

**Private Sector Engagement Working Group (PSE WG)
Teleconference, 29 June 2021
Participants List and Agenda**

7 July 2021

Participants

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| 1. Gunter Schall, ADA | 14. Thierry van Helden, Netherlands MoFA |
| 2. Peta Mills, Australia DFAT | 15. Lasse Møller, OECD |
| 3. Tobias Lechtenfeld, BMZ | 16. Priscilla Boiardi, OECD |
| 4. Tobias Zeller, GIZ | 17. Lars Stein, SDC |
| 5. Matthias Altmann, EC | 18. Massimo Bloch, SECO |
| 6. Laura Desmoulin, Finland MoFA | 19. Anne-Charlotte Malm, Sida |
| 7. Ian Felton, FCDO | 20. Fredrika Norén, Sida |
| 8. Sean Turnbull, Global Affairs Canada | 21. Emmi Ylinen, UNIDO |
| 9. Urkaly Isaev, IFC | 22. Katie Garcia, USAID |
| 10. Yoshiyuki Ueno, JICA | 23. Martina Fongyen, USAID |
| 11. Takafumi Ueda, JICA | 24. Rachel Brooks, University of St Gallen (guest speaker for the first session) |
| 12. Naho Aizu, JICA | 25. Melina Heinrich-Fernandes, Holger Grundel, Jim Tanburn, Ella Duffy DCED Secretariat |
| 13. Paul Weber, Luxemburg MoFA | |
| 14. Nafis Muntasar, MasterCard Foundation | |

1. Staff capacity-building for PSE: Presentation and discussion of SDC's experience with the Public Entrepreneurship Academy pilot

The PSE WG's work plan for July 2021 to June 2022 was approved by the [DCED Annual meeting](#). One continued priority in the work plan is peer exchange on how to build staff capacity and promote cultural change to enable PSE. The first agenda item of this call therefore focused on SDC's development of a PSE training course, in cooperation with the University of St Gallen.

Lars Stein explained that the training course development has its roots in the PSE WG's meeting in Toronto ahead of the DCED Annual Meeting in 2018, which focused on PSE training needs in member agencies. Based on the findings, an early draft curriculum of SDC's 'Public Entrepreneurship Academy' (PEA), was finalised at the end of 2018 in cooperation with the University of St Gallen. The main objective of the PEA is to promote the right mindset and skills for public innovation and entrepreneurial thinking to enable effective PSE, including co-creating entrepreneurial solutions to development problems jointly with the private sector.

Rachel Brooks, Head of Executive Education at the University of St Gallen, then gave a more detailed overview of the curriculum piloted in 2021 with a group of SDC employees as well as lessons learnt

on the content and format of the course (*see the slides shared with the Minutes, including additional information not shared during the meeting*). She also noted that while an Innovative Finance programme has been delivered as part of a separate course, it may be embedded into the PEA in the future.

During the Q&A, the following aspects were discussed:

- **The background of PEA participants:** While raising awareness about PSE opportunities among PSE sceptics in donor agencies is considered by many members as a key challenge, SDC has made a conscious choice to focus on staff that already acts entrepreneurially. The aim is to build up a cohort of pioneering changemakers in the agency.
- **Feedback by participants on the impact of the course on their work:** No feedback has been collected yet on how participants put their new knowledge into practice, but can be shared with the PSE WG later in the year. Initial participant feedback on the practical relevance of the course has been very positive and encouraging.
- **Other agency experiences in staff training and opportunities for collaboration:** Few member agencies have offerings similar to the PEA, although a wide range of approaches are in use to help increase staff capacity for PSE. The Netherlands MoFA, for example, organises lunch meetings to informally discuss PSE dilemmas among colleagues (e.g. what is the case for co-financing initiatives with MNCs?); the two-months introductory course offered to newly recruited young diplomats includes elements on PSE; and the directorate on PSD also has a course for new staff. The NL MoFA, Sida and others would be interested to continue an exchange with SDC and the University of St Gallen on the PEA, e.g. to learn more about lessons learnt after the completion of the pilot course, and to explore opportunities for collaboration.

Update on progress made with the Responsible Business Conduct (RBC) scoping paper for PSE donors and ongoing legislative developments at EU-level and in Germany

Update on the scoping paper

While work on a full draft of the RBC scoping paper is still ongoing, good progress has been made in drafting additional chapters and conducting member interviews. The most recent interviews revealed further interesting insights on current practice across different approaches for promoting RBC, including in the areas of legislation, facilitation of voluntary sectoral initiatives and partnerships with companies (*see the slides shared with the Minutes*).

Current status of the proposed EU due diligence law

Given that many members consider possible EU due diligence legislation (*'Sustainable Corporate Governance Initiative'*) as particularly important to their own approach to promoting RBC, Matthias Altmann shared an update on the current status of the proposed EU law, which aims to have a systemic impact on the adoption of RBC. As part of the European Commission's law-making process, an Impact Assessment, which evaluated the costs and benefits of various options towards achieving the objectives of the legislation, was recently finalised and submitted to the Regulatory Scrutiny Board – an independent body within the Commission that provides central quality control and support for Commission impact assessments. The Board requested revisions to the impact assessment, with the result that the adoption of the proposed legislation will be delayed probably until October 2021. Moreover, leadership of the initiative will from now on be shared between DG JUST and DG GROW, with the latter likely to pay greater attention to the proportionality of the proposed measures for European SMEs.

From a development cooperation perspective, a key concern is to accompany forthcoming legislation on mandatory due diligence with support to actors along global supply chains to ensure the new law has positive impacts on the ground. The proposed legislation in fact poses a risk that companies may disengage from the most risky sectors and regions, instead of engaging with producers on mitigating environmental and human rights risks in the supply chain. The accompanying support provided in the context of the EU's responsible minerals regulation provides valuable lessons in this regard. A series of workshops with the OECD, ITC, and BMZ is currently ongoing to develop ideas for an inclusive and effective framework of accompanying measures. Matthias Altmann suggested that he might bring this topic up again with the group to benefit from members' views and experience.

New German human rights due diligence law and implications for BMZ's support to the private sector

There have also many recent developments in country-level RBC legislation, including the adoption of a new human rights due diligence law in Germany in early June. Tobias Lechtenfeld explained that Germany had originally followed a voluntary approach to RBC, on the condition that at least 50% of companies with more than 500 employees implement a voluntary human rights due diligence process in line with the UNGPs. Since less 20% of companies complied, a mandatory approach was chosen. The new law and associated enforcement mechanisms (fines, exclusion from public procurement opportunities) will come into force in 2023. It will initially apply to companies with more than 3000 employees, then expanded in reach companies with more than 1000 employees a year later.

Tobias Lechtenfeld then shared an overview of BMZ's and other Ministries' support to the private sector in complying with the law. There are plans to mainstream the law through different levers and entry points, such as the NAP helpdesk, which provides advice on business and human rights; the Agency for Business and Economic Development, which serves as a central advisory agency on financial and technical support to German and European businesses in the context of development cooperation; and BMZ's business scouts who act as contact points in Germany's business associations. DeveloPPP, BMZ's flagship programme for private sector partnerships, will also consider implications of the law, including checking that sufficient measures for compliance have been put in place by prospective partners. BMZ also actively supports RBC in key sectors through sectoral platforms (e.g., textiles and cocoa) and by supporting local companies in complying with RBC obligations.

Welcoming of Katie Garcia (USAID) as the new PSE WG Chair; Co-Chair vacancy

As announced in the last meeting, Gunter Schall and Lars Stein are stepping down as Co-Chairs at the end of June 2021. Melina Heinrich-Fernandes warmly thanked Gunter and Lars for their four years of chairing the group. Gunter and Lars also thanked the group for the joint work and noted that they will remain active members of the group.

Katia Garcia, the only member volunteering to chair the WG, was then welcomed as the new PSE WG chair. Katie is Deputy Executive Director of USAID's PSE Hub and has been active in the PSE WG since its foundation in 2017. While USAID's first PSE policy was already published in December 2018, Katie noted that PSE is a high priority for the new administration – not only at programmatic level, but also in terms of the systems and staff skills needed to engage the private sector at scale. She therefore appreciates the PSE WG's focus on building the right systems and staff skills for PSE and

could also share a number of new initiatives in this regard with the group. Katie further expressed an interest in an exchange on tools; for example, USAID is working on a new additionality tool. She would also welcome the opportunity for the PSE WG to meet in person again, possibly in June 2022.

Katie noted that she would very much appreciate a Co-Chair. Members who may be interested in taking on this role can contact the Secretariat for an exploratory exchange on what would be involved.

Member updates

Due to time constraints, the meeting ended with a few important updates from members rather than a full tour de table – as summarised below.

SDC

- SDC piloted a Lab of Tomorrow process with a focus on food systems in Kigali in June.
- The *Heracles* project has been launched recently to put in place the legal, financial and administrative basics for the various PSE formats SDC has been developing (e.g., update to procurement rules, how to recognise of blended finance mechanisms in SDC's accounts etc.). The English version for the Heracles ToR will be available shortly and can be shared with the PSE WG.
- SDC's reorganisation is continuing.

Finland Ministry of Foreign Affairs

- The Government of Finland is following the discussions about the proposed RBC legislation at EU-level very closely. A cross-governmental working group has been set up to consider the implication for legislation in Finland.
- They are working with the organisation Shift to develop a new course for internal staff capacity building on business and human rights.
- Laura Desmoulin will take up a new position at the AfDB and therefore leave the PSE WG in due course.

Australia DFAT

- DFAT is about to announce 18 new partnerships under the Business Partnerships Platform. Most are focused on COVID recovery priorities in partner countries.
- Being able to measure the added value of working with the private sector continues to be a priority. DFAT is looking forward to working more with the group on this.

FCDO

- Ian Felton introduced himself as FCDO's new PSE WG representative.
- His new team combines responsibility for PSE and RBC. One of their early priorities is to look at 'state-sponsored child labour'.

MasterCard Foundation

- Nafis Muntasir introduced himself as MCF's new PSE WG representative.
- The '[Saving Lives & Livelihoods](#)' partnership with Africa CDC will deploy 50m vaccines in Africa. The programme also includes skills development – esp. for young people – and R&D in vaccine development to drive manufacturing locally.