



The Donor Committee for Enterprise Development

**Minutes of the 38<sup>th</sup> DCED Annual Meeting**  
**Hosted by Sida in Härnösand, Sweden, 15-16 June 2016**

27<sup>th</sup> June 2016

*These Minutes are presented in chronological order, with the Thematic Discussion on 15th June, and the Business Day on 16th June (the [Working Group](#) meetings on 14th June are being Minuted separately). The Thematic Discussion focused on Partnerships with the Private Sector for Sustainable Development; available presentations and related materials are posted at [www.enterprise-development.org/annual-meetings/38-annual-meeting](http://www.enterprise-development.org/annual-meetings/38-annual-meeting). The Business Day (“Members’ General Assembly”) is important to the functioning of the DCED as it is the governing body, according to the DCED’s Charter. The Annual Meeting included 64 participants from 24 agencies. A list of registered participants is attached as Annex 1.*

**Thematic day: Partnerships with the Private Sector for Sustainable Development, Wed. 15<sup>th</sup> June**

This day was dedicated to technical discussion among DCED members and guests from the Swedish private sector and civil society on the topic of Partnerships for Sustainable Development. Available presentations also hyperlinked from the speaker names, below. It was facilitated by Albena Melin.

**Johan Veul**, Co-Chair of the DCED, formally opened the thematic day, warmly thanking Sida for hosting this year’s Annual Meeting, and in particular for organising the Thematic Day. He stressed that DCED represented the ‘best forum’ for practical exchange between agencies working with and through the private sector. This was echoed by **Ola Petterson**, Head of the Private Sector Collaboration and Partnerships Unit at Sida, who noted that DCED offers a platform for frank, though-provoking discussions, which can serve to both challenge and inspire donors’ work with the private sector. While many positive examples of collaboration with pioneer businesses exist in Sida, such as through the ‘[Swedish Leadership on Sustainable Development](#)’ initiative, donors still face many open questions on how to best utilise the capacity of the private sector to achieve the SDGs.

**Jim Tanburn**, DCED Coordinator, further explored current trends and challenges in partnering with business, building on recent DCED research and member feedback on this topic.<sup>1</sup> Several large organisations are now moving from traditional mechanisms (e.g. grants through challenge funds) towards more strategic ways of working with business. These include building relationships with partners for a year or more, before entering partnerships; establishing focal points, help lines and relationship managers for partnering; and enhancing their own capacities through guidelines, training and secondments to business. Still, a number of key questions are raised by donors engaged in such a transition:

1. How does partnering with individual businesses fit with making market systems work for the poor?
2. Which issues are best addressed through partnering, and which through other approaches?

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<sup>1</sup> To give a few examples, the DCED produced a [review of experience in partnerships with business](#) (2013); organised an [Annual Meeting](#) on the theme with the Netherlands Ministry of Foreign Affairs (2013); published [guidelines on measuring results in challenge funds](#) (2013) and an [exploratory guide on demonstrating additionality](#) (2014); a [mapping of partnership programmes](#) and [directory for business](#) of funding and technical support opportunities by donors; a [comparison of market systems and partnerships approaches](#); a [regularly updated synthesis](#) of current practice in donor funds and facilities for partnering with business; and an [extensive knowledge area](#) covering publications on current practice, results and lessons learnt.

3. How to change organisational culture, structures, procedures and vocabulary to support a shift from government-to-government to public-private collaboration?
4. How to measure results in partnerships in ways that generate credible evidence, and take account of the commercial sensitivities and interests of partners?
5. How to credibly demonstrate additionality in the face of competing political pressures, such as to maximise leverage

Several of these observations resonated with the findings of the forthcoming OECD peer review of how four agencies – Germany, Netherlands, Sweden and USA – work with and through the private sector, presented by **Rahul Malhotra**, OECD. He called for clarity on the value proposition of working with the private sector. For instance, partnerships with the private sector were more likely to be successful if the issue being worked on is part of the company's core business. Similarly, donors should be clear about what they are contributing, and be willing to take risks. Other practices related to 'how' donors and the private sector work together. For instance, donors should differentiate tools for different types of partnership.

Multi-stakeholder partnerships are increasingly common but it is important to realise that these are about building relationships, rather than signing contracts. The research found that a major gap to be addressed was improving the measuring of results. Currently, this is not being done well, with insufficient resources being allocated to evaluation and learning. More attention is also required to ensuring additionality and building staff capacity for engaging with business. Finally, Rahul asserted that Private Sector Engagement and Private Sector Development were at different points on a continuum, and should not be seen as a (false) dichotomy.

A donor perspective on trends and modalities in partnering with business was provided by [Lena Ingelstam](#), Sida, who outlined a range of complementary initiatives. These range from working with civil society to advocate for changes in business practices, to the use of innovative financial instruments, including early stage co-funding or loan guarantees. [Virpi Stucki](#) provided an overview of UNIDO's initiative to structure and share lessons from their partnerships for skills development, the [Learning and Knowledge Development Facility](#).

**Three businesses and an NGO presented their work with Sida; each gave suggestions for donors working with or through the private sector.** Many of these also reflected the good practices emerging from the DCED's work and the OECD peer review; they also pointed to the need to further align cultures and processes.

[Katarina Eriksson](#) from **Tetra Laval** outlined work developing the market for locally-produced milk in Bangladesh, through the creation of dairy hubs (improving the supply) and school feeding programmes (increasing the demand), not least to increase sales of packaging materials. She had several suggestions for donors:

- Start with an assessment of market demand for a specific product or service
- Engage with the private sector early in project development stage, be open to the needs and ideas from the private sector and use an approach of piloting and learning as you go along rather than fine-tuning well-intended strategies at policy level
- Be realistic in working with smallholder farmers and do not expect them to change or improve everything very quickly
- Develop financing models targeting the local private sector (not only multinational companies)
- Develop platforms for engaging with the private sector

- Limit the administrative burden of working with donors, recognising that companies cannot work in too many partnerships at one time

[Eva Eriksson](#) from **Löfbergs**, a Swedish coffee roasting company, spoke about their responsibility for improving the sustainability of the value chain from ‘bean to cup’. Responsibilities ranged from using renewable energy, to buying certified coffee and working on development projects. It is this last action that is the basis of their partnership with Sida. Sida contributes to the *Coffee and Climate* project, which helps small-scale coffee farmers with best practices for climate adaptation. Eva stressed that companies also have limited resources and need to focus on core business. Partnering with donors could be facilitated if donors used the same application form and follow-up procedures; had flexible contribution arrangements, whereby donors might contribute more than 50% of the funds required; and provided assistance to scale up successful development projects to the regional and national level.

[Mariann Eriksson](#), **WWF**, highlighted a number of lessons from their work on standard-setting across three initiatives, one of which targets 500 companies, rather than much larger number of producers or consumers. Lessons include assessing the risks, both business and reputational, ensuring partnerships had the buy-in from the board and executive team; looking beyond the company leaders to engage with workers, subcontractors and customers; and ensuring that sustainability is built into the business model. To achieve change, WWF stressed that certification schemes required strong brands to drive change, but also needed to be complemented by other initiatives focused on government policy and financial flows.

**Jonah Wigerhäll**, **H&M**, presented on how H&M aims to establish itself as a sustainability leader in order to drive change. In particular, H&M is keen to sustain its business in the long run by meeting changed customer preferences and benefiting from ‘first mover’ advantages. H&M distinguishes between three major types of sustainable business practices: 1) generating positive impact through core business operations of H&M and its suppliers; 2) investing in shared value projects in communities along the value chains; and 3) promoting charitable projects through the H&M foundation. Collaboration with development organisations has helped H&M gain credibility, benefit from technical expertise and gain access to governments and markets. However, differences in organisational cultures and operational methods can still present challenges for partnerships.

In the discussions and Q&A, the following issues received particular attention:

- **The need for greater flexibility and longer time horizons in partnership design and implementation:** Both donors and businesses need to appreciate that it takes time to understand mutual needs and to co-create collaborations. Getting together early on in the project development stage can be critical – but modalities for cooperation need to change to facilitate this. Political pressures to deliver results quickly can be counter-productive. While results measurement should be a priority early on, there is a need to set realistic expectations about when impacts can be achieved. Mechanisms for including other stakeholders in partnership design and implementation are often lacking. Donors also still often work through 5-year time frames with fixed instruments and targets, rather than adapting instruments flexibly based on changing needs during project implementation. Where cost-sharing is agreed, the common rule of 50% private co-financing should be interpreted flexibly, e.g. to account for earlier investments by the company. There is also a need to rethink suitable forms of support more generally. Sida, for example, sees increasing potential in providing loan guarantees and other non-grant forms of finance.
- **Finding solutions to scaling-up and achieving systemic change:**

- Insights from a small family business (Löfbergs) and a multinational company (Tetra Laval) illustrated that the 'end games' or exit strategies of partnerships, and the roles of donors and businesses in ensuring sustainability, may differ for different types of companies. The model in which donors support a pilot project to demonstrate a business case, and the company scales it up, seems to be applicable to Tetra Laval. It was not applicable, however, to Löfbergs, who stressed that sourcing certified coffee and scaling up operations would not be possible without the continued support of development partners. Tetra Laval's pilot project in Bangladesh is soon going to be self-sustaining, and Sida's support was instrumental in speeding up implementation. It has allowed Tetra to demonstrate viability and start replicating the model in other countries much sooner than they would otherwise have been able to.
  - Some participants felt that donors could become more effective if they aligned their support with the way that large businesses operate. This would require a sequenced approach, from supporting pilots to investing in the scaling up of successful models. Instead, many donors focused on cost-sharing pilots, even if the approach had already been proven elsewhere. Similarly, donors would benefit from showcasing failures in a more transparent way, similar to the business start-up scene.
  - Open questions included how donors can scale-up partnerships in fragile markets; and how to integrate the local private sector better into partnerships with multinational companies – including by promoting better operating standards in 2<sup>nd</sup> and 3<sup>rd</sup> tier SME suppliers.
  - There needs to be an understanding that 'inclusive' market transformation often requires displacing some market actors (e.g. traders in the dairy value chain), requiring them to find different roles and sources of income. Hence, 'inclusive' business models can also be 'exclusive' of certain market actors in the short term.
- **Coordination and collaboration among development partners and programmes:** As donors are increasingly interested in innovative financial instruments, it would be useful to learn more from the experiences of DFIs. It was also noted that donors' partnership work could learn from market systems development or M4P approaches, which already adopt flexible approaches in working with business partners to achieve sustainable changes in markets. Partnership programmes at the global level may also benefit from greater collaboration with M4P programmes on the ground, including to explore opportunities for enhancing system-wide impact of their partnerships and avoid fragmentation (e.g. where M4P programmes and global partnerships work in the same supply chains).
  - **Addressing changing capacity needs:** Both the public and private sector face changing capacity needs. Tetra Laval, for example, had initial difficulties in finding staff with the right skills to implement their strategy and bring in relevant development expertise in the dairy sector. Building capacity in the supply chain is also one of the key bottlenecks for scaling up the business model quickly. Donor agencies also require different skill sets than required for government-to-government collaboration, and staff development was highlighted as a pre-requisite for enhancing public-private collaboration.
  - **Facilitating further exchange between donors and business:** The role of public-private platforms and honest brokers to facilitate exchange was repeatedly mentioned. Sectoral platforms may be particularly useful to enable collaborative projects that address sectoral growth constraints. Well-structured events that bring together companies and donors could also help build relationships and discuss specific constraints to collaboration (e.g. burdensome application systems for companies and the lack of common terminologies). A

review of private sector practices for partnering with donors (similar to the OECD peer learning exercise) could serve to highlight common key issues and possible solutions. More generally, there may be a role for 'honest brokers' such as the DCED to facilitate such exchanges and to identify practical solutions for linking up donors and business partners.

The moderator, **Albena Melin**, concluded the day noting that more work is required to pin down key questions and underlying issues that agencies want to see addressed. The DCED Secretariat will support this process.

### **Key outcomes from the DCED Business Day, Thursday 16<sup>th</sup> June**

The first session of Thursday included **Agency Updates**; available presentations are posted on the [DCED website](#). The second session included summaries of progress to date, and future plans, of the DCED as a whole, and of the individual Working Groups. Relevant presentations are posted online.

### ***Presentation of Progress and Plans***

Jim Tanburn outlined highlights of the Secretariat's **Knowledge Management and Outreach** work. The website has been migrated to a new platform, to enhance the user experience, streamline content, and improve security and responsiveness of the website (i.e. full functionality across various devices). Two new Synthesis Notes were published on Mega-Trends in PSD and Women's Economic Empowerment, as well as four Newsletters, three thematic Newsflashes and more than 150 tweets. A regional workshop on PSD for member agency staff was held in Nairobi, and presentations about the DCED's work were made at many conferences and events. In FY 2017 a new member survey will be held to identify future priorities. The knowledge offer will be expanded in line with themes already requested by members, including youth employment, urban PSD or poverty in middle-income countries. The organisation of strategic events will be explored, including a debate workshop on inclusive business and regional workshops with field staff.

Farid Hegazy outlined recent achievements of the **Business Environment Working Group (BEWG)**. In FY 2016, draft papers were developed on BER and Gender; Creating an Enabling Environment for Inclusive Business; and BER Beyond the National Level (regional and sub-national reforms). In addition, a Donor Guidance Annex on Sectoral BER was drafted, which builds on [an earlier report](#) on the theme. The BEWG also contributed to a joint work item with the Green Growth Working Group on BER for Green Growth. In FY 2017, the BEWG plans to draft guidance on BER and Gender as well as Beyond National BER. It also plans a study on how to use BER to promote skills development and labour productivity, and an impact review of preferential public procurement policies for SMEs.

Kees van der Ree described developments in the **Green Growth Working Group (GGWG)**, which currently focuses on Phase 2 of the study on synergies between Green Growth and Business Environment Reform, building on the Phase 1 draft report produced in FY 2016. This will include five or six case studies that draw out key lessons; the report aims to provide concise and accessible guidance to practitioners. The Group also plans a report or peer learning event on mainstreaming green growth in PSD portfolios and 'climate proofing' PSD portfolios. Finally, it intends to conduct a review of emerging approaches in Green Value Chain Development, comparing good practice across member organisations.

Jim Tanburn gave outlined the activities of the **Results Measurement Working Group (RM WG)**. The Secretariat organised a Global Seminar on Results Measurement with 130 participants from 52 agencies, in addition to four regional workshops. 10 new case studies and a sample size calculator were developed. Four formal audits were held on compliance with the DCED Standard. Separately, under the leadership of IFC, the group published 25 harmonised indicators based on a mapping exercise. In FY 2017, a follow-up work item will focus on in-depth guidance for measuring a few

indicators. The DCED Secretariat will work on a position paper on how its work relates to the SDGs. The group also plans a review of Results Measurement in the Impact Investing community from a donor perspective, to see what lessons could be learned. In addition, efforts to roll-out the DCED Standard will continue, including through support to audits and guidelines for agency staff. It was noted that while donors' encouragement to use the Standard would be welcome and measures to boost capacity and demand (e.g. regional workshops) can be useful, making the DCED Standard a mandatory requirement for programmes is likely to be counterproductive. A [one-page outline](#) of the Standard is available to facilitate awareness-raising.

The **Women's Economic Empowerment Working Group** (WEE WG) was revived during the last year. A Synthesis Note was published on the DCED website covering key research on the theme. Under the leadership of GIZ, a tool and policy brief on measuring household-level impacts of PSD were finalised. The Secretariat facilitated a workshop with field practitioners to solicit ideas on practical next steps. As a result, the group plans to work on signposting proven tools and advice on integrating gender and WEE considerations into PSD programmes across the project cycle.

#### ***Formal business meeting***

A formal DCED business meeting followed to make decisions on the Progress Report, Work Plan and Budget, etc., as required by the Charter. 17 members were represented; 3 sent their apologies.

#### DCED strategy

**Markus Pilgrim, Co-Chair**, noted that the 3-Year Strategy approved in 2013 now needed to be revisited. He provided an overview of achievements relative to the targets in that Strategy. He noted that most of the targets had been achieved or exceeded, and proposed on behalf of the ExCo that the Strategy be extended with the same strategic objectives and similar annual targets. The targets allow tracking progress for key indicators while allowing the DCED to maintain its key strength of reacting quickly and flexibly to member requests.

It was agreed that the strategic objectives needed to be framed more explicitly around the SDGs. The ExCo and Secretariat will adjust the wording and circulate to members for approval on a no-objection basis. Subject to this amendment, the new Strategy was approved by the Annual Meeting.

#### Deputy Coordinator

Following the increase of the DCED membership fee at the 2015 Annual Meeting, the Secretariat has hired a new Deputy Coordinator, Donna Loveridge, who will support the DCED's work from Melbourne, Australia.

#### Membership

**JICA** was formally approved and welcomed as a new DCED member. Katsumata Susumu, JICA Deputy Director General and Group Director for Private Sector Development, thanked the DCED and stressed that DCED was the only platform that focused on private sector development. JICA is keen to learn about international trends and experiences of other DCED members.

Three members (AFD, UNDP and IFAD) have left in the last three years for various reasons, including focal points moving on to different roles, and financial constraints. Members discussed opportunities for increasing membership in the future. The total market of potential members probably comprises roughly about 10 'traditional' bilateral donors and development agencies; 10 foundations working in PSD; and 10 emerging donor countries. The ultimate objective of increasing membership would be to increase opportunities for sharing lessons learnt and enhance credibility, although some questioned whether additional members were needed. It was agreed that quality of work was more important than the total number of members. Lowering the membership fee for some agencies

should be avoided, to avoid a 'race to the bottom'. There was no agreement on the need for targeted efforts to invite DFIs to join the DCED. Donors could learn from the experience of DFIs in some areas of work, but many DFIs are already engaged in their own networks and often work through very different modalities. DFI network representatives could be invited to relevant meetings.

#### Approval of Progress Report, Work Plan and Budget

The 2015/16 **Progress Report** and financial statement were adopted by acclamation. In discussing the Work Plan for 2016/17, members agreed that the Budget Summary should avoid referring to a 'shortfall', since the funding requirements are likely to be covered by additional member contributions during the year. Subject to this change, the **Work Plan and Budget** were approved.

Discussions during the business meeting also pointed to further knowledge needs of members which the Secretariat will address during the year. This includes in particular follow-up on the informal meeting on partnerships (on 14 June) and the thematic day of partnerships (15 June). Overall, many different perspectives and needs had emerged from the two days. It was agreed that the Secretariat would follow up with individual members to develop a more focused and strategic programme of work. Ultimately, different activities may feed into such a programme, such as work on legal aspects related to the EU state aid law; a tightly structured multi-stakeholder workshop (as already proposed in the current work plan); or work on a harmonised taxonomy.

Separately, members asked the Secretariat to produce a short literature review on PSD programming in the context of migration and the refugee crisis. They will share relevant materials with the Secretariat.

The Secretariat will circulate a revised Work Plan and Budget document in the light of the above discussions and requested changes.

#### Election of ExCo members and Co-Chairs

Three **members of the ExCo** came to the end of their 2-year term, and were willing to stand for re-election. No additional nominations were received. **Johan Veul**, Head of Entrepreneurship and Markets at the Netherlands Ministry of Foreign Affairs, and **Markus Pilgrim**, Head of ILO's Small Enterprise Programme (ExCo Co-Chairs), and **Steve Cumming**, Programme Manager, Youth Learning at the MasterCard Foundation (ExCo member) were therefore re-elected to the ExCo by acclamation. Anita Bhatia, Director, Development Partner Relations, World Bank Group and Ola Nilsmo, Lead Specialist in Private Sector Development, Sida, continued as ExCo members.

#### Next Annual Meeting

ExCo will explore several possible locations and themes for the **DCED's next Annual Meeting**. This includes IFC offices in Belgrade, Tbilisi or Istanbul; or with the FAO in Rome. ADA could also explore the possibility of hosting the Meeting if other options fell through. Possible themes include the role of innovative financial instruments in promoting sectoral growth, or rural transformation and food security. Other themes of interest mentioned include growth-oriented SMEs or 'gazelles' and PSD in fragile contexts. More generally, members were keen to hear about a variety of different instruments, how these can be used strategically to promote growth in specific sectors and how they compare in terms of effectiveness.

In future, an advance notice will be given to DCED members before the Annual Meeting that there is a need to find a new host for the next Meeting.

Finally, Sida was again warmly thanked for hosting this year's Annual Meeting in Härnösand.

### Feedback

18 feedback forms have been received so far, giving an overall average score of 3.5 out of 4. Participants were particularly positive about the presence of private sector partners, and several suggested a return to this theme next year. One of the other common suggestions for next year was to have more interactive suggestions, involving participants in the discussion more. Every form gave the top score of 4 out of 4 for the overall organisation of the meeting.

### **Annex 1 List of Participants - Member Agency Staff**

	<b>First name</b>	<b>Surname</b>	<b>Agency</b>
1	Samer	Al Fayadh	Sida
2	Therese	Andersson	Sida
3	Anette	Andersson	Embassy of Sweden in Bangladesh
4	Eva	Bakonyi	World Bank Group (WBG)
5	Gayle	Barnett	Global Affairs Canada (GAC)
6	Peter	Beez	SDC
7	Anita	Bhatia	World Bank Group (WBG)
8	Arjan	de Haan	IDRC
9	Liliana	de Sa Kirchknopf	SECO
10	Jim	Downey	DFAT, Australia
11	Gun	Eriksson Skoog	Sida
12	Stefan	Falk	Swedish Ministry of Foreign Affairs
13	Jean-Christophe	Favre	SDC
14	Gaku	Funabashi	JICA
15	Niklas	Hansson	Sida
16	Joshua	Haynes	Sida
17	Farid	Hegazy	ILO
18	Åsa	Heijne	Sida
19	Oscar	Idman	Sida
20	Lena	Ingelstam	Sida
21	Markus	Johannesson	Sida
22	Susumu	Katsumata	JICA
23	Siobhan	Kelly	FAO
24	Anne	Kullman	Sida
25	Knut	Lakså	Norad
26	Meredith	Lee	MasterCard Foundation
27	Maria	Ljungman	Sida
28	Carmen	Lopez-Clavero	Sida
29	Patrick	Luternauer	IFC
30	Therese	Mattsson	Sida
31	Jan	Meijer	Netherlands MoFA
32	Albena	Melin	World Bank Group
33	Kenji	Mishima	JICA
34	Luisa	Monse	Sida
35	Elisabet	Montgomery	Sida

36	Ola	Nilsmo	Sida
37	Lisbeth	Nylund	Sida
38	Cecilia	Oppenheim	Sida
39	Lina	Palmer	Sida
40	Markus	Pilgrim	ILO
41	Juergen	Reinhardt	UNIDO
42	Peter	Roslander	Sida
43	Malena	Rosman	Sida
44	Karolina	Runnerstam	Sida
45	Gunter	Schall	Austrian Development Agency
46	Patricia	Seex	DFID
47	Birgit	Seibel	GIZ
48	Carl-Johan	Smedeby	Sida
49	Stefanie	Springorum	GIZ
50	Virpi	Stucki	UNIDO
51	Susanne	Thiard-Laforet	Austrian Development Agency
52	Marcos	Vaena	ITC
53	Kees	van der Ree	ILO
54	Mark	Wang	IDRC
55	Johan	Veul	Netherlands MoFA
56	Henrik	Vistisen	Ministry of Foreign Affairs of Denmark (Danida)

**Other participants (not from member agencies)**

57	Eva	Eriksson	Löfbergs Lila
58	Mariann	Eriksson	WWF Sweden
59	Katarina	Eriksson	Tetra Laval AB
60	Shea	Gopaul	GAN
61	Melina	Heinrich-Fernandes	DCED Secretariat
62	Donna	Loveridge	DCED Secretariat
63	Alix	Peterson Zwane	Global Innovation Fund
64	Matthias	Ploeg	Technopolis
65	Garreth	Spillane	Global Innovation Fund
66	Lena	Strandberg	WWF Sweden
67	Jim	Tanburn	DCED Secretariat
68	Simon	White	BEWG Consultant
69	Jonah	Wigerhäll	H&M
70	Nick	Wilson	DCED Secretariat