



The Donor Committee for Enterprise Development

**Private Sector Engagement Working Group (PSE WG)
Teleconference, 9 March 2021
Minutes**

16/03/2021

Participants

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| 1. Gunter Schall, ADA (Co-Chair) | 11. Ichiro Fukuhara, JICA |
| 2. Lars Stein, SDC (Co-Chair) | 12. Takafumi Ueda, JICA |
| 3. Peta Mills, DFAT | 13. Thomas Lammar, Luxemburg MoFA |
| 4. Lauren Sewell, DFAT | 14. Priscilla Boiardi, OECD |
| 5. Matthias Altmann, EC (for part of the time) | 15. Massimo Bloch, SECO |
| 6. Linda Scheik, GIZ | 16. Suzanne Krook, Sida (for part of the time) |
| 7. Tobias Zeller, GIZ | 17. Anne Kullman, Sida |
| 8. Laura Desmoulin, Finland MoFA | 18. Ganna Onysko, UNIDO (for part of the time) |
| 9. Venla Voutilainen, Finland MoFA (for part of the time) | 19. Emmi Ylinen, UNIDO |
| 10. Neil Gannon, IrishAid | 20. Katie Garcia, USAID |
| | 21. Holger Grundel, Melina Heinrich-Fernandes, Jim Tanburn, DCED Secretariat |

Introduction

This PSE WG meeting had four main agenda items and outcomes:

1. **an update on the scoping paper on RBC and PSE**, including presentation and discussion of preliminary findings from member interviews: feedback shared by members will be used to inform further development of the paper
2. **an announcement of the opportunity for members to volunteer for (co-)chairing the WG**: interested members can contact the Secretariat for more information or to volunteer
3. **preparations for the work plan for the next financial year**, including an exchange on priorities and draft elements: a full draft work plan will be shared with members for further feedback within two weeks, as a basis for agreement on the final version
4. **member updates on important new developments in PSE**: important new documents are shared via links in the text or attachment to the email

These Minutes summarise key information shared and details on the action items agreed.

1. Scoping paper on Responsible Business Conduct (RBC) and PSE: Preliminary findings of member interviews

Background and elements of member interviews

As agreed in previous discussions, the scoping paper on RBC for donors supporting PSE includes two main parts:

- Part 1 seeks to provide a general understanding of the RBC concept and instruments to promote RBC for donor agencies support PSE
- Part 2 offers a detailed analysis of the state-of-the art relating to four government instruments to promote RBC and of their practical implications or implementation in the context of PSE.

One focus of this teleconference was to present preliminary findings of seven member interviews on the practical operationalisation of RBC support through PSE, including:

- the implications of *legislative instruments* for PSE, with questions covering aspects such as the role of PSE units in informing national processes on mandatory RBC obligations, and in supporting companies to comply with legal obligations;
- current initiatives to *facilitate and motivate* RBC through PSE, such as donors' own due diligence or support to third-party initiatives that help standardise, guide and leverage progress towards RBC;
- donor experiences in *partnering* with lead companies to promote better practices in their supply chains, or with multi-stakeholder initiatives to advance the RBC agenda; and
- current practices in *endorsing* RBC by individual companies to highlight positive examples.

The full slides have been shared with members ahead of the meetings.

Member feedback

Overall, members appreciated the work and findings so far and highlighted the growing priority of this topic in their work (e.g. due to the focus on resilient and responsible global supply chains in the context of COVID-19, and political momentum around the 10th anniversary of the UN Guiding Principles on Business and Human Rights).

The following suggestions were made by members to inform further development of the paper:

- Anne Kullman noted that it would be useful to explore companies' views on the role of donors in promoting RBC. The Secretariat will therefore get in touch with Sida about a possible introduction to suitable business interviewees. Sida tries to tackle RBC through both market systems development and PSE and would further be interested in exploring synergies between these two approaches to promote RBC.
- Lars Stein would be particularly interested in unpacking further which parts of governments/ donor agencies should lead on the RBC agenda, as current initiatives to promote RBC tend to be scattered. He also volunteered for an interview on RBC with the Secretariat.
- Matthias Altmann explained that guidance on the implementation of national (donor country) legislation on RBC to govern the behaviour of domestic companies is generally led by Ministries of Economy and therefore outside the scope of donor agencies. The involvement of these companies in global supply chains however makes this type of legislation relevant for donor agencies. For legislation to be effective, donors will need to work with a range of public and private partners to promote its implementation in developing countries, where the most significant supply chain risks tend to occur. The objective of donors should be to maximise the development benefits of legislative RBC instruments and to reduce the risk of international companies withdrawing from countries and supply chains covered by such legislation. This may include measures to promote the adoption of similar legislation in developing countries as well as guidance and support to the local private sector.
- Massimo Bloch appreciated the planned inclusion of a mapping table on legislative instruments to promote RBC. He suggested that a similar mapping table be included on

voluntary sectoral RBC initiatives funded by different donors. The Secretariat confirmed that a mapping table covering flagship sectoral initiatives will indeed be included. In response to the conclusions shared in the presentation, Massimo agreed that it may be most strategic for donors to focus on the 'ecosystem' for RBC by supporting third-party initiatives that influence different levers of RBC. This could help avoid fragmentation with too many isolated partnerships. Massimo further offered to put the Secretariat in touch with colleagues from SECO's trade unit, who may be able to contribute further experiences to the paper.

Next steps regarding the RBC scoping paper

The Secretariat will consider the above-listed comments in developing the next version of the paper and follow-up with colleagues on suggested interviews. A full draft of the paper is envisaged within the next 6-8 weeks and will be shared with the PSE WG for discussion at their next meeting (to be scheduled most likely in May).

2. Co-chairs stepping down: Opportunity to volunteer for (co-)chairing the PSE WG

Gunter Schall and Lars Stein announced that they will step down as Co-Chairs towards the end of the current financial year (June 2021), to make way for other members who may be interested in co-chairing the group. They will remain active members of the group. Melina Heinrich-Fernandes thanked the outgoing Co-Chairs for their much-appreciated leadership and long-standing support since the foundation of the PSE WG in 2017.

Next steps regarding the confirmation of new Co-Chairs

Members interested in potentially chairing or co-chairing the PSE can contact the Secretariat to find out more about what is involved or to volunteer. A call may also be set-up with the outgoing Co-Chairs to discuss their experience. New Co-Chairs could then be confirmed in a PSE WG meeting in May or June.

3. Draft elements of the PSE WG Work Plan for 2021-22

Work plan process and initial draft elements

A draft work plan for July 2021- June 2022 will have to be submitted to the DCED ExCo in mid-April; this agenda item therefore focused on a brief review of progress against the current work plan and a discussion of priorities and ideas for the next work plan (a full slide deck was shared with members ahead of the call).

The proposed key elements of the work plan for FY22 include:

- the final publication of the RBC scoping paper (if not in FY21), and the full update of the DCED additionality guidelines (carried forward from the current work plan)
- a one-two page summary of the RBC scoping paper to facilitate the dissemination of key findings, as well as a public webinar to launch the paper
- at least two peer exchange meetings among PSE WG members, accompanied by internal summary papers for members, on priority themes including:
 - organisational change and systems to enable PSE (with various sub-themes already proposed by members at their November 2020 meeting)
 - particular issues emerging from the RBC scoping paper
 - PSE-related recovery strategies in the context of COVID-19

- continued update and enhance of the DCED knowledge offer on PSE, including an update of the popular 2019 DCED Synthesis Note on PSE

Member feedback and additional suggestions

Members agreed with the proposed elements of the work plan so far. While members did not raise any new strategic focus areas or themes, several topics were added as being of interest for future peer exchange:

- Under the umbrella of organisational change and systems to enable PSE, Peta Mills and Katie Garcia confirmed the importance of changing internal systems and promoting cultural change. Additional topics highlighted include:
 - The nature and content of partnership agreements
 - Experiences regarding the value of MoUs (potentially featuring a presentation by USAID on a forthcoming internal review of MoUs)
 - In a real partnership, what activities (e.g. commercial or non-profit) should be eligible for funding? (Luxemburg MoFA, IrishAID)
 - Comparison of agency approaches to assessing additionality (IrishAID)
- In addition to other key issues already emerging from the RBC scoping paper, members expressed potential interest in exchanges on
 - Different agency approaches to due diligence on companies (who should do it and how) (e.g. Sida, IrishAid)
 - How to mainstream cross-cutting objectives related to gender and the environment in PSE (e.g. Finland)
 - The role of PSE in facilitating companies' adoption of RBC (e.g. Sida) and mitigating potential negative consequences of due diligence legislation in local supply chains

Members further mentioned a few other considerations for the work plan:

- Priscillia Boiardi mentioned that the OECD DAC is currently working on comprehensive guidance on additionality (which also references DCED work). It will therefore be important to consider synergies and to coordinate the update of the DCED guidelines with the OECD's work.
- Anne Kullman noted the continued strong interest by Sida and others in evidence on the value of PSE.

Next steps regarding the development and approval of the work plan

The Secretariat will develop a full draft work plan based on the suggestions above. It will be shared with members for internal consultations and further comments within two weeks, as a basis for agreement on the final version.

There will be an opportunity for members to prioritise and select the most important peer exchange themes from the long list towards the beginning of the new financial year.

4. Member updates

ADA is preparing an evaluation of their PSE work, which will be published by the end of the year and may be used as an input to change the design of current programmes.

Speaking on behalf of **BMZ**, GIZ highlighted the launch of the Coalition for Health in Ghana, which works with major German health industry companies and is supported by a Secretariat in GIZ. In the

BMZ-funded DeveloPPP programme the maximum public contribution is back to 50% of projects costs (up to EUR200k), after a temporary rise to up to 100% as part of BMZ's COVID response package.

The **Finland MoFA** has just concluded a [comprehensive evaluation of their support to PSD and economic growth](#), including recommendations and case studies on PSE.

IrishAID is in the process of enhancing internal guidance on assessing business applications, in particular with respect to additionality and due diligence. A [new report has been published on rural Africa](#), which seeks to provide a basis for a more coordinated approaches by Irish aid actors.

JICA has just agreed MoU with Rakuten (the Japanese equivalent to Amazon with 1 bn users in 15 countries), after one year of consultations. The collaboration includes mentoring for start-ups, especially on ICT, a scholarship programme for students, and a vision to sell sustainable products supported by JICA projects via Rakuten's Earth Mall website. Apparently the Rakuten stock price increased after the deal.

The **Luxemburg MoFA's** Business Partnership Facility now includes support to COVID-related projects. The Ministry also supports work on transportable fridges to deliver vaccines in more remote areas. Their flagship telemedicine project with SAT MED is scaling up its work in collaboration with health agencies. Overall, PSE has been confirmed as a priority of the Ministry. A new strategy on inclusive and innovative finance and the private sector is under development, with a consultation process happening this month. The Ministry has also started to include clauses in all private sector contracts on human rights due diligence.

SDC has published a new [Handbook on PSE](#). SDC's operational units on Health and Water have launched a new initiative ('RAMP'), which seeks to engage with leading pharmaceutical companies in a new platform on responsible antibiotics manufacturing. The initiative is open for co-funding by other donors. Lars Stein will send a one-pager on the project (to be shared with these Minutes).

SECO is preparing a PSE marker for SECO projects and would welcome advice and examples from other agencies on appropriate indicators. SECO is also preparing a new initiative to support impact investing, as follow up to SECO 17.

Sida has an ongoing internal mid-term review of Power Africa with USAID and others. A management response is in preparation on technical challenges to innovative ways of working. Sida has also launched an internal seminar series on the value of working with the private sector.

USAID: Partnerships, in general, including with the private sector, are very important for the new administration, as can be seen in this new [White House memo](#). As part of this shift, USAID will be part of the national security workforce.