

**Private Sector Engagement Working Group (PSE WG)**  
**Hybrid meeting, 8 June 2022**  
**Minutes**

13 July 2022

**Participants:**

1. Gunter Schall, ADA
2. Laura Allison, DFAT (online)
3. Tomislav Ivancic, FAO (online)
4. Tom Sanderson, FCDO
5. Nirosha Gaminiratne, FCDO (online)
6. Mika Vehnämäki, Finland MoFA
7. Sabrina Ramzi, GAC (online)
8. Tobias Zeller, GIZ
9. Roselyne Yao, IDRC (online)
10. Annie Van Klaveren, ILO (online)
11. Andreas Hoibl, ILO (online)
12. Ernstine Kornelis, Luxemburg MoFA
13. Shingo Morihata, JICA
14. Helene Ystanes Føyen, Norad
15. Luca Etter, SDC
16. Liliana de Sá Kirckknopf, SECO
17. Daniel Gronvius, Sida (online)
18. Dominika Dor, UNIDO (online)
19. Katie Garcia, USAID (Chair - online)
20. Holger Grundel, DCED Secretariat

## Agenda

**13:30 – 13:40: Welcome by Katie Garcia (Chair) and Holger Grundel (Facilitator)**

**13:40 – 15:15: Tour de table: Introductions, agency updates and questions on PSE**

**15:15 – 15:30: Coffee break**

**15:30 – 16:45: Peer exchange and problem-solving on organisational aspects of PSE**

**16:45 – 17:15: AoB and meeting closure**

## Welcome

Katie and Holger welcomed participants to the meeting and explained the format for the different agenda items. They emphasised their request to members to include PSE-related questions and current challenges in their updates during the tour de table which would form the basis for discussions after the coffee break.

## Introduction, agency updates and questions on PSE

### DFAT

- New national government in Australia means shift in development programming is expected. Too early to say what this will mean in practice.

- *Partnerships for Recovery* programme launched in 2020 to support COVID-19 recovery is due to end in June 2022. Replacement will be shaped by new government's priorities.
- *Business Partnerships Platform (BPP)* PSE programme currently has 19 partnerships in 9 Asia-Pacific countries. All are at a relatively early stage.
- Increasing policy focus on climate change. BPP has just closed a round of applications in Vietnam with a particular focus on carbon markets. 36 applications have been received. Other active programmes are the *Market Development Facility* and *Emerging Markets Impact Investment Fund* which has just closed its second investment in Vietnam with a particular focus on women's economic empowerment.

## ADA

- *Innovation and social entrepreneurship*: New partnership with the Kofi Annan Foundation and the World Food Programme to set up the Kofi Annan Award which will be awarded to three health-tech ventures in Africa to help them scale up proven concepts. Grant agreements to be signed at high-level event in June 2022. Have also set up an intrapreneurship accelerator with the Red Cross ('[Redpreneur](#)') to support intrapreneurs from Eastern European Red Cross organisations with their social entrepreneurship ideas. More than 10 ideas are currently being piloted and a new phase is in planning.
- *Cooperation with corporates*: Ongoing vocational training programme in Serbia with more than 20 local and Austrian companies. New phase currently being designed together with SDC. ADA also has a new partnership for diagnostic and therapy for hearing loss in Africa and Asia together with an Austrian company.
- *Innovative finance*: Working with SDC to scale up their *Social Impact Incentives* instrument to support impact ventures during their scale-up phase.
- ADA has recently completed an evaluation of their work with the private sector which will be published in the coming weeks. Very happy to share with this group.

## FAO

- FAO's work on RBC aims to move beyond the focus on risk towards ensuring global supply chains contribute to development. Currently developing a handbook with the OECD on deforestation and agricultural supply chains supported by a multi-stakeholder advisory group including 35 private companies. Public consultation on the handbook will be open in July 2022.
- FAO has developed several guidance notes on RBC & agriculture, including on biofuel supply chains to reflect growing demand for biofuels as part of the energy transition.
- FAO is launching a new programme on reducing greenhouse gas emissions in agricultural supply chains – 25% of global emissions are related to agriculture.
- There is an emerging focus on how companies are collecting and measuring data to reduce ESG-related risks in their supply chains.
- **PSE-related question for discussion:**
  - How can the efforts made in developed economies to promote RBC achieve maximum benefits for upstream producers?

## FCDO

- The UK's new International Development Strategy was launched in May 2022 which includes a significant focus on investment, mobilising capital through London as an international hub for 'green, reliable and honest' finance in support of a 'network of liberty'. Other priorities include humanitarian assistance, girls' education and climate change.

- A recently-commissioned study on the economic case for RBC has found strong empirical evidence for a positive relationship between investments in RBC and company performance. A draft should be available for wider circulation in the next few weeks.
- **PSE-related questions for discussion:**
  - What can donors do to encourage companies to remain withdrawn from Russia as part of the wider response to the war in Ukraine (e.g. through formal pledges, codes of conduct, collaboration with UN agencies)?
  - How to influence private companies and state-owned enterprises involved in purchasing oil & gas from Russia?

## GAC

- There are multiple teams and individuals working on PSE in GAC which makes coordination challenging. Following the publication of GAC's PSE strategy in 2021, efforts are underway to create an internal coordination mechanism to exchange information more regularly and achieve greater coherence in messaging.
- The *International Assistance Innovation Programme* is one of the most concrete aspects of GAC's work on PSE. It has recently announced a significant contribution to the AfDB to support African SMEs in agri-food sector.
- An updated [policy for RBC](#) has recently been published.
- GAC is in the process of broadening its focus beyond working with CSOs and multilateral agencies to engage more systematically with the private sector. This requires changes to processes as well as culture and mindsets. Lessons and insights from other WG members will be very welcome in this context.

## Finland MoFA

- Finnish funding for PSD in developing countries has been on the decline, however, funding for PSE has been growing moderately. A new budget line for development policy investments and loans was introduced in 2015 and has been growing substantially. It forms part of Finland's ODA and marks a transition away from grant-based funding to mechanisms that generate a financial return for the Government of Finland. Partnerships under this budget line are managed through the Unit for Development Finance and Private Sector Cooperation.
- Finland has been investing strongly in results-based measurement and reporting. The first comprehensive report to the Finnish parliament was published in 2018. The second report should be finalised by the end of 2022.

## IDRC

- While IDRC has been working with the private sector for many years, it has recently established a new team to ensure its approach to PSE is more intentional, consistent and focused. Launched a new PSE strategy in 2020 with a strong focus on harnessing and amplifying the contributions of the private sector for the creation of a more sustainable and inclusive world.
- The strategy aims to achieve three main outcomes: (1) a robust evidence base that drives opportunities for private sector actors to contribute to global development, (2) a strong enabling environment to help private sector actors contribute to the SDGs and (3) increased resource commitments from the private sector to drive new solutions and collective actions.
- **PSE-related questions for discussion:**
  - What are best practices for implementing PSE strategies in a cross-programmatic way (within a development agency)?
  - How to communicate and engage most effectively with the private sector?

## GIZ

- Together with other implementing agencies, GIZ has been producing bi-annual reports to BMZ on their PSE work. These include aggregated data on the PSE portfolio. The reports also feature project examples. The most recent report from 2021 also includes a pilot on impact data.
- Germany has two main websites to identify new companies for potential partnerships: One is run by the [Agency for Business and Development](#) which provides information about the various partnership programmes that exist. The second one is [Leverist.de](#) which is a matchmaking platform where bilateral development programmes publish business opportunities. The matchmaking function has been used to support private companies in Moldova during the war in Ukraine to help them find new clients in Western Europe. There are now plans to use the same mechanism for companies in Ukraine.
- **PSE-related questions for discussion:**
  - How do other WG group members collect and use aggregated programme and impact data for effective communication and portfolio management?
  - How do other WG members approach companies for potential collaboration where there are no pre-existing relationships, e.g. through websites?

## Luxembourg MoFA

- Mobilising private finance remains a significant priority. Plans to expand this explicitly to promote a green and socially-inclusive economic transition.
- A second priority is digital for development with a particular focus on PSE & PSD as vectors for innovation. Particular emphasis is on bringing together private companies and research institutions to promote innovation through joint projects. Another focus area is promoting a more circular economy.
- Traditionally, Luxembourg has been focussing on French-speaking sub-Saharan Africa with recent expansion to Benin and Rwanda. In central America, there is a move away from country-based programmes to a more regional approach. In Asia, activities are mainly focused on Laos, Vietnam and Mongolia.
- Luxembourg's long-standing business partnerships facility is in the process of being redesigned and expanded. There is keen interest in learning from the experiences of other WG members with similar mechanisms. Luxembourg would also like to learn how other agencies are engaging with humanitarian actors.
- **PSE-related question for discussion:**
  - How do other WG members work to convince NGOs that tripartite partnerships with government and the private sector can generate impact benefits for all three parties? In particular, how can such partnerships promote innovation?

## ILO

- The ILO is working to increase the understanding of the labour dimension of RBC. Two websites have recently been launched with resources on (1) the ILO MNE Declaration and the UN Guiding Principles and (2) the ILO MNE Declaration and trade & investment.
- Another recent publication is a brief on what companies are doing around the world to eliminate child labour. The annual virtual training on MNEs and decent work will take place in September. Another training will soon be announced on gender equality, women's economic empowerment and RBC.
- The ILO is working to develop concrete tools for governments, companies and social partners for conducting due diligence in ways that ensure meaningful consultation with potentially affected groups and rights holders. This will involve a range of interventions at the global level and in Latin America.

- **PSE-related questions for discussion:**
  - How best to ensure internal coordination where several departments are involved in PSE?
  - How to ensure effective donor coordination at implementation level in partner countries?

### Norad

- Norad has recently reorganised and is now structured around the SDGs. PSE sits in the Department for Shared Prosperity and Partnerships. The new Norwegian government has reduced funding for work involving the private sector. A new strategy for how Norad will work with the private sector is currently being finalised. Likely that there will be less focus on PSD and more on PSE, recognising the private sector as an enabling actor, in particular for mobilising private sector funding. Working with the private sector on all of the new government's key priorities (food security & agriculture, energy, climate change, forestry, blue economy) is likely to become the norm instead of having all private sector engagement centralised in one section. Expected move away from having lots of small partnerships to building scale in a smaller number of areas.
- **PSE-related questions for discussion:**
  - How to build synergies with (national) DFIs? How to ensure that Norad's grants and concessional finance complement financing from Norfund?
  - New plan to work with private sector for all of Norad's priorities will require a shift in mindsets across the organisation. How have other WG members gone about this?

### SDC

- SDC has invested significantly in getting the legal and financial infrastructure for PSE right. That process is now complete and ready for operationalisation which is likely to prove challenging.
- Significant effort has also gone into data generation and management which means that for the first time there is a thorough understanding of what SDC's PSE portfolio looks like.
- SDC is going through organisation change and the private sector work will be merged with the education unit.
- Focus on impact finance continues with an increasing emphasis on underserved markets in LDCs. Have also started a small project to identify PSE opportunities more proactively to become less opportunistic. This will initially be tested in Tanzania and Rwanda.
- **PSE-related question for discussion:**
  - How to ensure that PSE skills increase over time in an environment where staff constantly move on to new positions?

### Sida

- Sida's funding have been reduced to support refugees arriving from Ukraine. As a result, budgets and projects related to PSE have had to be scaled back.
- Operational plan for 2021-23 includes a commitment to work more with the private sector and other non-traditional development actors.
- There is a new project to identify evidence for results from PSE. This follows on from a recent stocktake of PSE work across Sida which concluded that there are multiple projects and activities which are not well coordinated.
- Have split the guarantee unit into an origination and a follow-up unit to encourage greater independence between the two stages.
- *Swedish Leadership for Sustainable Development Network* which had been working with several large Swedish companies has been closed down.

- **PSE-related question for discussion:**
  - How to encourage colleagues to work with the private sector in less traditional areas, e.g. humanitarian, health, environment?

## UNIDO

- New Director General's priorities have not been formally announced but highly likely that PSE will be high on the new agenda. Work on UNIDO's new PSE strategy continues and it is likely that PSE policies will also be updated. A new guide for project managers on PSE is also being considered.
- Keen to learn from other WG members on, e.g., how to ensure PSE work is inclusive and how to promote ownership of PSE agenda amongst senior leadership.
- PSE is treated as a cross-cutting issue in UNIDO. Partnerships are often created at country-level, led by host governments and involving the private sector as much as possible.
- **PSE-related questions for discussion:**
  - What is the experience of other WG members with regard to effective monitoring and reporting of PSE?
  - What tools exist for knowledge and partnership management related to PSE?

## SECO

- SECO recently launched the [SDG Impact Finance Initiative](#), co-created with the UBS Optimus Foundation and the Credit Suisse Foundation. The aim is to crowd in more private sector actors and private capital for SDG financing. The initiative will have three windows for (1) promoting innovation & proof of concept, (2) scaling up financial products and (3) strengthening the ecosystem for impact investing (including impact measurement). First call for proposals is currently open for the innovation window.
- SECO's trade division is deepening its engagement with the private sector through different multistakeholder commodity platforms, e.g. cocoa, gold and palm oil.
- Continues to be active on impact bonds. Committing new funds to the Outcome Accelerator.
- Has activities to promote start-ups and entrepreneurship with a dedicated programme to promote the ecosystem for start-ups.
- An evaluation of SECO's PSE work is ongoing. The report should be ready for wider sharing after the summer.
- **PSE-related questions for discussion:**
  - How are revolving funds reflected in member agencies' accounts? Are non-grant instruments discouraged because they are harder to manage than grants?
  - How are other agencies organised around PSE as a cross-cutting issue when multiple departments/units deal with the private sector?

## JICA

- PSE is of growing importance for JICA. JICA's charter and latest five-year plan both encourage engagement with the private sector. The Private Sector Partnership and Finance Department at HQ is leading on this agenda. There are thirteen training centres in Japan staffed by private sector partnership officers who can respond to queries from Japanese businesses. There is also a dedicated partnerships website. All divisions in JICA are encouraged to partner with the private sector.
- JICA's flagship programme which supports Japanese SMEs wanting to expand their activities in developing countries is currently being restructured. While it has supported more than 1,400 projects over the past 12 years, feedback from users has highlighted that contracting

takes a long time and application procedures are too complex. In response, processes will be simplified and streamlined so that JICA can become a more effective co-creation partner for Japanese businesses.

- **PSE-related question for discussion:**
  - How are other WG members measuring PSE outcomes, especially using quantitative indicators? So far, JICA has only managed to capture benefits for Japanese firms participating in its programmes, but not the wider developmental impacts.

## USAID

- USAID has recently launched a survey of its strategic partners in the private sector to gauge how they are responding to the secondary impacts of Russia's invasion of Ukraine. Reported impacts focus in particular on global supply chain disruptions. Survey results will be used to better leverage existing private sector partnerships to support Ukraine and to communicate the negative impacts on markets systems and livelihoods across USAID's food security programming.
- There is a growing focus on localisation and Katie shared a story of USAID supporting nine producers of PPE to meet international quality standards which has opened up new markets and led them to invest \$6 million of their own resources in new production capacity.
- The USAID Administrator and several mission directors recently discussed USAID's *Future Workforce Programme* which includes efforts to improve hiring and processing systems to attract greater private sector talent.
- A new customer relationship management (CRM) system is in the process of being deployed across the agency which should streamline what is currently a patchwork of measures to track private sector relationships. This will be a 5-year programme which will mobilise support from other parts of the US Government and include capacity building for staff.
- **PSE-related questions for discussion:**
  - How can donors influence companies' behaviours outside formal partnerships?
  - How can the WG connect more easily to explore PSE-related questions as they arise? Are there ways to be more interactive outside regular group meetings?

## **Peer exchange and problem-solving on organisational aspects of PSE**

During the coffee break, Katie and Holger talked through the PSE-related questions and challenges raised by members and identified four priority themes for further discussion:

1. Monitoring and impact measurement for PSE activities and programmes (GIZ, IDRC, JICA, UNIDO)
2. Growing use of revolving funds and non-grant instruments for PSE (Finland MoFA, Norad, SECO)
3. Responding to rapid-onset crises - with a focus on the war in Ukraine (FCDO, GIZ, USAID)
4. PSE in areas not directly related to economic development (e.g. humanitarian assistance and health) including how to involve NGOs in such partnerships (Luxembourg MoFA, Sida)

Because of time constraints it was decided to limit the discussion to the first three questions.

The main points from the discussion were:

### **1. Monitoring and impact measurement for PSE activities and programmes**

- IDRC is doing a stocktake of projects that have involved working with the private sector in an attempt to identify those with the highest impact as well as the key factors for success. Keen to hear from other members how they define impact of PSE as part of audit and accountability mechanisms as well as to communicate successes more effectively to wider audiences.

- The Government of Finland has developed a theory of change for its entire international development programme which includes aggregate indicators for specific sectors. PSD & PSE indicators were based on experience and advice from the DCED, e.g. how to measure jobs created. Progress against individual projects is captured through a central system which enables aggregate reporting to parliament and the general public.
- Several tools and methodologies for impact measurement were highlighted, e.g. the [Impact Management Project](#), [60 Decibels](#), [Proof of Impact](#) and the [Social Performance Task Force](#). WG members' experience shows that capturing impact tends to be expensive and time-consuming, especially for beneficiaries. New technologies should help with reducing the costs of data collection. Harmonising standards, indicators and theories of change between donors and with DFIs could also be useful, potentially through the OECD.
- GIZ suggested that interested PSE WG members could meet separately to share experiences and lessons for this growing area and report back to the wider group.

## **2. Growing use of revolving funds and non-grant instruments for PSE**

- Finland has significantly increased the use of revolving funds since 2015. They require closer working with the Ministry of Finance and the National Bureau of Statistics and have been deployed through the national DFI Finfund and various development banks (esp. AfDB, ADB, IADB). Currently, 15% of Finland's ODA is non-grant based.
- GAC is planning a review of its experience with non-grant mechanisms in the context of climate finance which it also deploys through various MDBs.
- Finland has in the past allocated non-grant funding to a Finnish NGO to invest in African SMEs because the national DFI regards this market as too expensive and risky.
- Several members highlighted challenges related to managing grant and non-grant instruments in parallel, e.g. the latter requiring longer planning horizons and the national accounting challenges that arise when funds are repaid to the national treasury. To address the latter challenge, SECO transfers funds into associations who are responsible for revolving lending and investment operations. The initial funding from SECO is treated as a grant.
- Effective management of non-grant instruments requires technical experts which donors generally don't have in large numbers. The FCDO therefore limits its use of such instruments to HQ and its large office in India with the bulk of UK non-grant funding channelled through the national DFI British Investment International.

## **3. Responding to rapid-onset crises - with a focus on the war in Ukraine**

- In response to the Ukraine crisis, the FCDO has set up a monthly forum with major UK companies. Participation from the private sector tends to be through government affairs teams rather than at board-level where strategic political issues are generally discussed and decided. The UK also has links with the B20 (business equivalent of G20) and the UN Global Compact, but it is not clear how effective these structures are. A wide range of business networks have emerged in response to the climate crisis – is it time for donors to encourage a similar response to the war in Ukraine?
- GIZ highlighted the COVID-19 response as a good example of how joint work with the private sector can deliver tangible results. Germany's work with companies throughout the pandemic is perceived as a significant success. This is likely to strengthen the case for PSE as part of responses to future crises.
- USAID's engagement with traditional private sector partners around the war in Ukraine has identified new opportunities, including new products that don't rely on inputs from hostile countries and regions (e.g. renewable bio-based fertilisers). Joint crisis responses with the private sector require specialist skills which may not exist in all members agencies.



- Several members highlighted the growing role of PSE as part of the global response to the climate crisis.

#### **AOB and date of the next meeting**

Holger briefly described the plans for the PSE session as part of the Annual Meeting's Thematic Day.

The Secretariat will reach out to all PSE WG members after the summer with suggestions for the timing and topics for the next meeting of the PSE WG.