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Swiss Agency for Development and Cooperation SDC
Competence Center for Engagement with the Private Sector CEP

Inclusive Economic Development at SDC – DCED Member Update

Inclusive Economic Development

- Switzerland promotes an inclusive and sustainable economic growth that creates jobs, increases productivity and protects the environment.
- To achieve the SDGs overall, Switzerland joins forces with all relevant stakeholders, including the private sector.
- Strategic Frameworks
 - IC Strategy 2021-2024
 - FC's Sustainable Development Strategy 2030
 - SDC 2030





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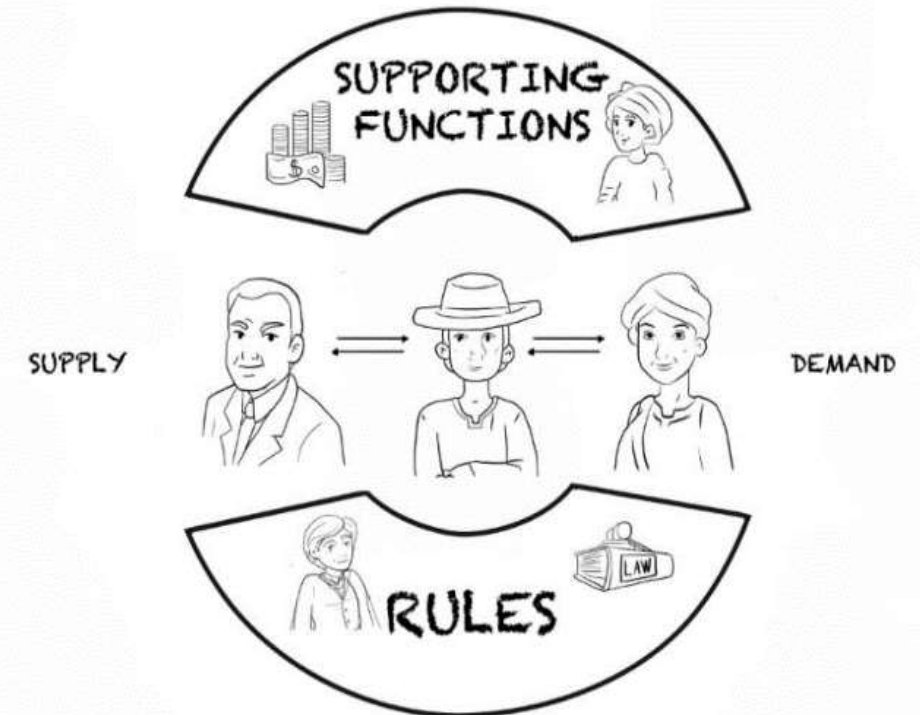
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Three Thematic Priorities: PSD, FSD, VSD

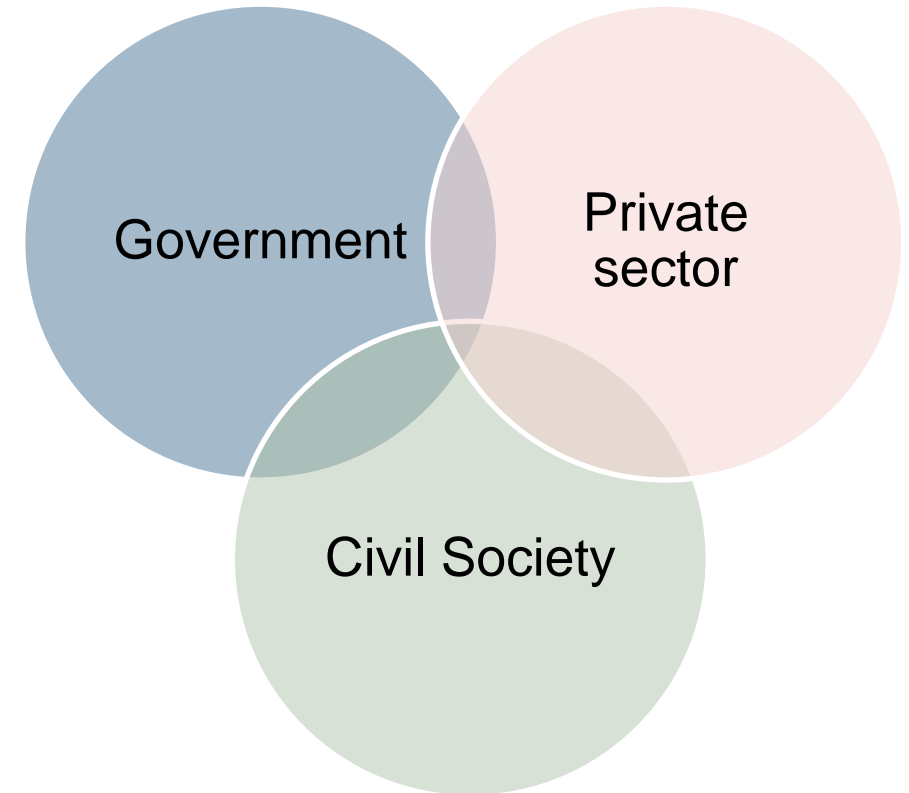
Approach 1: Market System Development (MSD)

- The Market Systems Development (MSD) approach is the **main approach** for the SDC in PSD
- MSD is a **systemic approach** with relevance beyond PSD. Strong emphasis on:
 - Focus on value creating activities/value chains (understanding supply and demand)
 - The enabling environment (formal and informal rules that influence the value chains)
 - Supporting services/functions such as financial services or business development advice for MSMEs, which are necessary in the long run.
- The MSD approach puts strong emphasis on **achieving sustainable results at scale**
 - Starting with a thorough market systems analysis,
 - Implementing projects with a facilitative role and local ownership of interventions
 - Adaptive management principles



Approach 2: Local Economic Development

- LED is **spatial approach** that PSD projects take to support income and employment opportunities in specific territories.
- LED integrates both the **economic and governance perspectives**. Central actors in LED are:
 - Government at all levels, in particular local government;
 - Private Sector including employers and industry associations;
 - Civil Society.
- LED shares many characteristics of MSD (previous slide)
 - Takes a regional approach to systemically stimulate growth by improving the overall market environment
 - Focus on a specific geographic need and maximizing opportunities around that need.
 - Strengthens economic inclusiveness and sustainability
 - Stimulates public-private alliances and local ownership of initiatives

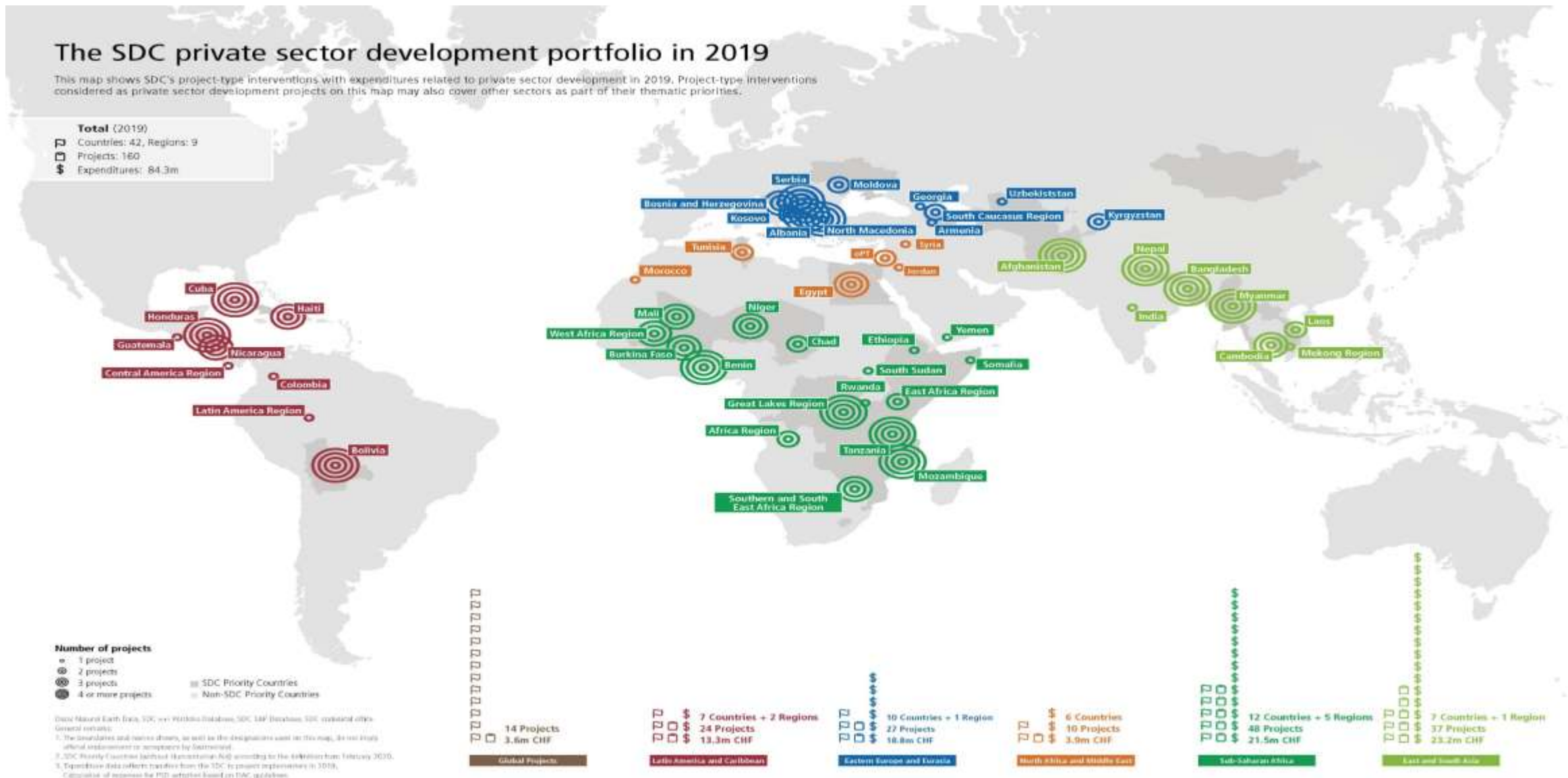




The SDC private sector development portfolio in 2019

This map shows SDC's project-type interventions with expenditures related to private sector development in 2019. Project-type interventions considered as private sector development projects on this map may also cover other sectors as part of their thematic priorities.

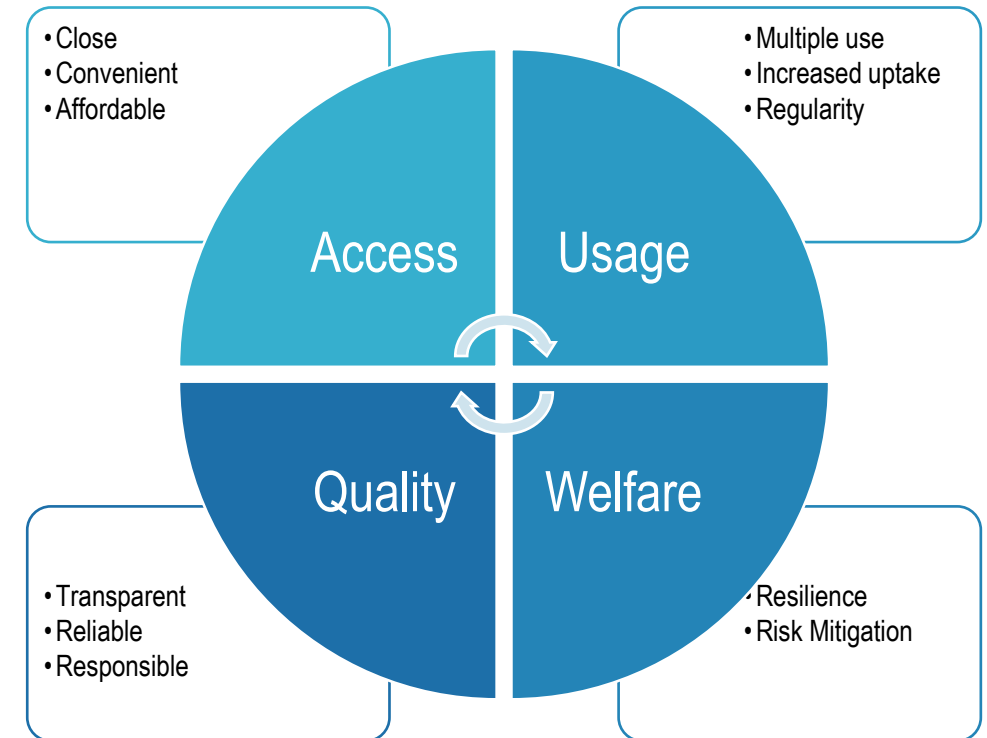
Total (2019)
 🏠 Countries: 42, Regions: 9
 📁 Projects: 160
 💰 Expenditures: 84.3m



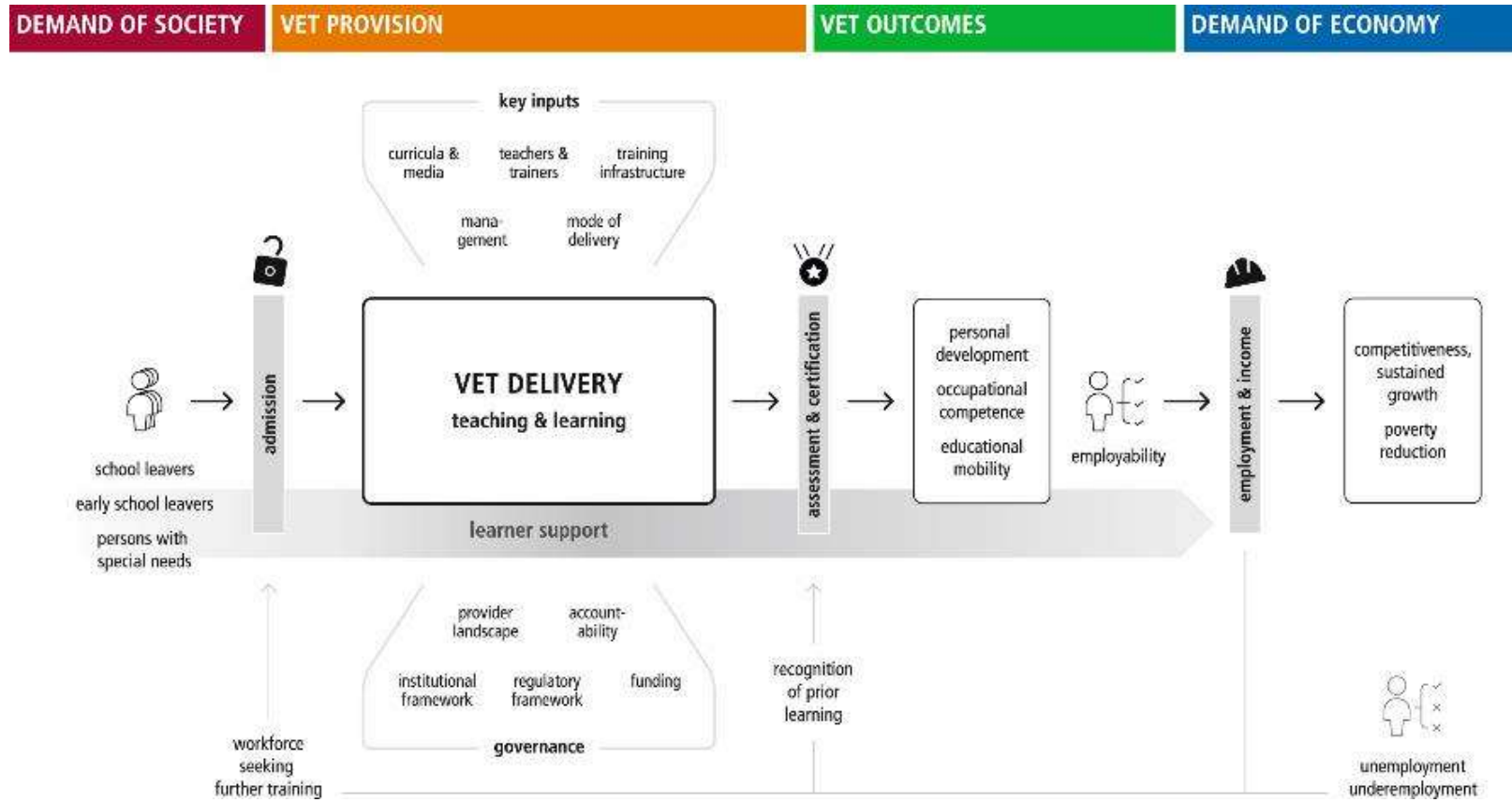
Data: Migrant-Earth Data, SDC, UN Women Database, SDC, IAP Database, SDC regional office - General statistics.
 1. The boundaries and names shown, as well as the designations used on this map, do not imply official endorsement or acceptance by Switzerland.
 2. SDC Priority Countries (without Kazakhstan, AFD) according to the definition from February 2020.
 3. Expenditure data refers to data from the SDC to project implementers in 2019.
 4. Calculation of expenses for PSD activities based on DAC guidelines.

Introduction to Financial Sector Development

- The purpose of SDC in FSD is to promote the access to and usage of a range of client-centric, responsible and sustainable financial services and products for low-income groups.
- Synergies between FSD and the other IED themes/modality:
 - Important to complement FSD initiatives with Private Sector Development (PSD) and Vocational skills development (VSD)
 - PSE is an important modality to engage in FSD



Understanding VSD





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One Modality: Private Sector Engagement (PSE)

What: Definition of Private Sector Engagement

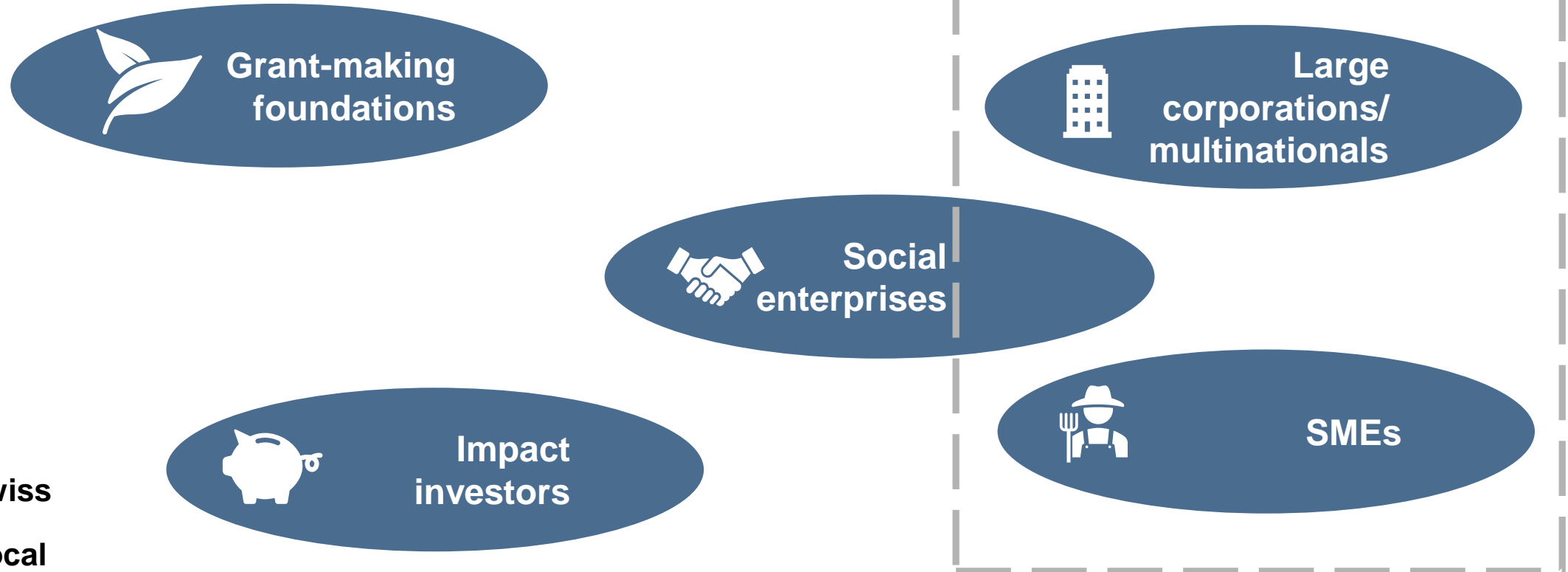
PSE means that the SDC and one or several Private Sector partners **join forces on equal footing for an impact-driven development intervention**. Both sides have co-ownership of the joint project and co-fund the intervention.

- The SDC can delegate its ownership to an implementer – this is considered as a PSE partnerships as well.

What: A shared mission and a symmetric collaboration for impact



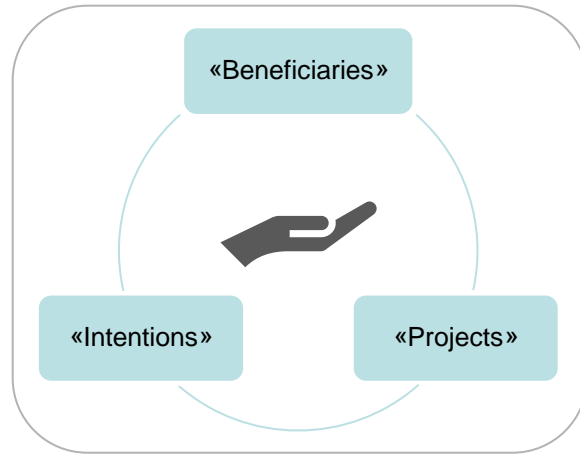
Who: The Private Sector includes Companies, Social enterprises, Grant-making foundations & Impact investors



-  **Swiss**
-  **Local**
-  **International**

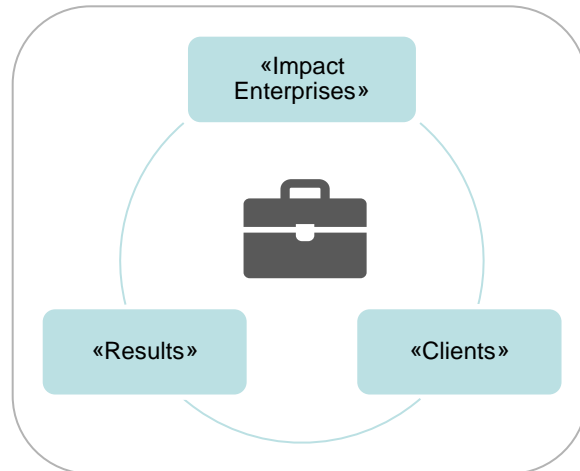
Formats: Two different PSE categories

Development project-oriented



- Development project-oriented PSE formats follow a **traditional development project logic**
- E.g. in the framework of a project co-financed by the SDC, one (or several) private sector actor(s) and possibly other donors.

Financial market-oriented



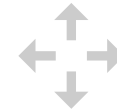
Financial market-oriented PSE formats **follow an investment logic** and can be subdivided into two subcategories:

- **Grant-based instruments** consist of non-refundable contributions aimed at facilitating private investment with development goals; these include, e.g. technical assistance facilities for private investment funds with development objectives as well as ‘pay-for-results’ instruments (impact bonds and social impact incentives).
- **Return-based instruments** differ from grant-based instruments insofar as repayments are envisaged or at least possible; they include, e.g. shares, loans, stakes in structured funds and guarantees. Repayment conditions have to be clarified from the outset.

How: Key goals and challenges when implementing PSE



**Seek
additionality**



**Avoid
market distortion**



**Consider
systems change**



**Deal with
multiple rationalities**



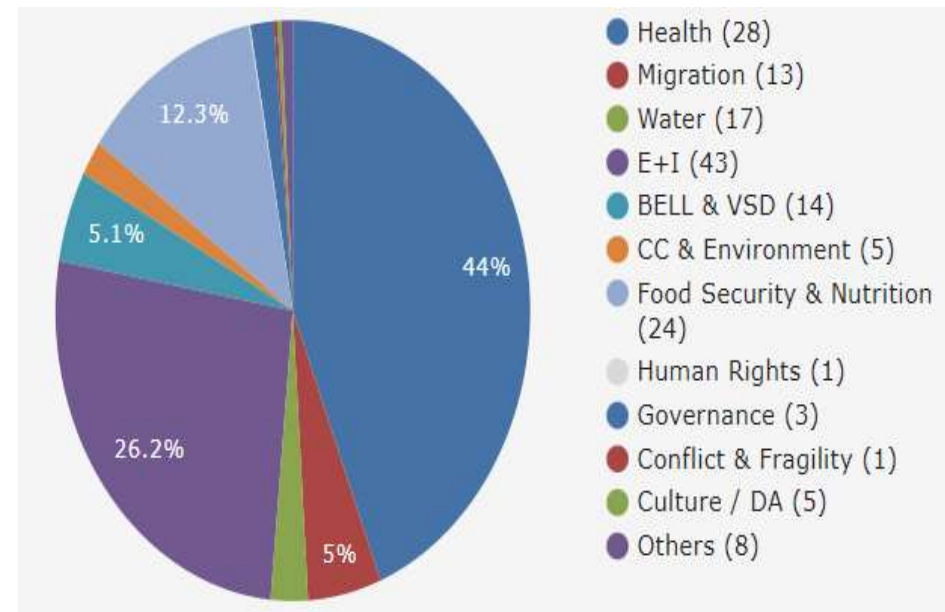
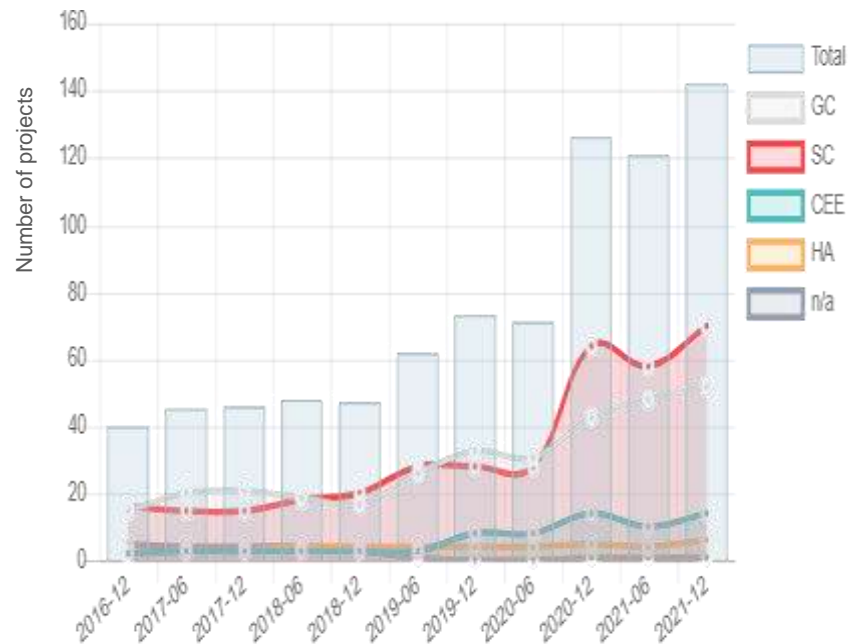
Aim for strategic alignment



**Enhance
risk management**

SDC's PSE Portfolio is diverse and growing

- SDC has currently 142 recorded PSE projects with a total of 162 partnerships (some projects have more than one PSE partnership).
- In terms of financial volume, projects totalling an amount of ca. CHF 900 mio. (only SDC's committed funds) include a PSE partnership. It is important to note that many of these projects have only a small PSE component.
- The health sector is the sector with the highest volume of SDC funds engaged in partnerships with the private sector, accounting for 44% of SDC funds in PSEs.



Location of the General Guidance and the PSE Handbook

General guidance

Location:

https://www.eda.admin.ch/dam/deza/en/documents/die-deza/strategie/Leitbild_Privatesektor_2021-2024_EN.pdf



General Guidance on the Private Sector
in the context of the
International Cooperation
Strategy 2021–24

PSE Handbook

Location:

https://www.eda.admin.ch/dam/deza/en/documents/die-deza/strategie/Handbook_PSE_EN.pdf



SDC Handbook on Private Sector Engagement