings in PSE in Accountability and Transparency	14
Private Sector Support in Democratic Processes	19
Findings in PSE in Democratic Transitions Consolidation	20
Private Sector Interactions with Regulatory Frameworks	26
Findings in PSE in Interactions with Bureaucracies and Governments Regarding Regulatory Frameworks	26
Recommendations	30
References	32

LIST OF FIGURES

Figure 1: Strategy for evidence mapping and report preparation	10
Figure 2: Types of documents reviewed (by percentage)	11

ACRONYMS

CSO	Civil Society Organization
CSR	Corporate Social Responsibility
DRG	Democracy, Human Rights, and Governance
EGM	Evidence Gap Map
ENISA	European Union Agency for Network and Information Security
LASER	Long-term Assistance and Services for Research
LGBTQ	Lesbian, gay, bisexual, transgender, and queer
MEL	Monitoring, Evaluation, and Learning
NGO	Non-governmental organization
PPP	Public-Private Partnership
PSE	Private Sector Engagement
PULSE	Partners for University-Led Solutions Engine
USAID	United States Agency for International Development

EXECUTIVE SUMMARY

Development practitioners face complex processes in advancing democracy and governance while combating corruption. Private sector engagement (PSE) in activities, interventions, and programming that promotes democracy, human rights, and governance (DRG) is rooted in balancing the resources that private sector actors offer to development projects. The involvement of private sector actors in development activities in the DRG space is growing and has become a topic of interest among researchers, development practitioners, and the donor community. However, a lack of clear understanding of the existing evidence of PSE in the DRG space and the connection between PSE and advancing the DRG agenda and policies limit the ability to effectively engage both private and public sectors at the national, regional, and international levels. The results of this brief provide an overview of the current state of literature at the intersection of PSE and DRG with a focus on three specific good governance questions as follows:

- 1) Can international donor agencies and organizations collaborate with private sector actors to encourage institutions that foster state accountability and transparency? What factors are associated with successful collaboration?
- 2) Can private sector actors engage and support democratic transition and consolidation? Can they help prevent authoritarian backsliding (“democratic decline”)? What factors are associated with successful support?
- 3) How do private sector actors engage with regulatory frameworks, bureaucracies, and legislatures around the issues of democracy, governance, and anti-corruption?

This evidence report analyzes 42 documents from the [Private Sector Engagement Evidence Gap Map \(PSE EGM\)](#) in the DRG space. The documents were compiled from different sources using a specific search strategy and coded for qualitative analysis to provide insight into the above three research questions. The search strategy and coding approach were devised in consultation with USAID. The intended audience for this report is USAID staff, private sector actors, civil society organization staff, and government actors involved and interested in programming and leveraging private sector resources for promoting DRG activities.

Findings

For research question 1, the findings cover a wide range of topics relating to accountability and transparency.

- The PSE EGM documents showcase examples of private corporations engaging in capacity exchange with governments and organizational partners, collaborating on topics and skills related to their respective industries.
- Private sector actors have demonstrated effective collaboration with the state in public-private partnerships (PPPs) to improve government accountability and transparency.
- The literature highlights an increased focus on PSE collaboration with civil society organizations (CSOs) where private sector actors are engaged with legislators and regulators on promoting transparency and accountability.
- For successful collaboration, both the private sector and donor agencies in the reviewed literature maintained a strong and demonstrated commitment to promoting accountability and transparency, delineating roles in PSE activities, and advocating for flexibility for private sector actors to engage with local institutions and organizations.

For research question 2, when discussing how PSE functions in combating democratic decline, findings consist of the following:

- The effectiveness of PSE in preventing democratic backsliding was limited.
- The PSE EGM literature offers a particular view of how PSE interfaces with local systems, emphasizing private sector funding and engagement with CSOs in combating democratic declines.
- Examples of PSE in economic development that impact the DRG processes at local levels include job creation, involvement in local action groups, and capacity-building activities to benefit democratic processes.
- Barriers caused limitations in support for democracy and leveraging economic development to better relationships between all parties involved in democratic processes. Issues that arise include trust among all parties involved in the DRG processes for private sector actors, CSOs, and governmental actors, inflexibility of policies, infrastructure, politics, economic barriers, and local corporate culture. Mitigating such obstacles is important to PSE in democratic processes since private sector actors often focus on economic means to support local governments.

For research question 3, when exploring PSE interactions with regulatory frameworks and anti-corruption, findings consist of the following:

- Private sector actors lobby governments to support DRG activities, often working with CSOs to push for policies that improve access for marginalized groups. PSE with CSOs is rooted in two key interests: improved public perceptions of CSOs and participation in civic spaces with CSOs.
- The evidence has a mixed view of private sector actors and their relationship to anti-corruption outcomes: private sector actors are viewed as both promoters of anti-corruption and potential sources of corruption.
- Budget transparency is a valuable tool for anti-corruption efforts. Access to budgets demonstrates government solvency to private sector actors while also allowing for reductions in corruption due to clear examples of where funds are allocated.
- Supporting anti-corruption activities is crucial for private sector actors, especially in countries with high levels of corruption.

Evidence Gaps

When exploring evidence gaps, the following cross-cutting gaps were found in exploring PSE work in the DRG spaces:

- A lack of information exists about how private sector actors encourage state accountability and transparency, especially related to non-media uses of PSE in DRG.
- Gaps are present in how private sector actors prevent backsliding, particularly related to PSE in political processes.
- A scarcity of work exists in the PSE EGM on details regarding anti-corruption work private sector actors engage in to support DRG.
- In the PSE EGM literature, a gap exists regarding the specific incentives and motives for the private sector to engage in the DRG space, mainly what can be done to incentivize private sector actors to reduce corruption and improve transparency. Additional topics with gaps include discussions of the following: unions and lobbying.

Recommendations

This report concludes with a series of recommendations suggesting the following:

- 1) Further exploration of areas where private sector actors compete in offering services normally offered by governments, non-governmental organizations (NGOs), or CSOs.
- 2) Analysis of opportunities for private sector actors to engage with NGOs or other global development actors to promote accountability and transparency would be beneficial for understanding PSE work in the DRG processes.
- 3) Private sector actors should voluntarily disclose information about their operations, practices, and performance to promote trust, transparency, and accountability when conducting PSE.
- 4) Development practitioners should create a learning agenda around PSE in the DRG to expand their understanding of private sector actors' involvement in the DRG activities.
- 5) PSE efforts in the DRG space should favor long-term engagements, which are more effective in supporting democratic transition and consolidation.

INTRODUCTION

Private sector actors play a crucial role in democratic processes around the globe. Some development practitioners call for increased private sector engagement (PSE) in governance processes (1). However, private sector participation in democratic processes poses risks, particularly in nations where the relationship between private actors and governments can be complex. USAID's Anti-Corruption Policy emphasizes the importance of working with diverse partners to address challenges to good governance, such as corruption (2). Governments can manage the level of PSE in their democratic process and benefit from private actors' overall participation in the multilateral systems of governance (3). Ultimately, the potential benefits of PSE in democracy, human rights, and governance (DRG) in the developing world must be weighed against the risks of undue influence from private sector actors.

This evidence report analyzes literature from the [Private Sector Engagement Evidence Gap Map \(PSE EGM\)](#), which was created as part of the LASER (Long-term Assistance and Services for Research) PULSE (Partners for University-Led Solutions Engine) consortium's partnership with USAID's Private Sector Engagement Hub. The report analyzes the existing evidence on the engagement of private sector actors in democratic and governance processes in developing and developed nations. The results demonstrate areas where private actors are engaging in the DRG processes through the following questions:

- 1. Can international donor agencies and organizations collaborate with private sector actors to encourage institutions that foster state accountability and transparency? What factors are associated with successful collaboration?**
 - How do private sector actors engage with the state on issues of accountability and transparency?
- 2. Can private sector actors provide support for democratic transition and consolidation? Can they help to prevent authoritarian backsliding (“democratic decline”)? What factors are associated with successful support?**
 - How do private sector actors engage with the state around the issues of democratic transition, democratic consolidation, authoritarian backsliding, and associated processes?
- 3. How do private sector actors engage with regulatory frameworks, bureaucracies, and legislatures around the issues of democracy, governance, and anti-corruption?**

METHODOLOGY

Key literature on the intersection of private sector work in the DRG spaces was identified using the technical sector column in the [PSE EGM](#). The research team then ranked the documents based on their potential for addressing the research questions outlined through a co-research process conducted between USAID staff and the Pulte Institute for Global Development.

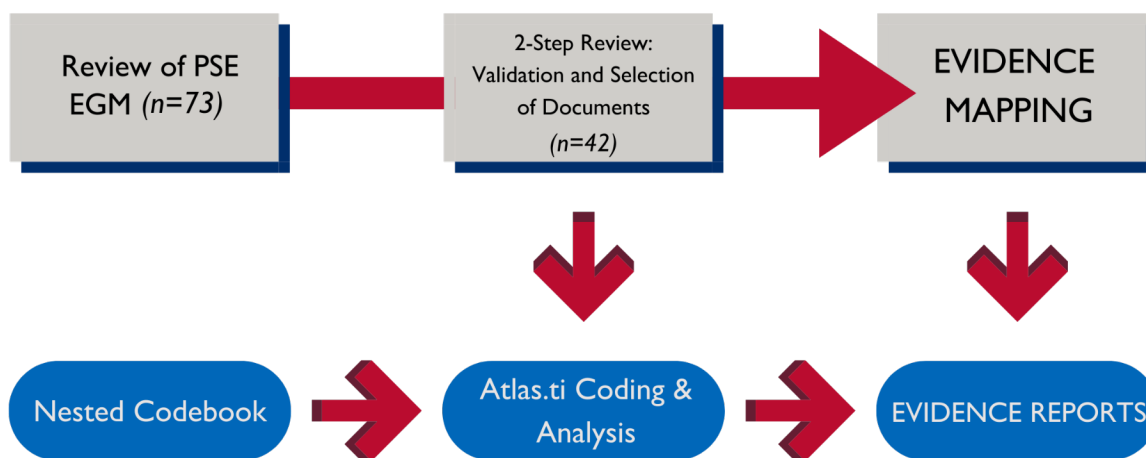


Figure 1: Strategy for evidence mapping and report preparation

As part of the analysis plan, the co-creation process resulted in a codebook that defined topics of interest related to the DRG processes and private sector actors. An initial review of the PSE EGM literature resulted in 73 viable documents which were then explored through a two-step process where coders explored the validity of the documents and selected them for analysis. In total 42 documents were selected as part of the process. Simultaneously, the creation of the “nested” codes followed a deductive approach, with the first phase identifying the research questions of interest, then creating a code framework of parent and child codes that were informed by the questions as they related to the initial analysis of the documents included in the PSE EGM. Atlas.ti software was used to review the documents and apply the preselected codes from the deductive codebook. Results were then generated in a summary report to prepare the report. As part of the preparation process, emerging themes were noted, indexed, and described in the findings section of this report.

From this analysis, the authors discuss current evidence, evidence gaps, and best practices for leveraging PSE within the DRG space of global development work. Recommendations are provided for ways to ameliorate PSE in the DRG processes in the project’s host nations. The results are presented with each of the main research questions being analyzed through the findings and gaps that exist within the PSE EGM

literature. Recommendations are made for each of the main research questions on areas where improvements can be made in future publications and literature.

The process of exploring the interaction of PSE with activities that promote democracy and governance while reducing corruption can be described through three key mechanisms: collaboration, support, and regulations. These key terms were seen as critical to describe good governance based on the literature from the PSE EGM. In the case of collaboration, the focus of this brief will be to explore how collaboration between private sector actors with state actors and non-governmental organizations increases accountability and transparency. Within the support mechanism, the brief explores how private sector actors support the transitions in governmental changes. Finally, the discussion of regulations explores how private sector actors engage with the regulatory frameworks of the various government partners they interact within the process of promoting private sector activities on governance-related issues. The analysis of the PSE EGM offers practitioners key insights into the current literature and an understanding of how private sector actors engage with governments in DRG activities. Figure 2 below provides an overview of the types of documents analyzed from the PSE EGM literature deemed highly relevant to the topic of DRG.

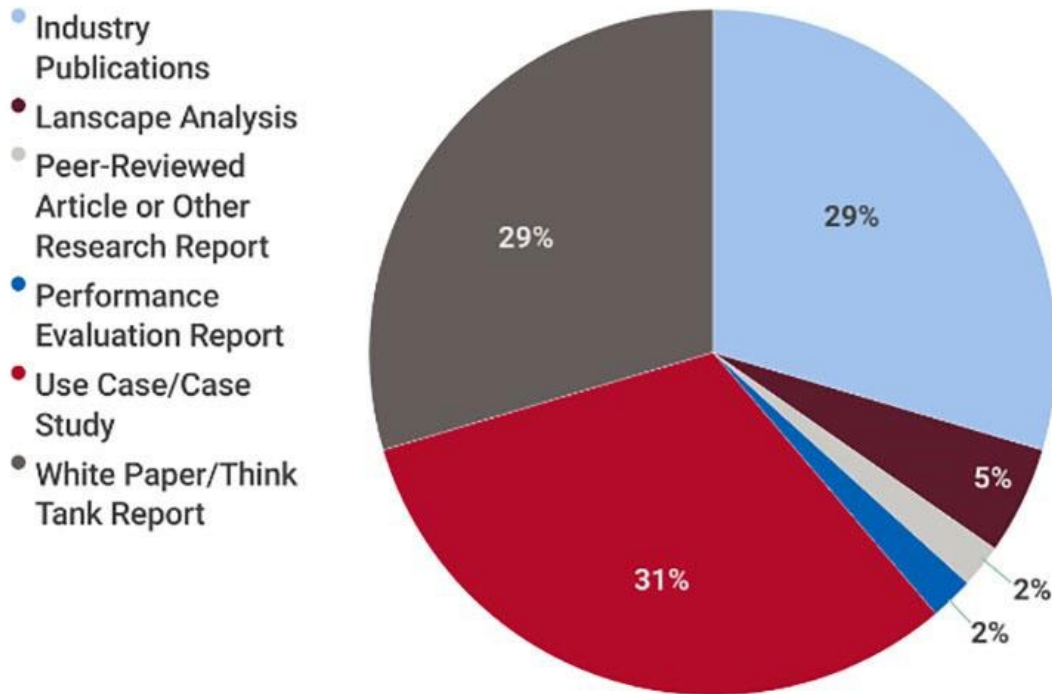


Figure 2: Types of documents reviewed (by percentage)

In addition to the documents reviewed, the PSE evidence focuses on the global impacts of private sector actors, with Africa and Asia being the most referenced regions. The PSE EGM literature on DRG issues captures information from 174 countries. Despite the diversity of discussion, regional representation is unevenly spread. The majority of the evidence is conceptualized at the following geographic levels: global (33%), Africa (26%), and Asia (21%). The literature focused on the global level provides strong overviews and comes in two forms: general discussions of how DRG activities function around the globe and documents that take case studies from around the world to demonstrate how DRG programming operates globally. For the former, general discussions of global DRG programming and activities account for 21% of the literature, while discussions of multiple case studies make up 12%. The specific case studies are of great interest since they often provide comparative examples from many countries not tied to one region. As a result, the comparative case study literature explores DRG in a wide range of diverse contexts.

The regional discussions of DRG are dominated by research on Africa and Asia. This region's literature references the Democratic Republic of the Congo (14%) and the Philippines (24%). The limited breadth of countries demonstrates concern about DRG issues related to PSE. However, even when comparing the most discussed literature with regions that garnered less attention, there is still a clear recognition of the importance of DRG activities and the work of private sector actors in these spaces.

Discussions of DRG in the literature analyzed are smallest concerning Europe and Eurasia as well as Latin America and the Caribbean, with both regions accounting for 12% each of the total literature analyzed. The Middle East and the Afghanistan/Pakistan region comprise the remaining 17% of the regions discussed in the PSE EGM literature. Pakistan (20%) and Colombia (19%) offer the most individual citations of any of the 174 countries in the documents outside of the Philippines. The most discussed European country was Turkey (10%). However, the specific focus on European countries is minimal since these are often analyzed within a larger comparative or global focus or comprise high-income countries not researched in the development literature.

When exploring sectoral discussions of which private sector industries are engaging in DRG processes, the results from this study demonstrate no clear example of what type of industry is leading involvement with DRG. Due to the strong references to financial support, infrastructure, and health needs, the industries of financial services (17%), engineering and construction (14%), and health care (14%) round out the top three referenced industries when discussing PSE in the DRG space. The least referenced private sector actors comprise a wide range of industries: Aerospace and Defense, Media, Fast Moving Consumer Goods, Arts and entertainment, and Retail, accounting for 10% of the total literature.

The PSE EGM offers codings around how private sector actors engaged in DRG processes. Half of the 42 documents reference how other organizations and governments catalyze private sector resources and engage in information-sharing and strategic alignment processes. Similarly, 36% of the documents

discuss how PSE strengthens the enabling environment, while 33% describe how private sector expertise can be harnessed. In the case of DRG processes, only 19% of the literature reviewed covers advancing learning and market research. An important caveat to note is that there exist documents that contain

discussions of multiple topics. As such, some of the engagement paths described might not have a direct correlation to the DRG discussions.

LIMITATIONS

The report's limitations should be acknowledged. First, the analysis is based on a specific set of literature from the PSE EGM, which may not have captured all relevant materials on PSE in DRG. The scope of the search was also limited to topics of good governance and the literature reviewed was only written in English. The use of a deductive approach to coding may have excluded important emerging themes that were not anticipated in the initial analysis, although the research team did contain other codes to allow for some inductive identification while analyzing the documents.

In addition, the study primarily focused on the impact of PSE in democracy, governance, and anti-corruption. It may not have fully explored such engagement's potential risks and challenges. One limitation of the literature itself was a lack of specificity on what types of private sector actors were being engaged in certain contexts. Thus, there exist references in this report to a generalized terminology of private sector actors, since the literature itself did not provide sufficient nuance to determine who the private sector actors were. These limitations should be considered when interpreting this report's findings.

Furthermore, it should be noted that private sector actors may face challenges working within certain contexts where work on DRG processes is required. Literature on the matter notes that PSE is often concerned with how democratic processes will impact private sector participation in a nation as opposed to how private sector actors can promote democratic processes (4). Moreover, there are noted difficulties in attracting private sector actors to work in regions where governance is weak, creating high barriers to entry of PSE into DRG processes (5; 6; 7). Thus, given the difficult nature of PSE in DRG contexts, the study may have limitations regarding the type of findings that can be made regarding how private sector actors work in certain DRG spaces.

PRIVATE SECTOR COLLABORATION IN ACCOUNTABILITY AND TRANSPARENCY

Research Question 1: Can international donor agencies and organizations collaborate with private sector actors to encourage institutions that foster state accountability and transparency? What factors are associated with successful collaboration?

- How do private sector actors engage with the state on issues of accountability and transparency?
-

Since the launch of the Sustainable Development Goals in 2015, private sector actors have increasingly been seen as potential partners in advancing development activities worldwide (8; 9). The importance of partnerships between private sector actors and development practitioners can be better understood through a nuanced discussion of collaboration and engagement among various international donor agencies, organizations, and governments. However, the effectiveness of such partnerships is often limited by the metrics used to measure success.

When examining successful collaborations and engagement of private sector actors in global development work related to DRG, it becomes critical to consider how these partnerships can foster increased state accountability and transparency. Accountability and transparency are essential in reducing corruption and promoting positive financial interactions in global development projects (10). Despite a wealth of literature on the importance of accountability and transparency in good governance, there is a relative scarcity of literature on how PSE in accountability and transparency is carried out.

Findings in PSE in Accountability and Transparency

After examining the PSE EGM documents, the evidence of PSE supporting accountability and transparency efforts in DRG activities is relatively thin and preliminary. With such minimal evidence, it is difficult to draw strong conclusions. This relative absence of solid evidence indicates an overall knowledge gap in this area. However, there are preliminary findings that can be drawn from the present literature, which emphasizes two key areas in which PSE has contributed to transparency: through expanding general internet access and use (11; 12; 13) and through working to promote freedom of the press (12; 13; 14).

PSE encouragement of expanding internet access and promoting freedom of the press create good governance opportunities for the general public to engage in accountability and transparency activities. For internet use, references to social media, specifically Facebook (12; 13; 15), Twitter (12), and

Whatsapp (12), were all noted as areas tied to monitoring and loss of freedoms, resulting in limits around the transparency of public opinions. Further complicating internet use and access is growing literature that both public and private actors have opportunities for co-regulation. Still, such multi-stakeholder activity exists as either conflict or cooperation (16). The dynamics between public and private actors focus on the new virtual spaces emerging in countries with ever-expanding access to the internet.

Currently, the literature shows that private sector actors are working towards increasing access to the Internet in under-serviced areas through collaboration, advocacy, and raising awareness of the changing complexities of roles and responsibilities that exist between private sector actors and other DRG partners.

Another finding in this thread concerns the importance of freedom of the press in promoting accountability and transparency. Global development practitioners recognize the vital role of free media in economic activity, and the literature highlights how transparency in public-private partnerships (PPP) can reduce corruption by enabling public scrutiny of all parties involved (14). In some instances, the telecommunications sector can aid in more traditional forms of media by providing airtime for opposing points of view to be discussed (12). Such actions demonstrate how private sector actors ensure free speech among local press elements in a host nation.

It is equally possible, however, that private sector actors would benefit from limited freedom of expression since reducing the information available to the public would make it easier to corrupt PPPs (14). Given this, access to the press is critical infrastructure for PSE in the DRG context since it can lead to more open spaces or potentially support corruption. The literature demonstrates that private sector actors are increasingly working outside of traditional PPPs and working to increase their civic footprints through working with CSOs active in the nations of interest.

To answer the first research question more clearly, below we explore some factors in the literature that appeared to be associated with successful collaboration between international donor agencies/organizations and CSO/local governments with private sector actors to foster state accountability and transparency.

Shared Objectives

In successful PSE efforts, both the donor agency/organization and private sector actors demonstrated a strong commitment to promoting accountability and transparency. One way such accountability is improved is through shared engagement and strategic planning efforts. To accomplish desired and agreed-upon end goals, the actors' motivations must undergo a coordination process rooted in shared understanding around the project ([17](#); [18](#)).

Clear Roles & Responsibilities

Evidence in the documents point to the importance of the clear delineation of roles and responsibilities to avoid duplication of efforts and confusion. One example is the work done in Uganda, where an operational plan made between partners resulted in uncertainty about which actor was ultimately responsible for the modifications to the program's plan ([19](#)). The lack of clarity, in this case, led to unclear guidelines on project roles and responsibilities. Conversely, in other cases, roles were clearly established and documented in foundational procedure documents ([20](#)). USAID has specified that establishing clear roles and responsibilities is important to improving partnerships with the private sector, aligning goals with objectives, and providing clear outlines of risks and rewards ([18](#)).

Flexibility & Adaptability

Collaboration often requires flexibility and adaptability to changing circumstances. In the analyzed documents the donor agency/organization and private sector actors demonstrated flexibility by adjusting their plans and strategies to respond to emerging challenges. The literature highlights the importance of operating outside of political spaces and engaging in civic spaces to facilitate cross-partner work ([19](#)). The original paradigm of how private sector actors engage with governments focuses on the political actions and consequences of such interactions. By leveraging civic spaces, private sector actors can address pressing issues across the wide breadth of social concerns while avoiding political challenges.

Capacity Exchange

Capacity exchange, which includes training, knowledge-sharing, and mentoring, can promote sustainable and effective collaboration. The PSE EGM documents provide cases where engaging in capacity exchange of local governments and partners around topics and skills related to their models resulted in such collaborative efforts of private corporations, such as Nestlé and Cadbury ([21](#)). However, some concerns exist regarding the lack of information around issues that PSE aims to address, as too much focus is placed on business cases as opposed to the functions of PSE promoting or improving capacity in DRG contexts.

Participating in Public-Private Partnerships

Private sector actors can collaborate with the state in PPPs to improve accountability and transparency. These partnerships may entail joint initiatives to promote good governance, ethical practices, and transparency in the provision of public services. The use of media communications is viewed as a crucial method to ensure accountability and transparency, preventing abuse by politicians and private actors (14).

Advocating for Reform

To promote transparency and accountability, private sector actors can engage with legislators and regulators or support CSOs. This may involve lobbying efforts where non-governmental actors increasingly leverage lobbying to support advocacy efforts and propose laws (12). Such efforts create clear roles and responsibilities for all parties involved in activities.

Gaps in Collaboration

Upon analyzing the PSE EGM documents, two clear gaps were found in the literature related to education, law, politics, and funding. Education is crucial for democratic processes (22), but the literature only briefly discusses its importance, with a focus on resource mobilization (23; 24; 25), girls' education (11; 13; 21; 24; 26), and school privatization (24). Access to education provides the public with critical tools to ensure accountability and transparency from government actors. In addition to these topics receiving minimal references, most educational discussions revolved around primary and secondary education, with only one document referring to college-level education (27). The private sector's specific engagement in educational activities related to DRG remains unclear.

Similarly, the literature on fostering public engagement in accountability and transparency of government actions is lacking in discussions of law, politics, and political funding, emphasizing the importance of transparency without concrete action items. Moreover, in the case of the PSE EGM literature, minimal discussions of transparency are unsurprising since the private sector is not known to be particularly open on how they spend funds. As a result, information from the PSE EGM on political, legal, and funding transparency does not provide any useful answers on transparency issues and expectations.

When looking at funding political candidates or parties, for example, the results yielded general statements with no robust discussion of how such processes would work (28). There is also a paucity of information on PSE in lobbying activities, despite acknowledging its positive impact (20; 29; 30) and the importance of lobbying strategies (31; 32; 33). There could just as well be negative public impacts of PSE in lobbying (e.g., the private sector promoting candidates/legislature that support their bottom line at the expense of the common good), though not enough information is currently available to draw any conclusions.

Additional gaps in the literature revolve around trust as it relates to accountability and transparency between private sector and DRG actors. Methodologically, gaps in monitoring, evaluation, and learning (MEL) exist due to the scarcity of information on how MEL activities are conducted to evaluate PSE in DRG contexts.

Promoting accountability and transparency in government is a democratic effort that relies on technology ([34](#); [35](#)). Security and privacy are critical aspects of this effort, particularly in the context of cyber security and cybercrime. Private sector actors and governments should share an interest in these issues due to the close connection between media, the internet, and civic involvement. However, security concerns raised by private sector actors often do not materialize into tangible actions ([12](#); [16](#)). This gap limits the understanding of PSE in promoting accountability and transparency in democratic governance.

PRIVATE SECTOR SUPPORT IN DEMOCRATIC PROCESSES

Research Question 2: Can private sector actors provide support for democratic transition and consolidation? Can they help to prevent authoritarian backsliding (“democratic decline”)? What factors are associated with successful support?

- How do private sector actors engage with the state around the issues of democratic transition, democratic consolidation, authoritarian backsliding, and associated processes?
-

Democratic processes require continuous maintenance to ensure the longevity of freedoms for citizens. The risk of authoritarian elements in governments and the possibility of democratic decline continue to be issues in the 21st century, albeit this is an improvement from previous decades in some contexts ([36](#); [37](#)).¹ Some documents highlight the difficulties governments face in their current partnerships with private sector actors ([38](#); [39](#)). As a result, understanding the relationship between PSE and the prevention of democratic decline necessitates a clear understanding based on a more rigorous analysis of the existing evidence of how private sector actors engage in democratic processes.

Findings in PSE in Democratic Transitions and Consolidation

This section examines the extent of PSE in supporting democratic transitions and preventing authoritarian backsliding. The literature offers insights into private sector actors' various partnerships with CSOs and aspects of supporting a healthy civil society. Clarity on PSE in support of democracy is obtainable through exploring the connections between areas where PSE is strong in the DRG processes to bolster democratic systems and areas where references to such engagement are minimal or non-existent. For example, some findings note gaps where PSE with certain populations, such as LGBTQ populations, around DRG processes is minimal.

The evidence on PSE in democratic transition activities focuses primarily on PPP models and centers around certain areas such as involving private sector financial institutions ([14](#); [18](#); [28](#); [40](#)), PSE partnerships with CSOs ([12](#)), transparent public knowledge of government budgets, and the impact of violence on PSE activities ([12](#)). The resulting actions present some ways private sector actors leverage their agency and influence in DRG contexts to ensure a continuity of democratic processes. Moreover, there is a strong emphasis on the financial capability and connections that PSE offers local organizations and governments in supporting democracy and civil society.

The following implementation themes contain examples of successful activities from private sector actors supporting DRG processes.

¹ For comments on reducing democratic decline in the 21st century see [36](#). For exceptions to the gains mentioned in the previous reference see [37](#).

Local Economic Development

Private sector actors can promote economic development and create employment opportunities, which can contribute to the stability of democratic institutions. When people can avoid economic crises, they are less likely to support authoritarianism or political violence (31). The PSE EGM literature demonstrates that private sector actors focus on economic development by enacting community-based strategies (41). Community-based strategies undergird a larger factor: promoting economic development is critical to democratic processes (17; 42; 43; 44; 45; 46).² Examples of PSE in economic development that promote stability and impact the DRG processes at local levels include the creation of local action groups and capacity-building activities (47; 48; 49; 50; 51).³

There is a clear connection between the financial needs of local areas and how governments engage with their citizens. Local governments can be weakened if citizens see few incentives to participate in democratic processes and political leaders do not attract investors to support economic development (11). Given the importance of economic development at the local level, private sector actors hold power in promoting DRG processes through funding economic development that supports the local populations. One case occurred in Yemen, where early interventions were seen as potential threats to socio-economic stability but also potential strengths for peacebuilding activities (52).

Barriers causing limitations in economic development leading to DRG outcomes include: issues of trust for both CSOs and governmental actors (12), inflexibility of policies (20; 24; 30; 53), infrastructure (52), politics (12; 32), economic barriers (24), and local corporate culture (54). The wide scope of such barriers demonstrate the complexity that private sector actors face when creating economic development processes that support local growth. Similarly, private sector actors hesitate to engage with local governments when corruption risks are well known (55). In addition to these barriers, other cases exist related to the gains PSE can foster through working with local partners.

The business sector was, in one case, part of local action groups created by local municipalities to support development projects (31). The previously mentioned case demonstrates how government actors engage with private sector actors to foster economic development. Similarly, a management consulting firm focused on creating capacity-building opportunities through establishing market links (18). Ultimately, such activities demonstrate the interaction of PSE in economic development practices that support DRG processes.

Advocacy and Lobbying

Private sector actors advocate for policies that promote democratic values and institutions. Such promotions involve supporting CSOs working to promote democratic reforms or engaging with

² For references on the connection between economic development and democracy see 17; 42; 43; 44; 45; 46.

³ Local action groups are groups created or supported by other organizations, governments, and private sector actors. They support a wide range of topics: agriculture (47), social capital (48) Capacity building is a critical form of economic development where private sector actors support governments and other organizations with a wide range of support: technology (49); rural areas (50); water systems (51); etc.

legislators and other policymakers to promote democratic principles. To support the DRG activities, the literature demonstrates two areas where private sector actors can engage with host nationals.

The first area where PSE occurs is in civic spaces. The second is in political spaces. The implications of the literature in PSE are that civic and political spaces are a dichotomy (19). Civic spaces consist of areas where social institutions function, while political spaces involve areas where engagement with governments, laws, and policies occurs. The distinction between civic and political spaces is important since it demonstrates that private sector actors must navigate complex spaces. Divisions between civic and political spaces create opportunities for both positive and negative outcomes of PSE in DRG processes.

Positive examples of PSE in DRG demonstrate how private sector actors can effectively engage with local systems to promote democratic processes. One means of such a connection is for private sector actors to follow local laws and processes (52). The importance of the connection between private sector actors and the law can also result in negative issues. In particular, PSE in legal systems can create mistrust of CSOs attempting to operate within a given political context. Reports noted that in following accounting laws regarding how resources are reported, CSOs understand a need for audits but may not regularly conduct them (12). The risk of harm PSE can cause when engaging with certain political structures demonstrates the potential of private sector actors to unwittingly cause negative impacts in the systems they try to support.

Civil Society and Institutions Promoting Civil Society

Private sector actors engage in corporate social responsibility (CSR) initiatives that promote democratic values and institutions. For example, a company might develop policies that ensure respect for human rights or invest in programs that promote civic education and democratic participation. Private sector actors also collaborate successfully with local partners and fund local organizations.

USAID promotes collaboration through the use of the PPP model in its global development activities (53). Particular interest was given to the positive power of PPPs in engaging in civil society and social activities, which dominated the literature (11; 16; 30). The importance of collaboration for civic good underscores the rise of relationships with non-governmental actors as well. For example, in Hong Kong, a successful and clearly delineated process of PPP collaboration was built on a foundation of state transparency through each step: transparent planning, bidding, and execution process (25).

Localization of Social Impact

One concept of particular importance in CSR is the existence of clear decentralizing policies that place the power of a project into more local hands (12; 15). The literature provides a clear discussion around collaboration between donors and those receiving aid and its impact on the longevity of programming and activities on a wide range of topics: environmental issues (40; 56), healthcare (29), public financing (23; 41), peacebuilding (17), and knowledge exchanges across various stakeholders (20; 30). Such literature

aims to promote more local power in the links between donors and those receiving aid. In the context of CSR, understanding local actors' power allows for more details to emerge about how PSE contributes to DRG processes.

In addition to collaboration efforts, corporate entities were also lauded for their work in funding local organizations. One case occurred in Namibia, where the corporate sector provided environmental educational training, funding to primary schools, and environmental training, with money coming from various places in the private sector as part of CSR activities (12). Similarly, another CSR activity in Guinea consisted of mining companies providing funds that support communities close to mining sites (12).

Another example of CSR in a resource capacity is denoted in how Barclays Bank held a training in Botswana for local NGOs and provided funding for certain community initiatives (12). In all of the aforementioned cases, PSE focused on funding to support initiatives that benefit the larger civil society. Such actions occur in tandem with how private sector interests intersect with the local populations. In supporting civil society through corporate responsibility, private sector actors have greater opportunities to engage with local communities.

As with research question one, media and freedom of the press are critical elements of DRG processes. PSE in supporting press activities, media, and access to information is paramount to the success of democratic institutions. To this end, private sector actors support co-regulating a public-private structure. In the literature, a reference to the European Union Agency for Network and Information Security (ENISA) and its influence on the rise of forums demonstrates how such partnerships between governments and private sector actors create more transparency for greater privacy, data protection, and technical knowledge sharing of citizen information (16).

Ultimately, PSE in DRG processes consists of strong investments from private sector actors in civil society and institutions that promote civil society. The means of promoting civil society can be between international organizations such as ENISA, local organizations, and through PPPs with both local and international actors. From a localization context, such engagement demonstrates how local partnerships can be centered around PSE of DRG activities.

Understanding and Responding to the Local DRG Context

Successful support for democratic transition and consolidation requires understanding the local context. Details on local contexts in the literature include understanding how private sector actors can navigate delicate situations. One example is how a five-year Community Development Through Democratic Action program in the metropolitan area of Belgrade, Serbia built community trust between different ethnic and religious groups to influence democratic action. Years of coalition building led to a portfolio of 5,000 community-supported projects that focused on civic participation, environmental protection, infrastructure improvements, and income generation (31). In this case, the engagement of private sector actors with CSOs considered some of the difficulties that exist in the local context.

The complexity of political situations and dynamics in host nations is often rooted in entrenched historical systems (57). Such long-established issues increase the difficulty of external parties, like private sector actors, to engage in political processes. As a result, PSE in political transitions requires support from organizations with experience in relationships between a host nation and private sector partners. In contrast, USAID expected private partners to engage more with local governments (53). Moreover, even in cases when private sector actors engage in political activities, they are limited in their scope, especially in conflict settings. When violence develops in nations where private sector actors are engaged, they are often unable to continue working in such settings (17; 52). As a result, cases where extreme barriers are not present shift the importance of transitions to rely on strong donor relations and institutional capacities as opposed to political contexts.

Gaps in PSE Democratic Transitions and Consolidation

In exploring DRG processes that promote democratic transitions and collaborations while reducing the prevalence of corruption, knowledge on PSE contains notable gaps in five areas of interest to USAID:

- 1) Financial restrictions
- 2) LGBTQ political participation and restrictions on rights
- 3) Aspects of gender equity
- 4) Vulnerable populations
- 5) Religion

These themes were identified as important by USAID staff within the PSE-DRG nexus, but present a paucity of literature demonstrating areas where the actions of private sector actors are either not happening or are not present in the evidence corpus.

Financial Restrictions

For governments and private sector actors, the promotion of financial restrictions—such as diminished opportunities, lack of subsidies, and issues with financial transparency—creates spaces for corruption to exist. In particular, if financial restrictions are clearly demarcated, it will be easier to identify private corporations receiving special treatment from governments. The politics of such potential favoritism disincentivizes governments and private sector actors from openly promoting information that harms their interests. The impact of the politics of favoritism creates opportunities for certain financial benefits to be given to one organization over another. The gap in such discussions is unsurprising since there exists a difficulty in private sector actors being able to identify if the lack of financial opportunities is due to politics or just a general scarcity in availability.

LGBTQ Rights

In the case of the LGBTQ gap, the politics of sexual orientation and gender make it a difficult topic for private sector actors to address. In both cases, the lack of discussion in the PSE EGM literature presents gaps that would benefit from additional research. Analysis of the PSE EGM demonstrates minimal discussions of LGBTQ issues as they relate to PSE and the DRG processes. Only two documents analyzed referenced LGBTQ populations in passing. One discusses a non-profit based in Serbia (31), while the other mentions how members of the LGBTQ community are a vulnerable group (30).

The lack of discourse around LGBTQ individuals and the DRG activities that private sector actors work to support presents an issue of both social and political importance. Although the reasoning for this gap in the literature has no clear justification, the politics of LGBTQ rights in the developing world might be a cause of the lack of discussion around the barriers LGBTQ individuals face. In particular, there exists cultural issues in the host nations that inform LGBTQ issues (58).

Gender-Related Issues

PSE is highlighted as having a strong potential role in reducing gender-based social problems, although concrete examples of this type of engagement are relatively rare within the evidence base. The aspiration to create positive social change is a driving force behind PSE in global development work. From a social perspective, work addressing gender equity issues can serve as a primer for advancing the DRG processes.

As with the previous finding on the importance of private sector actors to social issues, such PSE can greatly influence host societies (28). Promoting gender equity is highlighted in the evidence as one of the important ways the private sector can influence DRG in societies. In particular, private sector actors can leverage their financial and social capital to amplify the voices of marginalized populations in a given context and establish means of communication (17; 28; 41). The ability to elevate marginalized groups, particularly women and girls, is also captured in the investments that private sector actors make to improve the social systems that cause gender inequities.

Gender-based social problems were connected to several key areas where private sector actors aimed to ameliorate the conditions of women and girls. Topics noted as tied to gender issues were nutrition (26), violence (13; 17; 26; 31), and education (11; 13; 21; 24; 26). The wide scope of concerns around gender equity in the PSE EGM corpus focused on education as a critical gender equity issue to address. Education is one of the most important tools for supporting democratic processes, and increasing educational access is a critical factor in ensuring democratic sustainability (59). Given this, increasing educational attainment for girls provides a potential democratizing process to enter an anti-democratic space. PSE around female education demonstrates the importance of this connection for two reasons: girls often have limited access to education, and education can play a role in minimizing threats to gender equity. The recognition of this issue does result in interesting discussions around gender; however, these discussions are done in passing and often fail to explore further the causes of gender equity.

Gender equity issues focus mostly on educational limitations and solutions. In the PSE EGM literature, general discussions of gender issues recognize that gender-related barriers must be addressed (20; 28; 30). This important recognition is limited since the literature does not provide consistent examples of how gender equity issues can be addressed. The one exception is projects that provide employment opportunities and improve girls' educational access and attainment (11; 13; 24; 26). Part of this finding is influenced by the coding of the deductive codebook, which focuses specifically on education and gender as critical points of analysis. Yet, even when exploring issues related to restrictions placed on women, education is still seen as a consistent issue that obtains attention (13; 24; 26; 30). Further discussions of how PSE in DRG contexts can improve gender equity issues present a fruitful gap worthy of additional exploration.

Religion

When coding specifically for religion, the research team found only one code, which referenced faith-based organizations and new laws regulating them (12). Due to the importance of religion in governments worldwide (60; 61; 62), understanding how religion and governance intersect offers valuable insights that would allow PSE to leverage religious connections in local settings.

Partnerships between the private sector and religious institutions are not uncommon in some areas: health (63; 64; 65), education (66; 67), and in certain political contexts (68). By improving the information available on the connections between private sector actors and religious institutions, DRG activities offer opportunities to expand the reach of PSE in DRG spaces.

Other Vulnerable Populations

As for vulnerable populations, such as children, the elderly, and those with disabilities, there was no specific coding for them. Supporting vulnerable populations is important to human development work (69). As a result, PSE in DRG spaces where vulnerable populations exist offers opportunities for robust impacts and amelioration of the lives of everyday citizens on the peripheries of society. Ensuring the engagement of such populations in DRG activities will allow for greater access to self-advocacy and changing regulations that might be harmful to certain vulnerable groups.

PRIVATE SECTOR INTERACTIONS WITH REGULATORY FRAMEWORKS

Research Question 3: Can international donor agencies and organizations collaborate with private sector actors to encourage institutions that foster state accountability and transparency? What factors are associated with successful collaboration?

- How do private sector actors engage with regulatory frameworks, bureaucracies, and legislatures around the issues of democracy, governance, and anti-corruption?
-

Findings in PSE in Interactions with Bureaucracies and Governments Regarding Regulatory Frameworks

The PSE EGM literature provides strong evidence of how private sector actors navigate regulatory frameworks and engage with government entities such as bureaucracies and legislatures. This evidence highlights lobbying, corruption concerns, bribery issues, and budget transparency. However, the analysis also elucidates gaps in understanding of how PSE operates in regulatory frameworks related to DRG, particularly concerning anti-corruption transparency, the agencies and groups involved in anti-corruption, and private sector actors' involvement in anti-corruption efforts.

To answer the third research question, we explore some factors in the literature associated with how PSE functions in relation to regulatory frameworks.

Private Sector Actors Often Support the DRG through Lobbying Activities Targeting Governments

These activities are often implemented in partnership with CSOs to push for policies that improve democratic access for marginalized groups. PSE with CSOs is rooted in two key interests: private sector actors helping to improve public perceptions of CSOs (12) and participating in civic spaces with CSOs (31). Private sector actors establish connections with CSOs, which benefits lobbying efforts as CSOs can become potential partners for such activities led by development partners (12). Such partnership can lead to synergized efforts beyond what each organization can achieve individually. However, such collaborations are only sometimes possible, as there are cases wherein CSOs have had difficulties engaging in lobbying since lobbying is uncharted territory for those CSOs (12). Additionally, the activity is often seen as a space for other actors.

Lobbying is a common practice around the world. However, with the private sector increasing its scope in global governance, there are questions about whether PSE lobbying impacts DRG activities positively or negatively (70). In the PSE EGM literature, there are examples of how lobbying serves as the principal means of engagement with DRG activities after financial activities (31). In keeping with the research

question, lobbying as a tool for PSE to work with regulatory frameworks also entails expressed goals: increasing transparency ([17](#); [28](#); [30](#)) and supporting anti-corruption work.

The documents analyzed in this report demonstrate the complex and varied relationships between private sector actors and government actors in lobbying efforts. How PSE lobbying with government actors occurs varies in formality: some PSE is as simple as informal ad hoc meetings ([29](#)). Conversely, more complex relationships require work to understand how such private sectors and government connections are intertwined; for example, specific institutional relationships between public authorities and private sector actors are often needed to advance common goals ([16](#)).

Private sector actors are often documented in the evidence as mobilizing in opposition to specific government regulations. Examples include private schools resisting educational regulation in multiple countries, including Uganda, Kenya, Ghana, the Philippines, and India ([24](#)). However, despite such resistance, private sector actors are only sometimes in a position of animosity with government regulations. There are also examples of private corporations and governments working together to address DRG issues ([16](#); [17](#)). For instance, private sector actors engaged in diplomacy efforts to support peace in Nepal, demonstrating how PSE can function within high-tension political situations while promoting DRG processes ([17](#)).

Private Sector Actors Have a Vested Interest in Reducing Corruption as It Can Negatively Impact Business Operations

However, there is also a concern that private sector actors themselves may engage in corrupt practices. Therefore, the narrative around PSE in anti-corruption work is complex, as private sector actors are viewed as both promoters of anti-corruption and potential sources of corruption.

One critical concern of PSE in DRG is the potential for private corporations to exert undue influence on governments ([32](#)). For this reason, the enhancement of cash flows and investments into particular nations should be met with increasing levels of accountability to avoid any potential corruption between government and private sector actors ([17](#)). The degree of autonomy that private corporations aim to attain further complicates the relationship between governments and private sector actors. In particular, private corporations seek to self-regulate, which can potentially be at odds with government regulations ([16](#)). However, the literature also shows alternative views of PSE in DRG, such as private sector actors supporting local CSOs in reducing corruption through establishing “corruption watches” ([12](#)) or working in partnership with government actors to maintain strong regulatory oversight ([71](#)). Such cases demonstrate the potential for private sector and government actors to work together to reduce corruption.

PSE Support of Public Budget Transparency Can Be a Valuable Tool for Anti-Corruption Efforts

Public access to budgets and how governments spend money is important to citizens and potential private sector partners. Access to budgets demonstrates government solvency while also allowing for reductions in corruption due to clear examples of where funds are allocated.

The benefits of budget transparency target two audiences: private sector actors and the public. One caveat to keep in mind when exploring budget transparency's impact on the DRG process is that little evidence suggests access to budget information results in positive outcomes related to accountability ([56](#)).

Moreover, in cases where budget transparency is not present to protect the confidentiality of private sector partners, it can result in public dissatisfaction and protests against PPPs ([25](#)). This can lead to concerns about corruption and the perception that PPPs are a source of corruption. Thus, while budget transparency does not guarantee accountability, it can ease public concerns about corruption by demonstrating that no special treatment or favoritism is occurring between private sector actors and government partners.

Supporting Anti-Corruption Activities Is Crucial for Private Sector Actors, Especially in Countries Where High Corruption Is Prevalent

When private sector actors engage with local populations and organizations, the level of freedom they have to work without facing bribes is essential for PSE to function autonomously. Bribes can take many forms, including direct payments to ensure a certain outcome or a tiered system where certain individuals receive better treatment due to their wealth or status.

For example, in the case of private healthcare providers, evidence from the PSE EGM shows how wealthy individuals may receive better quality of care while poorer individuals must pay fees to access public healthcare providers ([72](#)). Although private sector healthcare providers may not create bribes, they exist within a system supported through bribery. This system creates competition between the private sector and government, which can lead to bribery as a means to mitigate the competitiveness of private sector actors in sectors where they compete with the government ([16](#)).

Gaps in Interactions with Bureaucracies and Governments regarding Regulatory Frameworks

Despite a focus in the PSE EGM literature on private corporations, CSOs, and government actors, there were no references to unions engaging in lobbying related to DRG processes. Moreover, knowledge of private sector actors' involvement in anti-corruption activities is scarce. The documents focus on corruption concerns as opposed to anti-corruption activities. The PSE EGM contains literature on the presence of anti-corruption organizations that focuses on government actors and CSOs, yet needs more details regarding the private sector. Engagement in anti-corruption activities is seen as a public-facing activity, with governments and NGOs being more involved in anti-corruption policies to facilitate PPPs ([71](#)).

Specifics on private sector actors' involvement in anti-corruption activities are limited to the funding of CSOs to address anti-corruption activities (12). If a private sector actor is working with groups that a local government views as political opposition, such work would limit the ability of private sector actors to engage in other activities in the nation. The political nature of anti-corruption work may deter some private sector actors from direct involvement, which may explain the lack of references in the literature.

An additional area where there appears to be a need for more discussion in the literature is the role that tech companies, social, and mass media have in reporting corruption or lack of transparency among government actors. Although discussions exist regarding media's use concerning freedom of the press (see, for example, the information around research question one), the analysis of the PSE EGM documents yields no substantial examples of the literature discussing how the private sector actors involved in media address anti-corruption issues. Exceptions include brief discussions of transparency laws (30) and of the media to cultivate anti-corruption sentiments among individuals (19). Again, the literature presents a gap in what specific roles private sector actors undertake or are expected to embody in their media activities related to DRG processes.

Incentivizing private sector actors to engage in development activities has been an active topic of discussion for nearly a decade (73). However, a gap exists in the PSE EGM literature regarding the specific incentives and motives for the private sector to engage in the DRG space. In particular, questions about what can be done to incentivize the private sector to participate in reducing corruption, and improving transparency, still need to be answered. This report finds no direct evidence around specific motives for PSE to improve corporate image, CSR, or business interest. The lack of details demonstrates a paucity of discussions around specific market segments, customers' interests, or exposing rival companies. Thus, the analysis of the documents results in a gap around incentives for private sector actors to engage in anti-corruption activities.

Recommendations

These findings demonstrate some action from private sector actors within DRG. However, as noted above, clear gaps in understanding how private sector actors engage in accountability and transparency activities persist, and the evidence base is relatively nascent. Given this, the following recommendations are proposed to increase the knowledge available for global development practitioners to better understand the realities of PSE in accountability and transparency:

- 1) More targeted research and evaluations on private sector activities to learn how they engage in accountability and transparency is needed. This includes cases of "unsuccessful" or even harmful activities.**

There is relatively little information on the details of accountability and transparency activities present in the current literature at levels where meaningful lessons can be gleaned from past projects. Future research should be designed and conducted specifically to answer certain questions to determine how private sector actors engage in accountability and transparency activities.

- 2) Further exploration of areas where private sector actors compete with other parties should occur.**

Private sector actors can enter a political ecosystem as external parties. Although there are signs that the private sector engages in various forms or activities that promote accountability and transparency in host nations, there exists a need for more data on the political landscapes of various nations. Future practitioners should look to conduct landscape analyses of political ecosystems and see where private sector actors fit inside such ecosystems.

- 3) Analysis of opportunities for private sector actors to engage with NGOs or other global development actors to promote accountability and transparency would be beneficial for understanding PSE work in DRG processes.**

Private sector actors partner with a wide range of parties. Such partnerships should be geared towards seeing how the private sector can be engaged by NGOs or other global development actors interested in collaborating and promoting accountability and transparency in development contexts.

- 4) Private sector actors should disclose information about their operations, practices, and performance in DRG activities to promote transparency and accountability.**

- 5) **The process of voluntary disclosure could include publishing annual reports, disclosing CSR initiatives, and making financial disclosures about investments in the public sphere.**

Providing such information would increase accountability and transparency efforts in PSE in DRG.

- 6) **Development practitioners should create a learning agenda around PSE in DRG to expand their understanding of optimizing private sector actors' involvement in DRG activities.**

- 7) **Recognition of important linkages between private sector actors, donor agencies, and government actors requires further analysis.**

Such analysis should explore how private sector actors engage with regulatory frameworks, political transitions, and accountability and transparency activities in DRG contexts.

- 8) **Private sector actors should work on increasing adherence to ethical principles and avoid supporting authoritarian or anti-democratic practices.**

This can involve conducting due diligence on potential partners and being transparent about the goals and methods of their support. This can be achieved by exploring additional areas where transparency can be integrated into PPPs. Additionally, private sector actors should increase their understanding of the limitations of anti-corruption activities to ensure that they can build upon areas where limitations exist to increase adherence to ethical principles. PSE can also be leveraged to support analysis of relationships between PSE and regulatory frameworks, which will provide valuable insights on how private sector actors can avoid supporting authoritarian regimes.

- 9) **Long-term commitment from private sector actors is needed to support democratic transition and consolidation.**

This can be challenging, as these processes can take many years to achieve results. One way to obtain increased commitment is for private sector actors to monitor and evaluate progress and ensure that their support is achieving its intended outcomes. This can involve collecting data and information and sharing it with partners and stakeholders.

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