



The Donor Committee for Enterprise Development

## DCED Private Sector Engagement Working Group (PSE WG)

Teleconference, 5 October 2017

### Minutes

#### Participants

03/11/2017

Gunter Schall, ADA (Co-Chair)  
Lars Stein, SDC (Co-Chair)  
Joanna Buckley, DFID  
Katie Garcia, USAID  
Alexis Geaneotes, IFC  
Jan Koepke, GIZ

Eriko Ishikawa, IFC  
John Viner, Sida  
Roland Widmer, SECO  
Marcel Vernooij, NL MFA  
Jim Tanburn and Melina Heinrich-Fernandes,  
DCED Secretariat

#### Apologies:

Jim Downey, DFAT  
Gaku Funabashi, JICA  
Thomas Lammar, Luxemburg MFA

Mika Vehnämäki, Finland MFA  
Henrik Vistisen, Danida

This was the first teleconference after formal establishment of the PSE WG at the DCED Annual Meeting in June 2017. The main purpose of the call was to agree on a categorisation of different PSE strategies and modalities, and plan the next physical group meeting in January 2017. These Minutes summarise the key decisions taken.

#### Operational framework for the PSE WG: Categories of Private Sector Engagement in the spectrum of other approaches of working with and through the private sector

Melina Heinrich-Fernandes gave an overview of the draft operational framework shared with the group ahead of the call. The document had two main objectives: The first objective was to develop a categorisation of PSE strategies and modalities (in line with the group's work plan) to help create a common language for the group; build a conceptual basis for future work items, which may focus on specific modalities only; and to set limits on the scope of the group's work. The second objective was to develop a proposal on how the strategies covered by the PSE WG relate to the focus areas of other DCED working groups, notably the Market Systems Development and Business Environment Reform Working Groups. The framework builds on existing categorisations of PSE as much as possible, notably by the OECD, as well as ECDPM, ODI, The North-South Institute and ICAI.

#### **Agreements/ action items:**

- **Participants welcomed the framework as a useful basis for the group's work.** Several participants stressed that it aligned with their own internal thinking or other frameworks they have been involved in developing.
- **It was agreed to treat it as a working document, which could be further enhanced in the future.** For example, the next physical meeting could offer another opportunity for review.
- **The Secretariat was asked to make a few adjustments to this version of the document:**
  - Marcel Vernooij suggested that donor support to insurance funds should also be included in the column on 'leveraging private finance'.
  - *N.B.* Given the time difference, a separate call had been organised by the Secretariat with Jim Downey, DFAT, ahead of the teleconference. He suggested to broaden the reference to the challenge fund modality by highlighting the element of 'co-funding shared value'. He also wondered if some information on different target groups could be added, e.g. social

enterprises, companies, investors – if this was easy to incorporate. He also suggested broadening the category of ‘funding of advocacy initiatives’ to ‘funding and/or participating in advocacy initiatives’.

- Participants also discussed whether the framework should be published or remain an internal document. **In the interest of knowledge sharing, it was agreed that the document should be published on the DCED website after due review and any necessary editing by the Secretariat. A revised version of the framework will be shared with the working group before it is made public.**

#### Update on the assignment on minimising the risk of negative market distortions

Melina Heinrich-Fernandes summarised that the Terms of Reference (ToR) for the assignment on minimising the risk of negative market distortion had been shared with the PSE WG in September and agreed on a non-objection basis. A few members sent comments, which have been incorporated. This work item will be funded via the DCED Trust Fund. Eriko Ishikawa, Global Head of Inclusive Business at IFC, not only recently agreed to join the PSE WG as a member, but also to kindly facilitate the contracting of consultants.

#### **Agreements/action items:**

- The ToR will be shared with consultants very shortly, once Eriko had a chance to review the ToR.
- Eriko confirmed that she had a few technical comments regarding the ToR, which she would share with the Secretariat in the next few days.
- The Secretariat will keep the PSE WG updated on progress with this work item.

#### Draft agenda of next physical WG meeting Zurich, 17 January 2018

Lars Stein gave an overview of plans for the next physical WG meeting, to be hosted by SDC and SECO in Zurich, 17 January 2018. The meeting will be preceded by a conference organised by Swiss Sustainable Finance on 16 January, and followed by an SDC conference on Social Impact Bonds on 18 January. Most participants noted that they will only be able to decide on their attendance during all three days once they have seen the conference agendas.

#### **Agreements/ action items:**

- Lars Stein and Roland Widmer will share draft conference agendas with the group as soon as possible.

Participants specifically discussed the agenda for the next WG meeting, a draft of which had been shared before the call. The current proposal is to start the day with a session on the draft findings of the assignment on minimising the risk of negative market distortions. The afternoon could include a session on OECD plans in the area of private sector engagement (in light of a recent OECD concept note, see next agenda item); a break- out session on private sector engagement in vocational training, and the OECD guidelines on Responsible Business Conduct (or another theme of interest by the group); and closing sessions on next steps and agency updates, followed by a Reception at the venue.

While WG members were broadly happy with the agenda, a few changes were suggested. Several participants noted that an introductory presentation of the OECD guidelines on Responsible Business Conduct may not add much value, and that they would prefer an exchange among WG members on the practical application of different guidelines and how to keep the right balance between setting conditions and offering incentives for collaborations with business. Such a discussion might also highlight

opportunities for harmonising approaches in use. In addition, it was suggested to include another session on staff capacity-building for private sector engagement, as this is an issue that many agencies are grappling with. This could mean starting the meeting earlier, meeting over lunch or replacing another session, depending on what works best.

**Agreements/ action items:**

- The Secretariat will liaise with the Co-Chairs on revising the agenda in line with the comments above.

OECD DAC Concept Note on Private sector work

Gunter Schall gave an overview of the new Concept Note on the OECD DAC's future Private Sector work, which was circulated ahead of the call. The OECD held a discussion on this last week with member states. According to feedback from one of his colleagues, most countries noted that the Note does not include enough information on the OECD's role and value added. The OECD will therefore work on clarifying this. Gunter suggested that DCED members could highlight what work has already been done in the DCED, and ask the OECD to do an in-depth analysis of other stakeholders and their activities in this field before defining its own work programme.

**Agreements/ action items:**

While PSE WG members welcomed the fact that the private sector has a prominent role in the OECD's future plans, several echoed the sentiment that duplication of existing efforts should be avoided. **WG members agreed that the DCED could play a constructive role in engaging in the discussions on the OECD's future work. Specific points raised include:**

- It would be helpful if OECD considered what the needs of the private sector are.
- Members would welcome efforts by the OECD to further clarify its unique value proposition compared to what other players are doing in this field. Existing efforts should not be duplicated.
- In defining its activities, there are opportunities for OECD to build on existing expertise, including in the DCED as well as other OECD divisions (e.g. the Trade Department).

Member agency updates

Jan Koepke (GIZ) noted that a new coalition government is being formed in Germany and that it is still unclear which party will take on the Federal Ministry for Economic Cooperation and Development. Priorities will therefore not be known for at least another three months. In addition, a new Head of the Private Sector Engagement unit in GIZ has just started and a few more personnel changes are coming up. Meanwhile the German [DeveloPPP](#) programme is being modernised to follow up on the recommendations of a recent evaluation of the programme.

Marcel Vernooij (NL MFA) informed the group that a new coalition government will most likely be in place within the next two weeks. The implications for development cooperation are not known yet. Separately, the Ministry has completed its results reporting for 2016, including for its work in private sector development. Results can be viewed at <http://www.dutchdevelopmentresults.nl/>.

John Viner (Sida) noted that the DCED Secretariat had visited Sida last week to present on Private Sector Development; the visit also included a session on PSE. Sida's Private Sector Engagement work, referred to as Private Sector Collaboration, is spread across different operational departments and coordinated by the department for Partnerships and Innovations. The department is still exploring the most effective ways for doing this. An internal evaluation of Sida-supported global challenge funds is currently ongoing

and John will share it once it is finalised. Discussions are also ongoing with the Ministry of Foreign Affairs and the team responsible for the Agenda 2030 on how to engage the private sector in the most meaningful way. Many Swedish companies want to work more closely with government, but more clarity is needed on how to best engage them, and communicate to companies how they can join this process. Finally, Sida is also reviewing its due diligence processes. Sida has a sustainability screening tool which focuses on managing reputational risks in PPDPs – which do not involve financial transfers to companies. The question is how this tool would need to be expanded if Sida was to provide direct funding to companies, and Sida is keen to learn from other agencies in this context.

Katie Garcia (USAID) reported that a cross-agency working group within USAID had met over the summer to discuss how to take PSE to the next level. The findings, in the categories of people, policies, practices and evidence, have been presented to the new administrator, who is interested in PSE and leveraging the role of the private sector.

Eriko Ishikawa (IFC) informed participants that the World Bank Group has launched a new initiative called Maximising Finance for Development, in which private sector finance plays a critical part. The IFC has a new Vice President of Economics and Private Sector Development, Hans Peter Lankes, who joined the IFC from EBRD a few months ago. IFC is now focusing on rating the development impact of projects ex-ante; inclusiveness will be one of the key criteria. Eriko will also soon hold meetings with UNDP and OECD on Argentina's G20 presidency. After Germany's G20 presidency, it seems that inclusive business will continue to be on Argentina's agenda for the G20, too.

Joanna Buckley (DFID) has joined the agency about a month ago. Her portfolio includes the Business Innovation Facility, which follows an M4P approach in working with innovative businesses in developing countries. DFID is about to start its Annual Review phase in three programme countries: Malawi, Myanmar and Nigeria. The programme also has a window for partnerships with multinational companies, to support inclusive innovations by multinationals at an early learning or pilot stage. A meeting with the Steering Board will happen next week to sign off on several new projects, so there should be some early lessons coming out next year on the types of inclusive business models being put forward.

Roland Widmer (SECO) mentioned that SECO is still in the process of further developing its strategy for working with the private sector. A cycle of validating different approaches should be finished early next year, after which a decision will be taken on which approaches will be developed in a more detailed manner.

Lars Stein (SDC) noted that a new Foreign Minister will take office next month and that his stance on PSE is not yet clear. There will also be a new Head of the Department in which SDC's competence centre for PSE is located, starting from January. The current operational focus of the competence centre is to develop its 'Format Finder', which is designed to help staff pick the right collaboration modalities with different partners and for different objectives. The results of the project will be presented in two weeks, after which Lars will also share the final documents with the PSE WG.

Gunter Schall (ADA) noted that Austrian elections are taking place in ten days. Regardless of the uncertainty of the outcome, ADA has launched discussions on its three-year strategy in collaboration with other stakeholders such as the Ministry of Finance. The main challenge is to move PSE to a more strategic level and mainstream it across development cooperation.