

# COVID-19 and Private Sector Development Synthesis: Adjusting PSD interventions in the short term

This note summarises key trends in short-term adjustments made by Private Sector Development (PSD) programmes in response to COVID-19. It focuses on PSD themes and approaches covered by the DCED's Working Groups, which all have COVID-related work in progress. This note is complemented by a separate [summary of donor and development agencies' emerging economic recovery and resilience strategies](#). July 2020 (links checked July 2021)

## Private Sector Engagement (PSE)

PSE programmes typically focus on engaging large, often international, companies to develop and deliver commercially viable solutions to the SDGs. Given the immediate effects of COVID-19 on partner companies in donor countries, most agencies' immediate response focused on ensuring their liquidity needs – for example by covering more than 50% of shared project costs, or by relaxing loan repayment conditions. In parallel, additional resources have been allocated to the scaling up of partnerships in the health sector. Such resource shifts have mainly been enabled by the rapid re-purposing of existing funds, rather than new budget allocations. Some donors have also started to launch or co-fund new COVID-19 focused facilities, which are open to innovative business proposals to mitigating the crisis.

In addition to financial support, several agencies are exploring ways to coordinate industry-wide responses in strategic global supply chains. For example, the [Global Call to Action](#) in the garment industry convenes multinational partner companies and other industry players to help protect garment workers' livelihoods.

Such work is often complemented by local manufacturing support projects, which assess industry needs and provide tailored technical or financial support to address COVID-19 related production needs, among other things (e.g. [DFID, May 2020](#)).



## Business Environment Reform (BER)

Government policies, laws and regulations can play a key role in cushioning the negative economic impacts of COVID-19. As such, a common priority has been to waive or reduce business payments associated with business registration and licensing, while delaying the deadlines for business reporting, such as tax and social security filing – especially for micro, small and medium enterprises (MSMEs). Growing attention has been paid to introducing procurement policies (with preferences to local companies and SMEs) and wider economic stimulus initiatives, such as the use of tax incentives, business insolvency provisions, attention to investor services, and innovation policies. Some of these measures have also aimed at enhancing local capacity for the production and distribution of medical supplies.



While digitalisation is emerging as a focus of long-term economic recovery strategies, efforts to fast-track the digitalisation of administrative procedures in the short-term have aimed to limit personal interactions and reduce transaction costs for businesses. In addition, online mechanisms for surveying firms and engaging with business representative organisations on their most pressing concerns are being explored to substitute for physical public-private dialogue meetings.

## Market Systems Development (MSD)

Many MSD practitioners see their role primarily in facilitating economic recovery – by assessing and facilitating effective responses to market failures and emerging growth opportunities. Most ongoing

programmes have however also played an active part in informing or implementing short-term measures. For example, their adaptive management approach has enabled many MSD programmes to implement rapid strategy shifts, including to address failures in local markets for health-related goods.

More generally, MSD programmes have been advocates of ‘market-friendly’ responses that build on the local private sector as much as possible (e.g. in the delivery of health products) and consider interventions’ market-wide effects in order not to undermine long-term economic development. In this context, many recent practitioner discussions have focused on what market-friendly short-term measures could look like in practice (see for example this [BEAM Exchange](#) webinar): Some programmes have adopted sector-wide approaches, such as working with associations to promote safety measures in factories and markets; meanwhile, others have opted for ‘smart’ subsidies to help maintain business operations while also facilitating long-term market development (e.g. in the area of digital marketing and sales).



In contrast, organisations implementing SME support programmes have also advocated for a more hands-on approach to ensuring the survival of individual businesses – for example by providing grants to cover fixed operating costs, or by subsidising workers’ wages during the crisis (e.g. [ILO, April 2020](#)).

### Women’s Economic Empowerment (WEE)

As an immediate response to the crisis, many PSD programmes have sought to better understand the disproportionate social and economic impacts of COVID-19 on women’s agency and access to resources. Emerging issues for future WEE programming include:

- Women’s heightened risk of unemployment in strategic export sectors (e.g. garments) and lack of skills for taking up future digital technology-related jobs
- Increase of unpaid care work at home
- Increase in domestic violence; and
- Reduced reproductive healthcare service access

### Green Growth

While there have been few immediate implications for Green Growth programming, the crisis has represented a window of opportunity for Green Growth practitioners to articulate what ‘building back better’ might look like in practice. For example, the DCED’s Green Growth Working Group has formulated [10 principles to support stabilisation and economic recovery efforts](#) to guide donors as they move from short-term responses to designing new programmes.

### Results Measurement

The COVID-19 pandemic affects all aspects of project management, including what can be realistically done to measure and manage results. As a result, a priority of many PSD programmes has been to better understand, among other aspects:

- how to best use remote survey tools such as phone and SMS surveys (e.g. based on recent [remote survey tools and guidelines](#));
- how to deal with the fact pre-COVID baseline surveys in affected sectors may no longer be useful, due to rapid changes in the external environment;
- how to measure their contribution to mitigating negative change in economic indicators (rather than attributing positive results); and
- how to measure business resilience.



For more information on short-term adjustments to PSD programmes in response to COVID-19, go to our dedicated knowledge page [here](#).