



**DCED Private Sector Engagement Working Group,
Meeting minutes, Toronto, 5 June 2018**

4th July 2018

Participants

- Gunter Schall (ADA), co-Chair
- Lars Stein (SDC), co-Chair
- Alexis Geaneotes (IFC)
- Anders Aeroe (ITC)
- Christian Hagemann (BMZ)
- Ichiro Fukuhara (JICA)
- Jean-Jacques Bastien (Belgium Ministry of Foreign Affairs)
- Joanna Buckley (DFID)
- John Viner (Sida)
- Katie Garcia (USAID)
- Liliana de Sá Kirchknopf (SECO)
- Jim Tanburn, Nick Wilson (DCED Secretariat)

Participants joining via phone

- Thomas Lamar (Luxembourg Ministry of Foreign Affairs)
- Christina Tewes-Gradl (Endeva)

Gunter Schall and Lars Stein (group co-Chairs) welcomed the group and explained the priorities and aims for the meeting. WG members have identified risk management in PSE as a priority theme. This is a 'cultural' as well as 'management' challenge (e.g. promoting a positive attitude to risk + suitable approaches to mitigate risks). While the WG's work on market distortion covers a sub-set of risks, this session serves to frame the topic further, by identifying shared issues and possible solutions that the group may explore in the future.

Overview of work item on minimising the risk of negative market distortion

Gunter Schall gave an update on the progress made towards the completion of this assignment. Endeva started their work in December 2017. A presentation was given to the group at their meeting in Zurich in January, including a framework of different types of market distortion. This work item has been delayed by staff turnover, but Endeva are now finalising the project for delivery shortly.

Christina Tewes-Gradl gave an overview of Endeva's work on this item. She explained that this is a relatively unexplored area of research, without a detailed evidence base to explore. As such, Endeva have chosen to focus on three cases of public-private partnerships, and hope to draw useful broader lessons from these cases. Endeva will frame its report around two objectives of PSE: tackling market failures and improving welfare. She identified possible tensions that exist between these two objectives. The group discussed the solutions proposed by Endeva's work so far to these tensions; namely, actively crowding in other market participants, involving competition agencies, and making all information publicly available.

The group then began a World Cafe exercise, discussing the following questions:

1. How did we successfully implement mitigation measures? How did different partnership strategies /structures matter?
2. What are the limitations for these risk mitigation measures? How far do we want to go?

In summarising the exercise, the following points were raised:

- Joanna Buckley mentioned that DFID have started a third-party evaluation (containing a focus on market distortion), which would be a possible future source of evidence.
- Several participants spoke about the contradiction between confidentiality and transparency.
- Fragile states and informality: is market distortion in these situations bad per se?
- There is a lack of information about PSE efforts failing, is this because donor agencies are risk averse? Or unwilling to publish failure reports?
- Externalities are extremely difficult to define, measure and manage.
- There is a need to avoid definitional difficulties. Tackling the solutions with pragmatic approaches was considered by the group to be the most promising way forward.

Action point: Endeava will incorporate these comments into their on-going work, and seek to share a draft of the report as soon as possible.

Member huddle: Risk management in PSE – Shared issues & possible solutions

The group examined the concepts of contextual risk, programmatic risk, and institutional risk. Several WG members highlighted that risk-taking is not incentivised within their organisations; there is an attitude of “please take risks but don’t fail”.

Christian Hagemann gave a presentation on de-risking through business model co-creation. BMZ are currently trying to mainstream its PSE efforts, its engagement is currently mainly based on several PSE-focussed programmes. He introduced “The Lab of Tomorrow”, a programme that seeks to co-create market-led responses to the problems identified in the SDGs. The lab of tomorrow has worked with more than 150 international and local companies/partners.

He identified risks of development programmes not engaging the private sector (e.g. design stagnation and untapped potential), and explained that these are often under examined. He talked about the example of improving access to medicine and diagnosis in Kenya and spoke about the importance of piloting, proof of concept.

The group then discussed their experience of supporting business model oriented ventures. Joanna Buckley spoke about DFID’s experience of the Business Innovation Facility, and Marc Blanchette spoke of Global Affairs Canada’s work with the Global Innovation Fund. John Viner led a discussion of how to manage the workload created by these programmes, particularly around evaluating company proposals.

Action point: Christian Hagemann offered that BMZ host a PSEWG meeting in Germany to discuss this issue further. The group agreed to hold a teleconference to prepare and gather relevant questions for this meeting. This meeting would then take place in early 2019.