

**Summary:**  
**DCED Thematic Meeting on Private Sector Engagement**  
**22-23 February 2017, Den Haag**

*This summary offers a brief overview of the DCED's event on Private Sector Engagement in February 2017. Its purpose is to inform donor agencies that were unable to attend the meeting and to summarise next steps for donors interested in working with the DCED on this theme going forward.*

*29/03/2017*

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### Brief overview of the work so far and process ahead

The Donor Committee for Enterprise Development (DCED) has focused on donors' Private Sector Engagement (PSE) efforts through two Annual Meetings, and six reports and guidelines (listed in Annex 1). Most recently, it has launched a [new webpage on the theme](#), and three fresh reports, on [how donor agencies can make the transition to strategic PSE](#), on [multi-stakeholder platforms](#) and on [Results Measurement in Impact Investing](#). As part of the sign-off process, the findings of these reports were presented in this event, together with other inputs from selected presenters. Final versions of these reports, some of them incorporating additional insights from the meeting, have been published on the DCED website.

The event was attended by people from 15 donor organisations (listed in Annex). Following the event, donor representatives were invited to select three priorities from different proposals emerging from the meeting. The DCED will now focus on the top five most selected priorities ([see next steps](#)), most likely under the umbrella of a new DCED working group on Private Sector Engagement, to be approved at the DCED Annual Meeting, 14-16 June in Rome.

### Session 1: How Donors can make the Transition to Strategic PSE

Melina Heinrich-Fernandes of the DCED Secretariat summarised the findings of the recent study on [How donors can make the transition to strategic private sector engagement](#), with the private sector as an equal partner in development. This transition requires institutional changes at three levels:

- Developing new policy, programme and funding frameworks, with key features including a stronger focus on business interests in strategy and partnership development, co-

development of partnerships with business through iterative discussions over several months or years, and more flexible central funding mechanisms.

- Creating new staff and team roles and responsibilities – including the creation of new leadership roles on PSE and responsibilities at the interface between donor agencies and business, such as relationship managers and focal points. Some organisations now mandate all technical staff to develop partnerships, and allocate more time for participating in relevant networking events and platforms; and
- Building staff skills, experience and organisational culture, e.g. through training, secondments and recruitment from the private sector.

These themes were discussed in detail, with some tentative conclusions emerging. For example, a ‘one-stop’ online portal for businesses, focal points and relationship managers can help; maintaining internal databases on all business collaborations has been less successful. Top-level leadership in organisations can be key to promote cultural change. Participants agreed that more work is needed to integrate PSE work into mainstream donor agency functions. One participant stated that “we haven’t even put the same effort yet into partnering with business that we have with NGOs.” This is in spite of the fact that NGO partnerships were generally perceived to be less complex.

### Session 2: Engaging with the Private Sector through Multi-Stakeholder Platforms

Nick Wilson of the DCED Secretariat summarised the finds of the recent study on [Engaging with the private sector through multi-stakeholder platforms](#). The number of such platforms has grown in recent years; however, DCED members are unsure how to assess their usefulness. Platforms’ ambitious objectives to transform sectors and improve opportunities for the poor typically make them difficult to evaluate accurately. More realistic expectations about what platforms can contribute – including outputs such as new business contacts, increased knowledge of the private sector, or joint research products – would improve this situation. However, because platforms appear to be offering sufficient value to their membership, there may be little appetite for greater clarity.

Two donor agencies then gave an overview of their engagement with platforms. One described how Ministers or senior managers could perceive the establishment of a platform as a “quick win” to engage with the private sector on a specific issue. Seerp Wigboldus of [Wageningen University](#) introduced on-going research into assessing the effectiveness of agribusiness platforms in sub-Saharan Africa. He is focusing on modelling the platforms’ theories of change, based on their actual activities. He also highlighted the difficulties of assessing platforms if there are several platforms working on similar problems in similar sectors. This makes attributing positive change to one individual platform difficult.

The fact that platforms cannot be perfectly evaluated should not detract from their place as one option through which donors can engage with the private sector.

### Session 3: Results Measurement in Impact Investing

Donna Loveridge of the DCED Secretariat presented the findings of the recent [Review of Results Measurement in Impact Investing](#); she also included observations from recent participation in a number of conferences around the topic. She noted that, although the field is quite crowded, there is little consensus around definitions of key terms, such as ‘impact’ or ‘investment’. Results measurement was still at an early stage; experience in implementing the DCED Standard for Results Measurement gave insights that could be of value in impact investing, around aggregation, attribution and hands-on application. Results Measurement in Impact Investing was more sophisticated in other areas, such as monetisation of impacts, and risk-return assessment. She

summarised efforts to standardise results measurement in Impact Investing, raising the question of who is responsible for measurement and use of the data.

Olivia Prentice described the learning journey of [Bridges Ventures](#) since 2002, leading to the current level of ambition, to measure for example not just job creation but job quality and sustainability of impact. She argued that success could only be achieved through close collaboration of a wide variety of different stakeholders. She outlined the current process of consultations, or ‘huddles’, organised by Bridges Ventures, and aiming to establish a convention for results measurement in impact investing.

Subsequent discussion touched on the costs of measurement, a possible trade-off between social and commercial returns, and the assessment of additionality. Input-output tables were considered to be particularly useful *ex-ante*, to estimate job creation in a practical way. Nonetheless, the measurement of job creation *ex post* was widely agreed to be both a priority and a challenge, especially with regards to attribution. Reporting on achievements in relation to the SDGs was also mentioned as a current trend for donors; some fund managers are also starting to structure their reporting around the SDGs.

#### Session 4: Interpreting and applying the concept of competition neutrality

Gunter Schall of Austrian Development Cooperation (ADA) gave an overview of some potential risks that donors face when intervening in markets through PSE. Such strategies could distort the market by identifying the wrong project, or a politically favoured firm, to subsidise. They also carry risks of moral hazard. Companies could attempt to attract subsidies for a service that they would anyway otherwise undertake. In addition, companies that benefit from PSE with donors benefit from first-mover advantages and might build undue market power.

There are strategies to avoid such market distortions, given in the literature: competitive bidding processes; project evaluation; and ensuring that interventions are only temporary. These strategies have the potential to make engaging the private sector possible without distorting the market, while maximising competition.

The discussion focused on strategies that donor agencies have used to avoid distorting the market. Tools like open online portals, which allows businesses to contact the agency directly using a pre-configured form, could help to demonstrate that the agency is competition-neutral.

Participants also focused on what constituted a subsidy. Some PSE interventions may involve no funds transferred from a donor agency to a business. Yet this intervention might still give the company an unfair market advantage (such as by providing training, knowledge, or other non-monetary support). Understanding this issue could more clearly illuminate which aspects of PSE most commonly cause negative market distortions.

#### Next steps

**Five priorities for the DCED have emerged from the meeting and sub-sequent consultation process:**

1. (a) **Categorising different PSE strategies and activities**, and (b) **investigating how to evaluate how effectiveness in each category**. Part b could be tackled under the umbrella of the DCED Results Measurement Working Group.
2. **Exploring further how to promote capacity-building and cultural change for PSE**. This could include a comparison of different available training offers and considering how to stimulate

the training market; and a more in-depth exchange on agency experiences, for example in organising secondments from and to the private sector.

3. **Creating a common language and understanding on pragmatic donor approaches to ensuring competitive neutrality**, e.g. by bringing together academic researchers from a development background, with competition and trade experts.
4. **Drafting case studies on results measurement of different impact investment vehicles**. How do they measure across the entire portfolio? As 1 (b), this activity could most usefully be carried forward by the Results Measurement Working Group.
5. **Developing short communication materials on Private Sector Engagement for internal and external audiences, including on what it is and what its benefits are**. This could include a summary of successful PSE examples ('lighthouse examples') of different donor agencies. In addition, it was already agreed at the meeting to publish a two-page summary of the Note on transitioning to PSE.

**Donors were interested in a nimble, issue-driven DCED working group through which they could tackle these and other emerging topics.** The activities below will therefore feed into a draft work plan for a Private Sector Engagement working group, for review by interested members and approval at the DCED Annual Meeting in June.

**Gunter Schall of ADA and Lars Stein of SDC have agreed, in principle, to co-chair a donor working group.** ADA is particularly interested in leading the work on competition neutrality, and SDC interested in promoting innovation and agility within donor agencies.

**Preparations will also now begin of a thematic meeting on 14 June, ahead of the Annual Meeting.** This meeting will most likely focus on experiences in capacity building for private sector engagement, and on discussing Terms of Reference for an assignment on competition neutrality, among other themes.

## Annex 1: Previous reports and events of DCED on the theme of PSE

- [Partnerships for PSD: What can we learn from Experience? March 2013](#)
- [Annual Meeting with the NL MoFA in the Netherlands, July 2013](#)
- [Practical Guidelines for Measuring Results in Challenge Funds, October 2013](#) (RM WG)
- [Demonstrating Additionality - 'Exploration' April 2014](#)
- [Annual Meeting with Sida in Sweden, June 2016](#)
- [BER for Inclusive Business: Learning from Experience, October 2016](#) (BE WG)
- [Does Business Structure Influence Social Impact? November 2016](#)
- [Overview of donor funds and facilities for partnering, updated 2017](#)

## Annex 2: Donor organisations that participated in the event

1. ADA
2. Czech DA
3. Danida
4. DFID
5. Finland MoFA
6. Flanders Foreign Affairs
7. GIZ (on behalf of BMZ)
8. JICA
9. MasterCard Foundation
10. NL MoFA
11. Norad
12. SDC
13. SECO
14. Sida
15. USAID