



The Donor Committee for Enterprise Development

DCED Private Sector Engagement Working Group (PSE WG) Minutes Teleconference, 12 December 2018

17 December 2018

Participants

1. Gunter Schall (Co-Chair)
2. Lars Stein, SDC (Co-Chair)
3. Lydia Brons, NL MoFA
4. Lisa Burley, IDRC
5. Lollo Darin, Sida
6. Katie Garcia, USAID
7. Alexis Geaneotes, IFC
8. Christian Hagemann, BMZ
9. Thomas Lammar, Luxembourg MoFA
10. Suzanne Krook, Sida
11. Virpi Stucki, UNIDO
12. Liliana de Sá Kirchknopf, SECO
13. Hans-Joachim Zinnkann, GIZ
14. Jim Tanburn, DCED Secretariat
15. Melina Heinrich-Fernandes, DCED Secretariat

Introduction

Gunter Schall welcomed participants, explaining that the call would be structured around the main topics of the draft agenda (see [Annex 1](#)) of the next PSE WG meeting. The 1.5 day meeting is planned for 20 and 21 February, hosted by BMZ in Berlin. Specifically, the call served to

- identify immediate action items on these topics; and
- agree on content to be discussed at the meeting, including inputs from members.

Skills development and peer learning on PSE

Lars Stein introduced this topic, noting that the WG's skills development workshop in Toronto had led to an agreement to organise peer learning webinars on PSE, in addition to possible in-person meetings. Two webinars have already been co-organised by the Secretariat, IPE Triple Line and Sida, on [when it is appropriate to use challenge funds](#) and [how to manage challenge funds effectively](#). Both have been popular, with 80-100 registrations each.

To plan future webinars of interest to members, the Secretariat has prepared a list of peer learning themes arising from the Toronto workshop and member interviews conducted by the consultant, as summarised in the Box below.

Possible themes of peer learning on PSE:

1. What are the practical steps that donors can take, to be able to work more strategically with the private sector?
2. How to develop and manage strategic relationships with businesses: Skills and practical tips
3. Doing the deal: How to develop concrete collaborations that meet business and development interests?
4. Introduction to Private Sector Engagement: Why partner with business?
5. Introduction to Private Sector Engagement: How to communicate with business

During the call, members were asked to indicate which of the themes they would prefer to address in the next webinar, and whether they would be able to present experiences on any of them.

The following comments were made:

- Liliana de Sá noted that topic 3 was of particular interest and suggested that an additional priority theme was how to deal with legal issues in PSE. Contractual arrangements with the private sector often went beyond standard agreements, and required particular attention to confidentiality issues. Lars Stein noted that this topic would also be of interest to SDC. Katie Garcia highlighted that USAID had just published a new [Acquisition and Assistance Strategy](#) that addresses some of these issues, and that she could liaise with some of her colleagues to share lessons learnt in a webinar.
- Liliana de Sá also volunteered to present experiences from an open call for proposals to impact investment funds in a dedicated webinar.
- Suzanne Krook and Lollo Darin of Sida expressed their interest in all five topics, with a particular preference for topics 1 and 4. Regarding topic 4, it would be useful to learn about examples that show how working with the private sector led to better development results than could have achieved otherwise. Lars Stein responded that colleagues at SDC could present experiences in this regard.
- Virpi Stucki said she was interested in how to work through SMEs and industrial development approaches, although this could perhaps be considered at a later stage.

It was agreed that members will develop a concrete plan for future webinars in Berlin. The timing of the webinars will depend on presenters' availability. If possible, one webinar may already be held before the meeting in February. Melina Heinrich-Fernandes will follow-up with members who volunteered to present experience.

Lars Stein further suggested to invite two PhD students from the University St Gallen, where SDC is co-funding a new Centre of Research on Public Entrepreneurship. Their presence at the Berlin meeting would enable them to get members' feedback on what topics they should work on. Members agreed to this.

Minimising the risks of market distortion

As part of efforts to learn how to work more strategically with the private sector (number 1 in the list of peer learning topics above), the WG has published its [report on how to minimise the risk of market distortion in PSE](#) in November. Gunter Schall invited members to share their feedback and views on whether to continue working on this topic. He remarked that the report was hands-on and useful, but not a full overview of all aspects of market distortion; there may therefore be opportunities for future work, such as academic studies and collaboration with universities in research or conferences, or webinars to facilitate practical exchanges of experiences in member agencies.

Several members praised the report as an important and very relevant piece of work. Katie Garcia informed the group that the report had been met with great interest in USAID, including the Chief Economist, who is interested in possible follow-up work. Katie will make the necessary introductions to explore this further. Suzanne Krook noted that a particular question to address in more detail may

be how to take measures to mitigate the risk of market distortion without reducing the willingness of partner companies to engage.

It was agreed to discuss potential follow-up work in more detail at the meeting on 20 February.

Workshop on design thinking as a method for PSE, 21 February 2019, Berlin

In terms of ways to develop strategic relationships and concrete collaborations with the private sector (topics 2 and 3 of the peer learning themes above), the WG meeting in Toronto revealed a particular interest of members in design thinking methods. The idea of a participatory workshop came up, which will be hosted by BMZ in Berlin on 21 February. Christian Hagemann noted that design thinking can be seen as a method to design innovative, business-driven collaborations with the private sector while at the same time enhancing staff skills for interacting with companies.

In the context of donor agencies, **design thinking** generally refers to creative, open-ended processes that involve the private sector (and other stakeholders) to jointly create an innovative solution to a pre-identified problem. Some donors refer to it as 'co-creation'. It typically involves several stages, including joint identification of a problem, workshops to identify solutions, piloting and implementation.

He then gave an overview of the draft workshop agenda. It is planned to start the workshop with an introduction to design thinking, followed by lessons from practitioners and the private sector. The afternoon session will be structured around member experiences around a few guiding questions, to be selected by the group. A [list of possible guiding questions](#) has been shared with members ahead of the call, to allow members to indicate their preferences and possible contributions. Five members have already completed the questionnaire.

The following comments were made during the call:

- PSE WG members agreed with this agenda in principle and highlighted their interest in learning more about this topic.
- Lydia Brons volunteered to present experiences in design thinking from the Dutch Consulate General in Cape Town.
- Lars Stein noted that SDC is trying to replicate the Lab of Tomorrow and offered to present SDC's lessons from this process.
- It was also noted that USAID and DFID may be able to present lessons learnt. Katie Garcia will explore who in USAID may be able to share experiences.

Given that not all PSE WG member worked directly on this topic, it was agreed that they could invite colleagues to the meeting. As many other organisations are actively using design thinking methods, members agreed that external organisations could be invited to present, including if they were also donor organisations (e.g. foundations) or companies.

The Secretariat will contact members who expressed an interest in presenting individually to discuss next steps and also explore possible external presenters. More detailed planning discussions will be held with BMZ, GIZ and the Co-Chairs.

Agency Updates

ADA has prepared its work plan for next year with a strong focus on innovation, including a concrete plan for design thinking activities. Another priority is digitalisation, which will also be a topic of EU-Africa summit on digitalisation, to be hosted by ADA next week.

BMZ has organised a Compact with Africa summit on 30 October, where the government pledged to allocate 1 billion Euro to 12 African target countries, for activities in three areas: Increasing the engagement of German companies in Africa; engaging the local private sector; and supporting business networks across Africa. BMZ is also working on reforming its DeveloPPP programme, in particular to support new start-up companies, which was not possible before, and to cooperate with multinational companies in large projects that operate across regions and SDGs.

GIZ has produced a new Lab of Tomorrow handbook and toolkit and is considering a new platform for sourcing developing challenges. They will give a more detailed update at the Berlin meeting.

IDRC is in the process of an internal strategic planning process, including their engagement with the private sector. They will give a more detailed update at the February meeting.

IFC main themes continue to include the World Bank's Maximising Finance for Development approach, and as part of that, an increased focus on market-making, upstream work, which is more of a macro approach than traditionally taken by IFC. IFC also launched draft impact management principles which are available for public comment until the end of the year.

Luxembourg will extend its Business Partnership Facility and also conduct an evaluation of past projects. Luxembourg will further support the organisation of African Microfinance week in Burkina Faso in October 2019, and the European Microfinance week in Luxembourg in November 2019. A new development strategy has been launched which includes inclusive growth as a key objective and a stronger focus on private sector engagement.

Netherlands now has a greater focus on innovation and digitalisation in PSE. A new innovation fund as well as a new challenge fund on solutions to youth unemployment in Africa will be launched in 2019. The Ministry recently launched the SDG Partnership Facility which facilitates partnerships with the private sector, NGOs, governments, and knowledge institutes.

SDC is working on finalising its Private Sector Engagement Strategy. It will include innovative finance instruments and a programme similar to the Lab of Tomorrow. It was also already agreed to double again the number of PSE projects in SDC's portfolio, with a target of 10% by 2024. Conceptual work is ongoing on the Swiss Social Finance Facility, which is a vehicle to professionalise SDC's work through catalytic instruments. More information can be shared with members if of interest. The overarching Development Strategy 2020-2024 will also have a strong focus on PSE.

SECO informed the group that the Impact Bond Working Group is planning a meeting in February in Washington DC to explore how to accelerate the use of outcome funds and initiatives. Interested members can get in touch with SECO about this. In the area of climate finance, SECO supports the Natural Capital Finance Alliance. A new tool called ENCORE was launched to enable financial

institutions to assess their exposure to natural capital risk. In South Africa, SECO plans to support an private-sector led initiative called YES to facilitate internships in the private sector for unemployed South Africans. SECO is also looking at joining the TCX fund, an initiative on exchange rate challenges in emerging in frontier markets.

Sida has worked on a number of evaluations relevant to PSE that they can share with the group, including the one on [challenge funds](#). An evaluation of the Swedish Leadership for Sustainable Development, a network including 25 leading Swedish companies, will be released shortly. Sida will now look into revitalising its work with the network, focusing on the implementation of the Agenda 2030.

UNIDO continues to work through its Programme for Country Partnership (PCP), which work jointly with governments to identify bottlenecks to industrial development and facilitate financial or technological solutions. Digitalisation is also a key topic on UNIDO's agenda.

USAID has launched its first [Private Sector Engagement Policy](#). It is also developing a new Development Finance Corporation with a lending cap of 60 billion dollars.

The **Secretariat** informed the group that the DCED will be actively participating in the [OECD week on Private Finance for Sustainable Development](#). It will include a presentation by Gunter Schall on the work of the group. Donna Loveridge, DCED Deputy Coordinator, will facilitate a session on impact measurement, to explore the different results measurement challenges inherent in engaging with individual companies, relative to those addressing the market system and business environment.

In response to the group's interest in available training offers on PSE, the Secretariat has also created a new [webpage](#) listing existing courses. Comments and suggested additions are welcome.

Annex 1: Draft agenda for PSE WG meeting in Berlin, 20-21 February 2019, as of 7 December 2018

20 February: Business meeting on current work items

13:45 – 14:00 Welcome by the Co-Chairs, Introductions

14:00 – 14:45 Agency updates: Latest developments in PSE in each agency

14:45 – 15:45 Skills development: Prioritising webinar themes and other next steps agreed following the Toronto meeting

Following their workshop in Toronto in June 2018, the WG has agreed on several action items to help develop capacity for PSE within their agencies. With online learning formats as a key priority, one objective is to develop a plan for future webinar themes and inputs from members, based on the list of themes already identified. Members will also share information on skills development initiatives in their agencies that may offer opportunities for donor collaboration. For example, SDC will present their plans for establishing a Public Entrepreneurship Academy in collaboration with the University of St Gallen.

Expected outcome: Members identify 2-3 themes for future peer learning webinars. At least one member volunteers to present experience at each webinar. The group also agrees on other concrete steps to implement joint activities, including those already included in their action plan.

15:45 – 16:00 Coffee break

16:00 – 16:45 Minimising the risk of negative market distortion: Planning potential follow-up work to the report

In November 2018, the PSE WG published its [report on how donors can mitigate the risk of negative market distortions in PSE](#). It explores three types of possible distortions caused by PSE interventions, and four solutions: Designing against and measuring distortions; crowding in other commercial players; involving competition agencies and experts; and publishing information. This session serves to discuss concrete activities that would be useful to advance current practice in this area further.

Expected outcome: The WG agrees on key elements and a timeline for future work.

16:45 – 17:30 Innovative Finance – Review of the Secretariat’s draft review of terminologies, key issues for donors

The PSE WG’s [categorisation of PSE strategies](#) distinguishes between engagement with companies around their core business activities and engagement with financial intermediaries to leverage private finance. While the PSE WG has so far largely focused on the former, the Secretariat has drafted an initial review of key concepts and issues for donors around leveraging private finance. This may inform whether and how the group would like to work on this topic in the future.

Expected outcome: The WG provides possible comments to the draft review and agrees on general directions of possible future work in this area, if any.

Evening: Networking dinner (self-paying)

21 February: Peer learning workshop – How to use design thinking to co-create innovative solutions with the private sector

The WG’s workshop in Toronto revealed strong interest in design thinking as an innovative method for private sector engagement. Design thinking can allow donors to engage businesses strategically and as real partners in jointly creating innovative solutions to development problems. It also represents an opportunity for enhancing staff skills in private sector engagement because issue-driven interaction with businesses can help in reducing prejudice and learning how to identify common ground.

This day is dedicated to sharing early experiences by donor agencies in using design thinking in PSE. This may ultimately lead to the documentation of shared lessons or other forms of collaboration.

9:30 – 9:45 Welcome, framing of the day (Co-Chairs)

- 9:45 – 10:45** **The approach: What is design thinking and why can it be a valuable tool of private sector engagement? What are key challenges in implementing it?** (BMZ/ GIZ), followed by discussion
- 10:45-11:00** Coffee
- 11:00-12:30** **Concrete experiences and lessons learnt** (BMZ/ GIZ to present experiences with the Lab of Tomorrow; anticipated input by private sector partners and a case example from another agency), followed by discussion
- 12:30-13:30 Lunch
- 13:30 -15:30 **Deep-dive into specific aspects of design thinking and experiences from various agencies** (on 2-3 of the guiding questions listed below*)
- 15:30 – 16:00 Coffee
- 16:00-17:00 **Discussion on possible next steps for the working group**

***Guiding questions for possible discussion at the meeting on design thinking:**
Please indicate your interests and possible contributions in this [online form](#), by 12 December.

	Question
1	The basics: Introducing design thinking methods in a donor agency – how and where to start?
2	Getting started: How can we link design thinking processes to specific challenges encountered by field programmes?
3	Funding: What are options for funding co-creation processes and how to make them sustainable?
4	Implementation: How can design thinking methods be used to create collaborative development projects?
5	Implementation: How can design thinking methods be used to create innovative business models?
6	Follow-up: What are possible financing mechanisms for supporting new business models going forward?