

**Private Sector Engagement Working Group (PSE WG)
Berlin, 29 February and 1 March 2024
Minutes**

28 March 2024

Participants

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| 1. Gottfried Traxler, ADA | 11. Irene Frei, SECO |
| 2. Benjamin Knödler, BMZ (29/2 morning only) | 12. Anne Kulman, Sida (online, 29/2 only) |
| 3. Björn Schildberg, BMZ | 13. Stefan Pahl, UNIDO |
| 4. Tom Sanderson, FCDO | 14. Katie Garcia, USAID |
| 5. Tobias Zeller, GIZ | 15. Melina Heinrich-Fernandes, DCED Secretariat |
| 6. Lars Rohwer, GIZ | 16. Holger Grundel, DCED Secretariat |
| 7. Githa Roelans, ILO | 17. Cecilia Brady (consultant, 29/2 only) |
| 8. Zoe Rouwhorst, NL MoFA | Apologies: |
| 9. Luc Poveromo, Luxemburg MoFA | Keith Dhoko, USAID |
| 10. Luca Etter, SDC | Mika Vehnamaki, Finland |
| | Tomislav Ivancic, FAO |
| | Urkaly Isaev, IFC |

Thursday, 29 February

Welcome remarks and presentation of BMZ's new PSE strategy

Tobias Zeller welcomed participants to Berlin and summarised the objectives for the day and a half of discussions. This was followed by a round of introductions.

Benjamin Knödler, Head of the Private Sector Engagement Unit at BMZ, then introduced BMZ's new PSE strategy 'Partners in Transformation'. Key objectives and principles of the new strategy include:

- Reducing fragmentation: BMZ is in the process of bringing together all PSE-related services under one trademark 'Partners in Transformation'. The 'one-stop-shop' and first point of contact for businesses interested in PSE cooperation is the [German Agency for Business and Development](#).
- Scaling-up successes: The new set up will reduce the need to re-tender to extend/expand successful initiatives.
- Mainstreaming PSE: This includes a stronger focus on integrating PSE into Germany's bilateral (and eventually multilateral) cooperation.
- Implementing a stronger thematic focus on the green and social transformations. This should also help to ensure that limited financial resources are utilised more efficiently.
- Improving integration with the EU and other donors: This might involve co-funding, joint approaches (esp. as part of Team Europe Initiatives) and mutual learning.
- Promoting institutional learning: This includes the introduction of a new M&E system across the PSE portfolio.

To overcome internal reservations towards PSE, BMZ's PSE Unit will prioritise effective communications, providing internal advice and information sharing. BMZ is also planning to establish 'Business and Development' help desks in selected partner countries to identify opportunities for PSE earlier on in the project cycle. The initial focus is likely to be in middle income countries. PSE initiatives will be open to non-German businesses, especially the local private sector. One area of focus is due diligence in supply chains. BMZ has already established a successful [help desk](#) for companies looking for help and guidance. Germany's international chambers of commerce are similarly helping local companies to comply with supply chain diligence requirements when exporting to Germany.

In response to questions from members, Benjamin suggested that a key lesson from the strategy design process is the importance of involving businesses from the outset, both to ensure the strategy responds to private sector needs and expectations, and to win companies over as advocates for Germany's continued investment in international development cooperation. In this context, the M&E system will be essential to generate evidence for effective PSE. He also encouraged WG members to think creatively about new PSE instruments to respond to changing economic and political contexts. Finally, Benjamin highlighted the upcoming [Hamburg Sustainability Conference \(HSC\)](#) to be hosted by German Federal Chancellor Scholz in Hamburg on 7 and 8 October. This will promote sustainability as a successful business model and tackle global issues such as food security, green shipping and aviation, and responsible sourcing of battery minerals.

Interactive poster session to get to know each other, share highlights and raise important questions for the PSE WG

In this interactive session, members were encouraged to share with each other their most important PSE-related successes for 2023, challenges for 2024, the core expertise areas they can offer to other WG members and their most urgent learning question. This sparked lively exchanges on a range of issues, such as the role of PSE and mobilisation of private finance in fragile contexts, results measurement in PSE, and how to make PSE operationally easier for staff.

Draft synthesis of PSE portfolio evaluations – key findings and feedback by participants

Cecilia Brady presented the main findings of her draft synthesis of PSE portfolio evaluations, which was shared with PSE WG members ahead of the meeting. Her analysis draws on portfolio evaluations and reviews prepared for BMZ, the Dutch MoFA, SDC, SECO and USAID. Cecilia's initial conclusions cover a range of common issues and challenges addressed by some or all of the evaluations she reviewed, in particular PSE definitions, theories of change, factors affecting PSE effectiveness at organisational and implementation levels, knowledge gaps and opportunities for peer learning, and the actions agencies are taking in response to evaluation findings and recommendations.

WG members raised several questions and suggestions in response to the presentation. There was broad consensus that the final report should be more explicit about what the portfolio evaluations say about the effectiveness of PSE. Some members asked for greater clarity around definitions, especially the distinction between the pursuit of development objectives and mutual benefits.

Deep-dive discussion on individual key issues emerging from PSE portfolio evaluation synthesis

During this session members raised several questions and challenges highlighted by the draft synthesis report. Members discussed these in three break-out groups, one on PSE definitions, one on organisational challenges for PSE, and one on implementation level challenges. Some of the issues discussed were proposed for potential inclusion in the WG's 2024/25 work plan (see below).

Friday, 1 March

Conversation with German private sector representatives

The second day started with an opportunity to hear directly from representatives from the German business sector about their PSE experiences.

- The German-African Business Association represents a significant majority of German companies active in Africa. About a third of members have collaborated with donor agencies or other actors in the development cooperation sphere.
- Boreal Light is a German SME providing solar energy solutions for water desalination.

Both shared their experiences of engaging with a range of agencies and programmes designed to encourage German businesses to establish and expand activities in developing and middle-income countries.

In response to questions from WG members, the two private sector representatives highlighted several areas for improving the attractiveness of PSE initiatives to companies in donor countries.

This included:

- streamlining PSE instruments
- scaling up successes rather than regularly launching new mechanisms
- consolidating information about PSE instruments in one place and ensuring companies can easily access advice and guidance
- reducing the amount of paperwork involved
- providing PSE support for core business functions and acknowledging that companies will engage in partnerships at least in part to increase profits; and
- working towards greater international harmonisation of PSE instruments, e.g. at EU level.

SDC proposal on Impact Investing training course

Luca Etter briefly presented an online training course on 'Hybrid Investment Structuring' by the Efiko Academy which some SDC staff members attended in 2023 and found very useful. In order to organise a new iteration of the online course with a sufficient number of participants, SDC is interested in exploring the possibility of a joint course with representatives from other member agencies. Interested members should email Luca to discuss this further. A presentation on the course content and structure was also shared with meeting participants separately by email.

Ideas for the 2024/2025 Work Plan emerging from the discussions

Melina introduced the session by reminding WG members of the process for finalising the Work plan for next year. A draft needs to be finalised in April, for sharing with the ExCo ahead of a meeting with all WG Chairs. A consolidated DCED Work Plan will be shared with members by mid-May for approval at the Annual Meeting Business Day (6 June).

Melina went on to summarise initial ideas for the PSE WG work plan emerging from the discussions on the previous day. These focused on:

- **Definitions/conceptual issues** with the possibility to update the existing [PSE WG's Operational Framework](#) in light of new resources, current language around PSE
- Continued focus on **organisational aspects of PSE**, e.g., by exchanging member agencies' experiences in streamlining their offer to businesses, including through one-stop shops and portals to make it easier for them to engage
- **Updates to the DCED knowledge offer on PSE**, e.g., by broadening the [DCED directory of donor-funded partnership facilities](#) to include links to one-stop shops and portals
- **Supporting better measurement and communication of results from PSE**; this could include

- The development of an overarching theory of change (consolidating such ToCs already available within agencies) as well as example indicators or learning questions for different steps in this ToC
- potentially developing a compelling PSE narrative for the polycrisis age
- exploring the development of case studies on new PSE approaches (incl in the area of mobilising finance) to showcase innovation of successes; these would however depend on member agencies sharing information on promising case examples.
- Activities related to **mobilising private finance**, e.g. exploring practical lessons for donor efforts to mobilise private finance in fragile environments/low-income countries.

There was broad agreement that the draft work plan should incorporate these elements, with a prioritisation of the most popular work items to follow in the next meeting.

PSE WG meeting during the DCED Annual Meeting, Washington, DC

Melina raised the question whether the WG should meet in-person as part of the DCED Annual Meeting in Washington, 3-6 June 2024. WG members broadly agreed that a meeting should be organised, probably for one day on Tuesday 4 June.

Members suggested to use the opportunity to meet Washington- based organisations they normally do not see regularly. For example, a session with the IADB, IFC and potentially others on innovative financial instruments to mobilise private finance and/or on enhancing synergies between PSE/PSD and finance could be of interest. This could potentially be organised as a joint session with the MSD WG. Other options might include a presentation of USAID's PSE Modernize reform initiative and/or a discussion with a Washington-based think tank such as the Centre for Global Development on opportunities for PSE in the polycrisis age.

The Co-Chairs will consider these ideas together with the Secretariat and develop a draft agenda for the WG meeting in Washington. The next online meeting of the WG is likely to take place during the second half of April, including to agree on the work plan. Members also suggested that future meetings could be used to re-introduce knowledge and guidance products published by the PSE WG in recent years to the group, which includes several new members.

Member updates

ADA

- ADA is about to issue a call for proposals under its *Business Partnerships Challenge*. This will be shared with the PSE WG.
- A special edition of the ADA magazine 'Weltnachrichten' is due to focus on sustainable economic development and will include a contribution from the DCED Secretariat.

FCDO

- The UK published a White Paper on International Development in a Contested World (Nov 2023) with a strong theme of private sector engagement and partnerships.
- The Mobilising Institutional Capital Through Listed Product Structures ([MOBILIST](#)) programme has been established to support investment solutions that help deliver the Global Goals for Sustainable Development and the climate transition.
- The UK has developed five new Centres of Expertise to encourage greater collaboration and efficiency for working across the UK government.
- A UK general election is likely to take place later this year. The FCDO is pushing hard on Ukraine reconstruction, the crisis in Gaza, and conflict & fragility more generally.

BMZ (GIZ)

- BMZ with support from its implementing agencies (GIZ, DEG and others) is focusing on implementing the new 'Partners in Transformation' strategy for PSE. This includes clearer guidance for companies on available PSE instruments and how these work in practice, less branding of PSE instruments as 'German' to encourage greater international collaboration, and mainstreaming PSE across more traditional development cooperation activities.
- The Hamburg Sustainability Conference (HSC) is also a major priority. Strategic objectives include mobilising greater finance from the private sector for the SDGs and streamlining international sustainability standards.

Luxembourg MoFA

- Luxembourg is focusing more on working at the policy level. As an example, a roundtable for policy makers on *the role of government in optimising impacts of Responsible Business Conduct due diligence policy and regulation* hosted by the OECD on 8 March was highlighted.
- Luxembourg has developed a new technical assistance fund for African businesses and is supporting collaboration between the Luxembourg and Kigali stock exchanges on green bonds and finance.
- Work is ongoing on a new due diligence mechanism for private sector partner selection.

ILO

- There is increasing interest from donors in collaborating on Responsible Business Conduct. ILO's focus is on building institutional capacity in developing countries.
- An important message from businesses is that they want to do more to tackle the root causes of risks within their supply chains.

NL MoFA

- PADEO (Programmatic Approach Sustainable Economic Development) implementation has been launched in Ghana and Tunisia with an initial focus on the cocoa and horticulture sectors.

SDC

- SDC is providing innovative financing to nutrition companies in Africa through Nutritious Foods Financing (N3F) which is hosted by the Global Alliance for Improved Nutrition (GAIN). Similar investments in the water sector are expected later this year.
- The Global Programme for Social and Impact Entrepreneurs has recently launched a call for proposals. Existing accelerators have been invited to present ideas for up to 50% of cofinancing.
- A new programmatic framework for SDC's PSE work has been put in place.

UNIDO

- UNIDO has put in place a bundle of solutions to work with multiple companies on RBC and sustainable global supply chains.
- UNIDO is also developing new financing models to make it easier to work with private businesses.

SECO

- SECO is going through a period of consolidation which means no new programmes will be designed.
- SECO is happy to share any proposals under its SDG Impact Finance Initiative that might of interest to other WG members.

- Internal discussions about how best to engage in Ukraine are ongoing and any updates will be shared during future meetings of the WG.

USAID

- The USAID Administrator and Deputy Administrator have recently been updated on progress with the PSE Modernize initiative. This illustrates how seriously this effort to reduce bureaucracy around PSE is being taken at the highest level. Modernize will also present to USAID's deputy mission directors during their upcoming conference in Washington DC. Overall, the aim is to make as much progress as possible before the Presidential election in November.