



The Donor Committee for Enterprise Development

**Private Sector Engagement Working Group (PSE WG) Meeting**  
**Hosted by BMZ at Rocket Tower Konferenz, 20-21 February 2019, Berlin**  
**Minutes**

25/03/2019

A list of participants is included in [Annex 1](#).

**Key decisions at a glance:** Based on the discussions at the meeting, and possible follow-up with individual members, the DCED Secretariat will draft a work plan and budget for FY19-20 in consultation with the Co-Chairs and for discussion by the PSE WG at a teleconference in April.

- 1. Skills development:** The development of a learning curriculum and the organisation of experience-sharing webinars will be pursued in parallel. The curriculum could take the form of a catalogue of themes and serve as a framework to signpost various existing learning offers, including webinars, short documents, and physical training courses. Several agencies volunteered to make contributions to peer learning webinars in the coming months. The long-term objective of the group is to incentivise private actors to develop and offer PSE training.
- 2. Reducing the risk of negative market distortion:** Lars Stein and Gunter Schall will liaise with the Co-Chairs of the Market Systems Development Group to explore interest and possible content for an exchange between both working groups, possibly to be held ahead of the Annual Meeting.
- 3. Innovative Finance:** The Secretariat will make minor adjustments to the working paper in line with members' suggestions before publication and narrow down possible next steps for the working group that are not addressed by other organisations.
- 4. Design Thinking:** The Secretariat will review different options for follow-up, for example a short paper on the benefits and lessons learnt from lab approaches; and sharing and expanding information on different support programmes for businesses.

### **20 February: Business meeting on current work items and work plan for FY 2019/20**

Christian Kaul welcomed the group on behalf of BMZ and GIZ, while Gunter Schall and Lars Stein summarised the meeting objectives, which were to identify immediate next steps on current work items and agree on a work plan on shared priorities for FY 2019-20. The draft work plan will have to be sent to the DCED ExCo in late April for their approval, and then submitted to the DCED Annual Meeting, 11-14 June in Vienna.

The meeting continued with updates on the latest developments and trends in PSE in each agency. A brief summary is included in [Annex 2](#). In addition, Nina Schuler presented on DFID's current thinking on its future work on inclusive and responsible business, to solicit feedback and ideas from other agencies.

**Staff skills development for PSE: Towards a curriculum and concrete next steps for online peer learning**

Following their workshop in Toronto in June 2018, the WG agreed to explore different ways to build staff capacity for PSE. Members were particularly interested in near-term solutions, including peer learning webinars and online learning offers for staff new to PSE. Two DCED peer learning webinars on challenge funds have already been organised jointly with Sida (on [when to use challenge funds](#) and [how to manage them](#)); planning for other webinars with inputs from different members is underway (see [Annex 3](#)). This session served to identify additional webinar themes for the coming months; for the medium-term, a question was whether the group would like to work on a formal online learning curriculum, or continue sharing experiences in an opportunity-driven way.

In addition, Lars Stein presented SDC’s plans to develop a curriculum for physical training on PSE, which will be offered at the Centre of Research on Public Entrepreneurship co-funded by SDC at the University of St Gallen, Switzerland. Questions to the group included general feedback on the relevance of the proposed training course modules (see Box 1 below); and whether there was a need for an overarching learning strategy covering both online learning and the training course.

**Box 1. Training course modules on PSE proposed for the Centre of Research on Public Entrepreneurship**

Module 1	Module 2	Module 3	Module 4	Module 5	Module 6
Solution focused leadership	Basics of Management & Economics	Social Entrepreneurship	Innovative Finance	Systems & Change	Relations for impact
What we can learn from systemic advisory and design thinking	How businesses think and act. How markets function	Tackling societal challenges with an entrepreneurial attitude	How to leverage financial markets for impact	How systems work and change happens	How to negotiate and to manage relationships effectively
Sept. 2019	Nov. 2019	Jan. 2020	Feb. 2020	Apr. 2020	June 2020

**General feedback and comments on physical training included the following:**

- Members noted that the training curriculum looked very interesting but that they would not have the time to join a six-day training; completing one module per year would be more feasible.
- An additional module on responsible business conduct could be useful; it was noted, however, that the NADEL Centre at the ETH Zurich offers training on this aspect.
- In the area of blended finance instruments, OECD experience suggests that a key challenge is to adapt material targeting finance-savvy people to people new to the field; the blended finance platform Convergence was doing a lot of work on this. In addition, it can be challenging to identify the right types of participants for such training courses. It was suggested that a competitive application process could be the most effective solution to identifying motivated participants.

**There were also some questions of clarification regarding DCED webinars:** The Secretariat does keep a record of who has signed up for each webinar. DCED webinars are always free. They can be public or made accessible to members only.

**The following decisions were taken regarding the DCED’s work on PSE skills development:**

1. **It was agreed to pursue the development of a learning curriculum and the organisation of experience-sharing webinars in parallel.**
  - The curriculum could take the form of a catalogue of themes, based on the ones already identified as part the PSE WG’s 2017 skills development assignment. Such a catalogue

could serve as a framework for signposting learning offers in an accessible way – such as webinars, short documents, videos, and physical training courses by other organisations.

- DCED webinars that are organised in the near term could be later integrated into this catalogue; this may also include relevant learning offers of the DCED Market Systems Development Working Group.
- The catalogue should be hosted on the DCED website and be easy to find and navigate.
- The Secretariat will get back to the group with a concrete draft proposal for the work plan. To inform the proposal, the Secretariat may get back in touch with individual members to better understand their priorities.

**2. The long-term objective of the group is to incentivise private actors to develop and offer training on PSE (as with the DCED Standard);** the curriculum could support this by highlighting themes not currently covered by existing learning offers. Members further agreed to informally share information on the quality of any training they attended. It was also noted however, that skills for PSE not only depend on training but on opportunities for hands-on interaction with business.

**3. A number of agencies volunteered to explore contributions to peer learning webinars and sharing other relevant materials in the coming months:**

- In addition to previous commitments by SDC (regarding PSE examples) and USAID (regarding legal and procurement aspects), webinar themes could include an introduction to design thinking/ the Lab of Tomorrow with inputs from GIZ; Development Impact Bonds, with inputs from DFID and SDC; and due diligence, with possible inputs from an SDC partner. OECD further offered to collaborate on any webinars that deal with blended finance. The Secretariat will get in touch with each of these agencies to discuss next steps.<sup>1</sup>
- USAID also has existing webinars that can be shared and is involved in a webinar on 11 March with the BEAM Exchange on [AgResults' prize competition model to strengthen market systems](#). USAID further offered to share case studies, such as FinGap Ghana.
- ADA is working with Ashoka on a training on social entrepreneurship which will be rolled out in East Africa. More information will be shared with the group shortly.
- It was also suggested that the DCED could use social media to solicit webinar content from field practitioners.

**4. The working group further agreed that the development of a short introductory video on PSE could be helpful to raise awareness among colleagues.** It should therefore be added to the FY19-20 work plan and budget.

#### **Minimising the risk of negative market distortion in PSE: Follow-up work to the WG's report**

This session served to discuss possible next steps following the publication of the PSE WG's report '[Minimising the risk of negative market distortions in PSE. A practical framework](#)' in November 2018. Gunter Schall noted that possible directions of future work included experience exchange on practical issues, or deepening the theoretical exploration of market distortion.

**Overall, members expressed a strong preference for continuing a practical exchange on how to implement the recommended solutions in practice, especially in light of the institutional challenges highlighted in the report.** Specific aspects mentioned include:

- How different agencies work with competition agencies in practice;

---

<sup>1</sup> These additional webinar ideas have also been added to Annex 3 for a complete overview of current plans.

- How agencies manage possible trades-off, for example on how to benefit an individual partner company as well as the market as a whole, or between the ambition to ensure additionality as well as high leverage. Exchanges with DFIs could be useful in this regard. Lessons could also be learnt from domestic policies in EU countries that benefit certain sectors or regions; and
- How PSE practitioners could learn from approaches used by the Market Systems Development community and vice-versa. Both hope to trigger positive changes in a market, but typically have different starting points, world views and tools to achieve this.

**Some practical approaches used by members to reduce the risk of negative distortions were already discussed at the meeting.**

- They included assessing additionality (although there are still questions around how to objectively measure it); including clauses on non-exclusivity and transparency in partnership contracts; not providing support beyond the EU state aid principles; and making calls for proposals as open as possible to ensure that businesses have equal chances to apply for support.
- It was also noted that work is ongoing at the OECD on how to measure leverage. While the PSE WG could consider providing inputs to this, it would likely be complicated to coordinate discussions in the PSE WG with those ongoing at OECD.
- Liliana de Sa informed members that the DCED webinar on SECO's call for proposal from impact funds will explore how SECO looked at the issue of additionality. It will take place on 20 March.
- The Secretariat noted that USAID was also actively discussing its approach to negative market distortion and had recently published a [blog](#) on the topic, which references the DCED paper.

**The group agreed on two immediate next steps:**

- Lars Stein and Gunter Schall will liaise with the Co-Chairs of the Market Systems Development Group to explore interest and possible content for an exchange between both working groups, possibly to be held ahead of the Annual Meeting.
- The Secretariat aims to talk with USAID to learn more about the organisation's current thinking and plans on the issue of market distortion. Any opportunities for collaboration will be reported back to the group.

**DCED draft paper on Innovative Finance – feedback and discussion on possible next steps**

Melina Heinrich-Fernandes summarised the key findings of the paper, which has been drafted in response to growing DCED member interest in approaches to leverage private capital; these are also part of the PSE WG's [categorisation](#) of PSE strategies, but have so far not been actively explored by the group. The paper identifies four key barriers that need to be tackled to enable effective donor engagement in innovative finance. They include sharpening the definitions and discourse around different innovative finance approaches and instruments; reviewing and generating evidence on results; carefully assessing the most strategic roles to be played by donors and DFIs respectively; and building capacity for performing new roles.

Overall, members welcomed the paper as a very useful overview of current practice and key issues for donors.

**The following minor adjustments were suggested:**

- Special purpose vehicles could be added among the different risk mitigation tools referred to.
- The paper should highlight that guarantees can take a variety of different formats.
- The paper could more explicitly include illustrative initiatives that are working on the topic of innovative finance.

The Secretariat will incorporate these comments in the final version, which will be shared with the group on a non-objection basis before publication.

**While the theme was considered of high relevance for members, time did not allow for a detailed discussion of next steps.** Preliminary action items include:

- The Secretariat will narrow down possible options for future discussion, based on individual follow-up with PSE WG members.
- Any DCED activities in the field of innovative finance should look at niche topics prioritised by donors and not currently addressed by other organisations and platforms. An institutional challenge could be that in some agencies, innovative finance is not handled by the same team as PSE, whereas in other agencies both fields are covered by the same people. It will therefore be critical to find ways to involve the right people in any future activities.
- Separately, SDC offered to sponsor a short course on social finance for the PSE WG, if of interest. One option would be to organise such a course ahead of the Annual Meeting in Vienna.

### **21 February: Peer learning workshop on the application of ‘design thinking’ to PSE – How can donors work strategically with the private sector to co-create innovative solutions?**

The PSE WG’s workshop in Toronto revealed strong interest in ‘co-creation’ or ‘design thinking’ as new methods for engaging businesses strategically and as real partners in designing innovative solutions to development problems. This day was dedicated to sharing early experiences in donor agencies. It focused on the use of ‘labs’ for co-creating innovative business models, inspired by the example of BMZ’s [lab of tomorrow](#) (*lot*) implemented by GIZ.

#### **The Lab of Tomorrow (*lot*) experience**

**Christian Kaul started the day with an introduction to BMZ’s portfolio on private sector cooperation** (key information on this is included in [Annex 2](#) on agency updates). This was followed by an introduction by Hans Joachim Zinnkann to design thinking in the context of PSE. The core idea is to avoid tackling development problems with pre-defined ‘fixes’; instead, participants develop user-centric solutions through collaborative, creative and multi-disciplinary ways of working with strong corporate commitment and ownership. The typical ‘lab’ process includes 5 steps, including (1) Challenge sourcing and framing; (2) user-centred research; 3) an innovation workshop lasting 3-4 days, with design thinking coaches; (4) testing solutions; and (5) piloting solutions. GIZ is currently finalising a practical handbook & toolkit on the *lot* approach and process, which will be shared with the PSE WG in due course.



**In the following session, three private sector representatives shared their experiences with the *lot*.** They included Ann-Kathrin Gonschior of the pharmaceutical company Boehringer Ingelheim and Tom Plümmer, founder of innovative drone manufacturing start-up Wingcopter – both of whom participated in a lab 3 on access to medicine in Kenya; and Dieter Will of the telecommunications company Adva Optical Networking, who participated in a lab 6 on energy access in Uganda. Both *lot* processes involved participants from the private sector,

development agencies, technical experts and development country government authorities, among others. The following key issues emerged during the conversation:

#### **Benefits of the lab process for companies:**

- *lot* allowed company representatives to interact with stakeholders whom they would not have met otherwise.

- The lot process enabled participants to develop innovative and out-of-the-box solutions that they could not have come up with in their organisation alone and would not have thought of before. The organisation of the inter-disciplinary and user-centric discussion and co-creation around specific sub-challenges facilitated this.
- lot allowed participants to get immediate feedback on new ideas from experts and local stakeholders including potential users.
- Companies appreciated continued support and follow-up by GIZ after the lot innovation workshop, e.g. to provide linkages with local government counterparts or potential funders, coaching and research support for refinement of the business model, or to provide knowledge on target sectors and regulatory environments.

#### **Challenges:**

- Companies have limited opportunities to learn about the priorities of donor support in different countries, so they wondered if there are ways to make them more transparent to better understand where their engagement is possible and needed.
- Similarly, companies would appreciate more information about different funding and collaboration programmes of the public sector. The DCED Secretariat pointed to a [directory of donor programmes supporting businesses](#) on the DCED website.
- Companies would welcome a simplification of donor processes and greater flexibility. For start-up companies, the requirement of a 50% cost-share can be a barrier for collaboration. Some donor agencies are however willing to pre-finance activities, which can be needed to scale up pilot projects. Returnable grants could be another model to effectively support innovative start-ups.
- Testing innovative solutions requires a lot of stakeholder coordination across government agencies, donor partners and private investors or collaborators. It can therefore be more realistic to focus on implementing the solution in a single country first, before expanding to others.

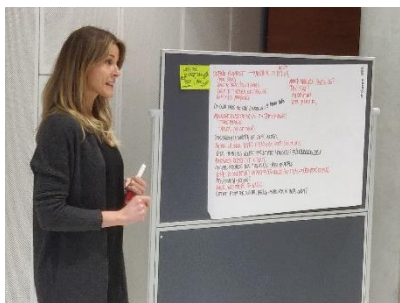
#### **Results:**

- The discussions focused in particular on the achievements of Wingcopter; the company's drone model can take off vertically and also cover long distances, and is therefore particularly suited to reach remote, impoverished places. The project that emerged from the lot 3 process, and benefitted from a cost-share between DHL and BMZ, focuses on the quick, on-demand delivery of medicine to remote areas in Tanzania (see the [youtube video](#) here). An MoU has been signed between all parties to scale up the project. Wingcopter has further entered collaborations with UNICEF and USAID on similar projects.
- The lot 3 process on access to medicine has also led to other new business ideas. Boehringer Ingelheim was involved in designing a bonus programme that links food purchases to health coverage; these are then transferred to a mobile app and can only be used for health-related expenses.
- Following the lot 6 process on energy access, Adva continues to work on a pilot project that seeks to connect a rural village in Uganda to electricity and simultaneously fiber for internet connection in a commercially viable way.
- There was some discussion as to whether lot processes should lead to commercially viable or simply self-financing business models (e.g. supported by donor funds, but not making any financial losses). From the perspective of two of the participating companies, self-financing models were seen as an important option for adding social value; commercial viability was not considered necessary to justify engagement.



## Comparative perspectives on agencies' approaches to innovative business solutions

Agencies were asked to share commonalities and differences between their own practices to stimulate private sector innovation and the Lab of Tomorrow. Overall, there was a strong interest across donors in replicating the Lab of Tomorrow (e.g. SDC, ADA) or integrating elements of design thinking in their work (e.g. Sida, SECO). For example, an [evaluation](#) of the Swedish Leadership for Sustainable Development, a forum for exchange between 26 large Swedish companies, recommended a move towards a more action-oriented engagement format. As a result, Sida is now considering the organisation of 'action labs' which would serve to solve specific shared challenges in multi-stakeholder workshops. Other organisations such as DFID already have several programmes that draw on co-creation methods to stimulate private sector innovation (see Box 2 below).



The discussion also revealed several cross-cutting issues and questions:

- **Overall, donors use different PSE strategies to encourage private sector innovation, which differ in how donors identify the problem and solution.** Each strategy may be suitable in different contexts.
  - Several donors, such as Luxembourg, use a traditional challenge fund model to invite innovative ideas from the private sector. The challenge can be defined broadly or more narrowly. Luxembourg, for example, consults its embassy network to identify sectoral opportunities for private sector engagement, but does not conduct field research.
  - In some cases, donors have already identified the specific solution that they want to achieve, but seek to stimulate private sector innovation in the implementation process. If so, results-based finance through Development Impact Bonds, as for example supported by SECO and DFID, can be a useful option.
  - Lab processes, on the other hand invest a lot of upfront work in identifying and analysing a specific development problem, but use an open-ended, collaborative process to develop innovative business solutions.
  - Some members noted that it might be useful for the DCED to develop an overview of the tools that donors use, clarifying the pros and cons, and different applications of each tool.
- **Another general question was whether donors should run programmes to stimulate private sector innovation directly, or outsource their management.** One possible approach to this would be to manage new, experimental approaches in-house and document lessons learnt; once the agency has good knowledge of how to effectively implement an approach, it is more feasible to contract an external implementer.
- **There was also some discussion on the division of responsibilities between donors and DFIs:** In Denmark, for example, the Ministry of Foreign Affairs is responsible for programmes that support

### Box 2: Examples of DFID programmes that make use of co-creation methods

- DFID's Disaster Risk Reduction Facility has organised an innovation lab on insurance solutions; the process benefitted from background research paid for by DFID and a careful selection of participants from different sectors.
- The SPRING and MOVER encourage business models that address challenges of women and girls. They conduct anthropological as well as market research to share with companies through in-country workshops, followed by idea competitions on innovative business ideas. Winners but benefit from support in identifying potential investors.
- The Disability Inclusive Development Programme uses a call for proposals to identify and test innovative approaches to disability inclusion and generate research to fill knowledge gaps.

pre-commercial business models only; financing for commercial business models is left to their DFI.

- **Common open issues specifically regarding co-creation processes included:**
  - the definition of terms like 'sustainable business model' and 'innovation';
  - what types of support should be offered at the end of lab processes (grants, TA or investment) and who should provide and coordinate it?
  - how to deal with other aid initiatives in the market that may undermine innovative business models?
  - how donors could best facilitate companies' engagement with local actors; and
  - the most strategic role of donors in the facilitation of labs – should they coordinate them and be responsible for them?

### Lessons learnt and specific challenges

In this open space session, participants formed 7 groups to discuss specific challenges they face in their agencies. They included

- **How can design thinking be integrated in an existing project?** A key comment was that co-creation processes rely on the willingness of people to solve a specific problem; if this is not agreed, retro-fitting a lab process into an existing project may prove difficult.
- **What should agencies consider, when they are just starting to work through co-creation methods?** Feedback included the need to clarify why the agency would use a lab process rather than another modality, and to answer practical questions, such as whether there is a need to create a new lab or if it is possible to use an existing one, and whether to use internal or external facilitation.
- **What should be design questions for a new responsible and inclusive business (RIB) programme?** Issues highlighted include the need to clarify the target group (e.g. MNCs, regional or local businesses); considering how to enhance the entrepreneurial ecosystem, to encourage RIBs; agreeing on a definition of responsible business; and assessing how big disruptive trends may influence the nature of RIBs in the future, e.g. financial innovations, availability of user data, or automatization.
- **What is the end result that agencies want to achieve?** It was noted that co-creation methods can be a way to generate better and measurable results through consumer orientation; to gaining political support for PSE; and to foster a public entrepreneurial spirit that focuses on the fast delivery of innovative solutions.
- **How to identify the problem that needs to be solved?** A typical sequence is to identify an umbrella theme with local partners, followed by field research and workshops with a wide range of stakeholders to narrow down the question in an iterative process.
- **How can agencies with limited in-house capacity facilitate co-creation methods?** In essence, the verdict was that there were no shortcut solutions, as it requires time and resources to identify shared values and concrete collaborations with business.
- **How to fund ideas which are created through design thinking processes?** A key insight was that lab processes should already involve financial experts and impact/ venture capital investors. A multi-donor innovation fund could facilitate access to finance for innovative start-ups. Coordination and information sharing were also considered critical, so that labs can serve as a pipeline of projects that any donor could decide to fund.





## Opportunities for collaboration, next steps for the DCED

The final session explored opportunities for donor collaboration around co-creation methods. Open space discussions were hosted by participants around the following options:

- **Could donors define joint principles for replicating the lot?** The main conclusion was that GIZ is already working on summarising key lessons in a forthcoming handbook on the lot approach and process. A short DCED paper could also be of value. GIZ also suggested organising an in-country lab on a challenge that is relevant for several donors, which could pave the way for a multi-donor lab process. The Co-Chairs will liaise with GIZ on this idea and members are asked to suggest potential country-specific challenges with offer explicit business opportunities.
- **How could the PSE WG advocate at an international level?** There was some debate as to whether the PSE WG should voice common positions or continue to act as neutral platform for frank discussions and sharing information, which some saw as the main added value of the group. More generally, it was agreed that the WG should complement other existing platforms and draw on principles already agreed on in other multi-donor fora, such as the OECD. Irene Basile offered to foster communication by sharing relevant DCED papers with the OECD and GPEDC.
- **What online platforms could be used to foster collaboration?** The DCED already has a range of online platforms that members can actively use to share and receive information, including social media accounts on twitter, linkedin and facebook; newsletters; the PSE WG mailing list; peer learning webinars; and the PSE knowledge page on the DCED website. Members can share additional needs or particular thematic interests with the Secretariat.
- **Could donors explore a joint instrument for seed funding?** A technical workshop with financial experts could serve to identify new solutions to lack of seed funding available to innovative start-ups. Donors would also benefit from sharing information and recommendations on different financial experts that provide advice on seed funding. In order to learn about donors' sectoral funding priorities in different countries, donors and companies could access the OECD [CRS database](#). Organisations like [FASE](#) provide linkages between social entrepreneurs and investors. Germany is building a new website related to this, at <https://www.leverist.co/>

### Possible next steps for the DCED emerging from the final plenary discussion include:

- Consider the development of a short paper on the benefits and lessons learnt from lab approaches; this should be complementary to GIZ's forthcoming handbook & toolkit on the lot process and the lot thesis paper for innovative PSE through sustainable business models innovation.
- Explore the possibility of using a design thinking process to address a common question in the working group, to allow members to experience the approach at first hand.
- Sharing the DCED's directory on different donor support programmes more proactively with the private sector and increase its visibility on the DCED website; additional links could be provided to the OECD CRS database and organisations that link up businesses with potential investors.
- Continuing to coordinate and share knowledge products with the OECD.
- Exploring ways in which members could more easily access information on seed funding experts, and share recommendations (e.g. via linkedin).

It was agreed that the Secretariat will reflect on the different suggestions made, develop a draft work plan in consultation with the Co-Chairs, and share it with the group for their review.

### Next meeting

The PSE WG will hold another teleconference, most likely in April, before their next physical meeting on 11 or 12 June in Vienna. The main purpose of the teleconference will be to agree on a final work plan for FY 19-20 and discuss the agenda for the Vienna meeting.

### **Annex 1: List of Participants**

1. Gunter Schall, ADA (Co-Chair)
2. Lars Stein, SDC (Co-Chair)
3. Christian Kaul, BMZ (for part of the time)
4. Estelle Lyon-Chaudron, LuxDev
5. Hans Joachim Zinnkann, GIZ (for part of the time)
6. Ichiro Fukuhara, JICA
7. Irene Basile, OECD
8. Liliana de Sa Kirchknopf, SECO
9. Linda Gabel, GIZ
10. Lollo Darin, Sida
11. Jan Koepke, GIZ
12. Minja Nieminen, Finland MFA
13. Nina Schuler, DFID
14. Suzanne Krook, Sida
15. Rahel Meyer, Brugger Consulting (on behalf of SDC)
16. Thomas Lammar, Luxembourg MFA
17. Tobias Fehr, Brugger Consulting (on behalf of SDC)
18. Tine Anbaek, Denmark MFA
19. Jim Tanburn, DCED Secretariat
20. Melina Heinrich-Fernandes, DCED Secretariat

By phone for the sessions on agency updates and skills development

21. Jed Leonard, USAID

### **Additional participants in the workshop on 21 February:**

22. Annika Launiala, Finland MFA
23. Caroline Masabo, GIZ
24. Lukas Hecke, ADA
25. Ann-Kathrin Gonschior, Böhringer Ingelheim (for part of the day)
26. Dieter Will, Adva Optical Networking (for part of the day)
27. Tom Plümmer, Wingcopter

### **Apologies:**

Alexis Geaneotes, IFC  
Jean-Jacques Bastien, Belgium MFA  
Jeremy Stringer, DFAT  
Katie Garcia, USAID  
Lydia Brons, Netherlands MFA  
Virpi Stucki, UNIDO

### **Annex 2: Member updates**

**Austria** has a new development strategy, which includes a major role for the private sector. It is also linked to a new target that 50% of projects should meet gender objectives. Last December, ADA organised a high-level forum on digitalisation in the context of its EU Council Presidency. The Austrian DFI has set up a risk capital fund with grant support from ADA. Austria is also working on replicating the Lab of Tomorrow.

**BMZ** has tripled the budget for cooperation with the private sector over the last 10 years, and is allocating EUR 180 million to this in 2019. The main target is to create 100,000 jobs by 2021. Other objectives include improving working conditions and income opportunities; training and skills development, and stimulating private sector investment. A particular focus is to engage German SMEs in the promotion of vocational training

abroad. There is also an increased emphasis on using private sector resources from the beginning of projects, and to longer-term, sustainable forms of engagement rather than short-term projects. Important developments around specific PSE programmes include follow-up actions to the [evaluation of the DeveloPPP programme](#): Efforts are now underway to create a new programme component, called DeveloPPP Venture, which will be open to local, small businesses, including start-ups. The Lab of Tomorrow is another flagship PSE programme funded by BMZ (and is summarised in more detail in the section on the design thinking workshop above).

**Denmark** works with different types of private actors, including institutional investors, trade and industry organisations, civil society, and companies. The Ministry Headquarters engage with international companies, while embassies work with the local private sector. Denmark has also entered collaborations with initiatives such as the WEG, the Sustainable Trade Initiative (IDH) and WRI. Ongoing PSE programmes include Danida Market Development Partnerships, a challenge fund which invites applications from consortia of NGOs, companies and other partners; and the Partnering for Green Growth and the Global Goals (P4G) Initiative. P4G is undergoing an inception review, while Danida Market Development Partnerships will undergo a mid-term review this year.

**DFID's** work on PSE currently includes five priorities: An increasing focus on CDC, the UK's Development Finance Institution; support to the Impact Management Programme, a global network of standard-setting organisations to coordinate impact measurement and management principles; increased investment into Development Impact Bonds; organisation of the African Investment Summit; and the ongoing design of a new inclusive and responsible business programme.

**Finland** has been working since 2018 with the NGO Shift to strengthen the human-rights based approach to development - especially with reference to the UN Guiding Principles - in regards to Finnish private sector financing instruments. Further, training to several stakeholders incl. private entities, government officials, civil society and consultancies has been organized. The Ministry is funding the set-up of a new UN Technology Innovation Lab (UNTIL) by UNOICT in Helsinki. The Lab aims to leverage private sector innovation to contribute to the SDGs. A new bilateral programme with Zambia is in inception and includes a strong focus on supporting SMEs and developing business linkages between the two countries. Across the Ministry as well as the Finnish DFI, there is an increased focus on impact assessment and results measurement.

**JICA** is in the process of developing a new PSE policy. They have also organised a conference and study tour in Africa for Japanese companies.

**Luxembourg** has a new development strategy with special attention to PSE with the objective of employment creation and technology transfer. An evaluation of the Business Partnerships Facility, which is managed by LuxDev, will be implemented later this year. The Ministry has also launched an Agribusiness Capital Fund to address the gap that between supply and demand for investment in smallholder agriculture. Luxembourg is further organising the African Microfinance Week in Ouagadougou in October 2019. Next week, the Ministry will participate in the meeting of the Social Performance Task Force, with a focus on the microfinance sector.

**OECD** has developed [5 principles of blended finance](#) and is currently working on a didactical toolkit to support their implementation. Work is also ongoing with IFAD on blended finance in agriculture, and with UNCDF on blended finance in LDCs. Other recent papers review challenges in [blended finance evaluation](#) and [Social Impact Investment](#). OECD also collaborates with the Impact Management Project on a mapping of DAC members' use of impact investment in development cooperation.

**SECO** has started to work on its new four-year strategy, which is likely to be structured around two building blocks: creating market foundations, and partnerships with the private sector to achieve selected SDGs. SECO also plans to organise an introduction to design thinking for its senior management. SECO recently participated in a partnership meeting with IFC which included a session on disruptive technologies and digitalisation. SECO's

call for proposals from impact investment funds has finished its first selection process and is now moving into the implementation phase. SECO also participates in the Development Impact Bond working group, which now plans to create a multi-donor, pooled outcome fund. In addition to direct cooperation with companies, SECO continues to work at the sectoral level, for example in the cocoa sector.

**Sida** has just published an [evaluation](#) of its Swedish Leadership for Sustainable Development platform. The agency continues to consider PSE as a cross-cutting method across its portfolio and does not have a budget or spending target specifically for PSE. There is however a need to make PSE approaches accessible to staff from different thematic units and develop skills for engaging with business.

**USAID** is now working on operationalising its new [PSE policy](#). This will include exploring ways to further enhance staff skills for PSE. They recently implemented a strategic survey of key staff around culture and perceptions regarding PSE to better understand how to re-orient staff towards PSE. USAID is also launching an internal compendium of good and bad examples of PSE. The new US Development Finance Institution is still in its design stage.

**SDC** plans to mainstream PSE, however only 3-4% of ongoing projects are estimated to engage with the private sector. Five building blocks should help to address this: (1) working with internal and external experts to help on an operational basis; (2) implementing integrated strategy workshops with thematic divisions; (3) setting up an impact-driven entrepreneurship centre at the University of St Gallen; (4) replicating the Lab of Tomorrow; and (5) professionalising SDC's social finance approach.

Annex 3: PSE training needs identified by the PSE WG, relevant PSE WG work and webinar plans (as of 20 February 2019)

Training needs identified at the PSE WG's Toronto workshop	<b>1. Introduction to Private Sector Engagement: Why and how to partner with business?</b>	<b>2. Introduction to Private Sector Engagement: How to communicate with business</b>	<b>3. What are the practical steps that donors can take, to be able to work more strategically with the private sector?</b>	<b>4. How to develop and manage strategic relationships with businesses: Skills and practical tips</b>	<b>5. Doing the deal: How to develop concrete collaborations that meet business and development interests?</b>
Target group	Newcomers to PSE at HQ and field level	Newcomers to PSE at HQ and field level	PSE professionals at HQ	PSE professionals at HQ and the field	PSE professionals at HQ and the field
Relevant PSE WG work	<a href="#">Categorisation of PSE Strategies</a> (2017)		<a href="#">How to minimise the risk of negative market distortion in PSE</a> (2018)  <a href="#">How donors can make the transition to strategic PSE</a> (2017)	<a href="#">How donors can make the transition to strategic PSE</a> (2017)  PSE WG Workshop on how to co-create innovative solutions with the private sector (2019)	PSE WG Workshop on how to co-create innovative solutions with the private sector (2019)
Concrete webinar ideas (updated based on the PSE WG meeting)	SDC: presentation of successful PSE examples demonstrating the unique contribution of the private sector  Introduction to different PSE strategies: -DFID/ SDC: Development Impact Bonds -OECD: Blended Finance		USAID: Legal issues in PSE – solutions proposed in USAID's new Acquisition and Assistance Strategy  SDC: Due diligence	GIZ: Lab of Tomorrow approach	SECO: Experiences from an open call for proposals from impact investment funds (likely timing: 20 March)  Past DCED webinars, with Sida: <a href="#">When to use challenge funds</a> and <a href="#">How to manage challenge funds effectively</a>  GIZ: Lab of Tomorrow approach