



The Donor Committee for Enterprise Development

**DCED Private Sector Engagement Working Group (PSE WG) Minutes**  
**Teleconference, 5 April 2018**

06/04/2018

**Participants:**

Gunter Schall, Co-Chair, SDC  
Joanna Buckley, DFID  
Jay Daniliuk, USAID  
Alexis Geaneotes, IFC  
Eriko Ishikawa, IFC

Jan Koepke, GIZ  
Liliana de Sá Kirchknopf, SECO  
Marcel Vernooij, NL MFA  
John Viner, Sida  
Jim Tanburn, DCED Secretariat  
Melina Heinrich-Fernandes, DCED Secretariat

**Apologies:**

Lars Stein, Co-Chair, SDC  
Jim Downey, DFAT  
Katie Garcia, USAID

Thomas Lammar, Luxembourg MFA  
Mayumi Miyata and Gaku Funabashi, JICA  
Minja Nieminen, Finland MFA

Gunter Schall welcomed participants to the call, noting that Lars Stein was unable to join this time but that the Co-Chairs had jointly held preparatory discussions with the Secretariat ahead of the call.

**1. Updates on the assignment on minimising the risk of negative market distortion in PSE**

An update was given on the status of this assignment. Since the consultants started their work at the beginning of December 2017, none of the two outputs<sup>1</sup> specified in the ToR have been delivered. A presentation was given to the group at their meeting in January, including a framework of different types of market distortion, but these were not yet linked to specific PSE strategies as per the ToR. In early March, the Secretariat was informed that the lead consultant has not been able to make much progress. Repeated agreements with the consultants in February and March to send new proposed timelines for delivering the outputs have remained unanswered.

A week ago, the consultants proposed two options going forward:

**1) The lead consultant continues to lead on this assignment** (with inputs/ review from her team members), but the working group allocates additional time to it.

**2) The other two team members take the lead from now on**, if the group wishes to make progress more quickly. A possible downside may be the loss of some of the knowledge already generated by

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<sup>1</sup> \* Output 1 as per ToR: The first output is an interim report on the types of PSE strategies and mechanisms that are at most risk of causing negative market distortions, with a specification of what types of risks exist either across strategies or for specific mechanisms. This should be 5-10 page document that will serve as the basis for developing the final report. Original timeline (considering ~3 week delay in starting the assignment: mid January (with some flexibility))

\* Output 2 as per ToR: The final report will explain options for minimising the risk of negative market distortions for different PSE strategies and mechanisms in a clear language and easily accessible way, including, if possible, a table format or graphic. The report will be written in a concise manner that makes technical jargon from other communities of practice intelligible and relevant for practitioners in donor agencies. This should be approximately 20 pages plus Annexes. (Original timeline: early February for draft output 2; mid-to-end March for final product (with some flexibility))

the lead consultant. Interview notes and any draft outputs could however be handed over. There would be no implications to the contract as IFC hired the firm, not the individuals.

3) A third option for consideration by the group would be to cancel the contract and re-launch a call for proposals.

In either scenario, it is unlikely that major results will be presented at the DCED Annual Meeting in Toronto and the assignment will need to continue in the next financial year.

**Action items agreed:**

Before making a decision on how to proceed, the group agreed to explore possible solutions and associated timeframes in more detail:

- The Secretariat will ask the consultants to send an action plan and timeline within the next week detailing how and by when they envisage to implement the assignment.
- Gunter Schall and the Secretariat will further write to other consultants who were unable to send a proposal last year due to time constraints, to explore if and when they may be available to implement the work in case another call for proposals was to be launched.

Based on the responses received, the Co-Chairs will then propose a way forward to the group, which will be agreed on a non-objection basis.

PSE WG meeting ahead of the DCED Annual Meeting in Toronto, including workshop to plan future work on staff capacity-building for PSE

Most WG members said that they or their colleagues will be present in Toronto and able to attend a working group meeting. Given that staff capacity-building around PSE was one of the priorities agreed at the last WG meeting in Zurich, Gunter Schall proposed that the Toronto meeting could be used for an externally facilitated workshop to identify specific solutions that could be explored by members or jointly by the group.

Melina Heinrich-Fernandes then outlined in more detail the draft Terms of Reference shared with the group. Specifically, to help structure the workshop in the most useful way possible, the assignment could start with a brief mapping exercise of capacity-building challenges and solutions that exist for different organisational configurations around PSE (e.g. centralised or decentralised approaches); in the workshop, members could then identify the most common agency needs (in terms of training content and capacity-building formats) as well as concrete ways to address these. The consultant would then summarise the workshop findings and practical recommendations for DCED in a short report. For example, these could include signposting existing training providers for different themes, or launching idea competitions to encourage training providers to fill any gaps in the training market in the next financial year, if relevant.

Cecilia Brady, a former USAID employee recommended by Katie Garcia, could be a suitable consultant to implement the assignment. She has developed and implemented PSE training in USAID and now works for different donor and development agencies on organisational development issues related to PSE.

The following comments and clarifications were made with regard to the workshop idea and ToR:

- The discussions started by clarifying a misunderstanding related to the purpose of the workshop. Gunter Schall and Melina Heinrich-Fernandes clarified that the aim of the workshop is *not* to train PSE WG members, but to identify specific needs across agencies in terms of training content and capacity-building formats, and how these could be addressed by the working group. Members then noted that they were in favour of this. JICA had also shared written feedback that they are in favour of implementing the workshop in Toronto.
- Marcel Vernooij and Liliana de Sá pointed out that the workshop preparations should not duplicate knowledge already available in the public domain and instead build on existing work. This could then allow the external facilitator to provide more useful and targeted support. Marcel Vernooij highlighted that the OECD Peer Learning Process on PSE has led to a document outlining lessons learnt in capacity building.
- Marcel Vernooij suggested that working group members may first need to discuss amongst themselves whether agency needs can be addressed through a common approach or not. Gunter Schall however stressed that having an external facilitator who can properly prepare and moderate the workshop would be critical to come up with specific results.
- Joanna Buckley noted that DFID has a particular interest and training need in how to engage in meaningful partnerships with multinational companies.

**Action items agreed:**

- The working group agreed meet in Toronto on the 6<sup>th</sup> of June.
- The working group further agreed to organise an externally facilitated workshop on that day to plan future work on staff capacity-building for PSE, taking into account the comments above. Overall, it should be well prepared, taking into account already existing material, and be designed to help members define shared problems and specific ways to address them.
- The Secretariat will edit the ToR to incorporate relevant comments made during the call, in particular to signpost existing reviews of capacity-building lessons. WG members will send any further suggested edits to the ToR to the Secretariat by Friday, 13 April.

General review of PSE WG work plan for FY 2018-19

Gunter Schall and Melina Heinrich-Fernandes briefly described the draft work plan shared with the group ahead of the call. The work plan is built around the three priorities identified by the group at their Zurich meeting, including minimising the risk of negative market distortion, staff capacity building around PSE, and risk management in PSE. A key question to the group was whether they had a view on the proposed sequencing of activities. As the work item on risk management has not yet been narrowly defined, the next year could be used to reach a better understanding of specific questions that would be best addressed on a multi-agency basis.

Jim Tanburn explained that the work plan and budget will be submitted to ExCo in April, and then to the DCED Annual Meeting, for their approval. As such, it should outline in as much detail as possible what directions the group plans to take in the next financial year. As some of the group's activities can however not yet be determined in detail, such as due to the delays with the work item on negative market distortion, it would also be possible to ask for ExCo's approval of changes to the budget during the year, should the need arise.

**Action items agreed:**

- Members broadly agreed with the work plan, based on the following qualifications:

- Any future activities in the area of risk management should be defined after the work on negative market distortions has been completed, as market distortions represent an important share of risks in PSE.
- Work in the area of capacity-building should be based on a step-by-step approach; any joint approaches should only be agreed based on the Toronto meeting.
- If not addressed in the ongoing assignment on market distortion, future work could usefully focus on how to balance market distortion considerations and other key criteria in the overall decision-making process before partnering with a company. This was preferred to a more in-depth analysis of market distortion risks.
- Members will send any further possible comments by email to the Secretariat by Friday, 13 April.
- The Secretariat will edit the work plan in light of the comments received before submitting it to ExCO.
- The Secretariat will also include a link to resources from the Social Impact Bonds Conference in Zurich to the Annex on existing training material on PSE.

### Annex 1: Member agency updates

Each participant presented recent developments around PSE in their agency, as summarised below.

#### **Netherlands Ministry of Foreign Affairs**

The Ministry is drafting a new policy document which will still include PSD as a priority objective. There will be a stronger focus on youth employment, including through demand-oriented vocational training, youth entrepreneurship and companies creating new jobs. There will also be a stronger focus on fragile countries and migration, both through private sector related work and humanitarian efforts. A key question for the Ministry is whether financial instruments such as loans and equity can be effective tools in high-risk environments, or whether there is a need to re-consider the use of subsidies in such contexts.

#### **BMZ/ GIZ**

Germany also has an increased focus on migration. While Private Sector Engagement remains a high political priority, staff capacity in BMZ's PSE unit is still relatively limited. Some restructuring is planned to address this. The overall directions in development cooperation are likely to remain in place as the Minister has stayed the same under the new government.

#### **DFID**

In preparation of the next G20 summit under Argentina's presidency, a current priority is to prepare a response to the G20 on the issue of inclusive business. Beyond that, DFID seeks to forge closer linkages and scalable projects with a new set of multinational companies that DFID has not partnered with before. Conversations with a number of multinationals are currently ongoing.

#### **SECO and SDC**

SECO and SDC are working together on how to best leverage additional private sector resources for innovative activities. A review of all ongoing activities has shown that not all of them are innovative, for example, so how to achieve this better in future projects is something under discussion.

#### **Sida**

Sida has commissioned an evaluation of its network with Swedish companies. The evaluation should reveal interesting aspects such as how to measure results from dialogue with companies and other non-financial forms of collaborations. Another ongoing evaluation of interest to the PSE WG is reviewing Sida's support to Global Challenge Funds. There will also be some staff changes related to PSE in Sida as John Viner will move to Zambia in July. He informed the group that the meeting in Toronto will be the last group event that he will be attending.

#### **IFC**

Key priorities in IFC remain ex-ante assessments of both social and financial impact; operationalising the World Bank's strategy on Maximising Finance for Development; and participation in the G20 Development Working Group on Inclusive Business, which will hold its first meeting next week. Private Sector Development in refugee contexts is another focus area.

#### **USAID**

Not many new developments have happened since the PSE WG meeting in January. USAID has a growing focus on private sector engagement, including an agreement that 30% of USAID funds should be leveraged (the current level is 3%). Discussions are ongoing on how this can be achieved in practice.

#### **ADA**

ADA is currently working on how to strategically approach the issue of innovation. Strengthening the agency's focus on innovation, including in private sector engagement, is closely linked to questions of risk-taking and risk management – something that many donors have traditionally been reluctant to actively address.