



The Donor Committee for Enterprise Development

**Private Sector Engagement Working Group (PSE WG)  
Online meeting, 5 December 2024  
Minutes**

19 December 2024

**Participants:**

1. Tobias Zeller, GIZ (Co-Chair)
2. Katie Garcia, USAID (Co-Chair)
3. Gottfried Traxler, ADA
4. Lars Rohwer, GIZ
5. Urkaly Isaev, IFC
6. Laura Catana, LuxDev
7. Sabine Sleijffers, NL Mofa
8. Lasse Møller, OECD
9. Luca Etter, SDC
10. Irene Frei, SECO (for part of the time)
11. Petra Burcher, Sida
12. Melina Heinrich-Fernandes, Harald Bekkers, Ella Duffy (DCED Secretariat) and Mike Klassen (DCED Secretariat/BEAM Exchange)

**Apologies:**

Hannes Bahrenburg, FCDO  
Nirosha Gaminiratne, FCDO  
Brian McDonald, IDRC  
Mika Vehnäkäki, Finland  
MoFA  
Stefan Pahl, UNIDO

**Agenda**

1. [Updates from members and the Secretariat](#)
2. [Current work items \(1\): Commissioning a short review on how donor agencies are positioning themselves vis-à-vis private finance](#)
3. [Current work items \(2\): Developing a consolidated Theory of Change \(ToC\) on PSE for the PSE WG](#)
4. [Update on the finalisation/publication of PSE portfolio evaluation synthesis commissioned by PSE WG](#)
5. [Timing and content for the next meeting](#)

**1. Updates from members and the Secretariat**

Katie Garcia welcomed participants to the meeting, followed by a round of introductions. The meeting started with a summary of two sessions at the [DCED Global Seminar in Nairobi](#) in October, which were considered of particular relevance to the PSE WG.

1. Harald Bekkers summarised insights from a session organised with FCDO, Gatsby Africa, FMO, BII and technical experts on the topic of [unlocking synergies between donors and DFIs at programme level](#) to create 'end-to-end' pathways for SME financing. He highlighted the financing gap between donor-funded grants and loans and conventional banking, as well as limitations of traditional banks in providing loans to SMEs. DFIs could invest in local fund structures to provide smaller loans to SMEs. However, this will

require more flexibility from DFIs and more coordination between DFIs and PSD programmes in targeting high-potential enterprises.

2. Mike Klassen reported back on a session on [factors influencing \(PSE\) policy implementation in practice](#), including USAID's PSE policy and the Netherlands' MoFA programmatic approach to sustainable economic development (PADEO). The session emphasized the importance of local embassies and missions in proactively interpreting policy in ways that further their existing strategies. An interesting yet strongly debated trend highlighted here was donors deciding to partner directly with the private sector (bypassing implementers) under certain conditions. Katie Garcia added to his summary by highlighting that USAID has recently published an [Implementation Assessment of USAID's PSE Policy](#), which highlights achievements around the broad recognition of the policy as well as areas for improvement in terms of further institutionalisation.

Members then shared updates on recent developments in PSE in their agencies; selected key information is highlighted below:

- **ADA:** An call for proposal was launched under [ADA's Business Partnership Challenge](#), a new instrument within the framework of the Austrian Development Agency's (ADA) business partnerships. With the view to enhance the quality of proposals, ADA had previously published a summary of lessons for companies and encouraged companies to use principles of market systems development in their proposals, whereby companies would need to define their catalytic roles within the wider market system.
- **BMZ/ GIZ:** Germany organised the [Hamburg Sustainability Conference](#), which was considered as a success in terms of the number of high-level attendees and the generation of practical and collaborative actions towards greater sustainability. The next conference will be organised in June 2025. A call for proposals (deadline 13 December 2024) was shared with the PSE WG.
- **Luxembourg:** LuxDev continues to engage the private sector through three funds, including the [Business Partnerships Facility, LuxAid Challenge Fund and LuxAid Demonstration Fund](#).
- **OECD:** OECD continues to work on an update of the blended finance guidance. Transparency and additionality remain important principles. The [OECD CoP-PF4SD Conference on Mobilising Private Finance Towards 2030 and Beyond](#) will take place 4-5 February in Paris.
- **Netherlands MoFA:** Following the change in government in the Netherlands, private sector engagement continues to remain a priority.
- **SDC:** SDC is awaiting a government decision on potential cuts to the international cooperation budget. A global social impact enterprise support programme has recently been launched.
- **SECO:** SECO has developed a new PSE approach paper, which is due to be finalised shortly. It sets out SECO's internal vision on PSE, providing an overview of the concept, principles and overarching theory of change.
- **Sida:** Following Sida's recent reorganisation and growing focus on the nexus between trade and development, [PSE remains a strong focus of the organisation](#).

## 2. Current work items (1): Commissioning a short review on how donor agencies are positioning themselves vis-à-vis private finance.

Draft Terms of Reference were circulated to the group ahead of the call, based on individual conversations with four task team members. While members raised some specific ideas and

questions regarding the ToR, feedback from the Working Group also suggested that further discussions are needed to reach consensus on the vision and focus of this work item.

It was therefore agreed to schedule a dedicated task team meeting in January, as a basis for moving forward with this work item. The Secretariat will send out a doodle poll for that purpose.

Specific questions/ comments so far included:

- Enhance clarity on the target audience (donors and DFIs or donors only?): it may be useful to look at blended finance and the potential for more synergies with DFIs specifically from the perspective of donors
- Look at the real market and the capital market in a holistic manner, including different financial flows and (regulatory) barriers for different market actors, to identify the gaps that need to be addressed to create a continuous flow of funding for local businesses
- Regarding the title of the assignment, delete 'for PSD'
- CGAP have recently produce a briefing note on catalytic investment which covers many questions included in the ToR already; in this context, it may be useful to focus on a small piece of the of the spectrum by looking specifically at donor-DFI relationships.
- Assess why it is so difficult for donors and DFIs to work in a more synergetic manner, and how these fundamental issues could be addressed

Sida and SECO offered to share further comments in writing. Revised draft ToR will be shared with the group before the task team meeting in January.

### **3. Current work items (2): Developing a consolidated Theory of Change (ToC) on PSE for the PSE WG**

Four agencies have already shared their internal PSE ToCs with the Secretariat, as a basis for this assignment. Laura Catana and Katie Garcia agreed to still share the ToCs in use by LuxDev and USAID for consideration in this work.

### **4. Update on the finalisation/publication of PSE portfolio evaluation synthesis commissioned by PSE WG**

The Secretariat has addressed most fundamental editorial requests made by members but is in the process of making other final edits (e.g., in terms of flow and missing references) to get the synthesis ready for publication. The final product will be shared with the PSE WG shortly, with a short period for a final review, in order to publish the synthesis as soon as possible.

### **5. Timing and content for the next meeting**

Katie Garcia suggested organising the next PSE WG meeting in February, to start discussions on possible work item for the next financial year. The meeting would also be an opportunity to hold a technical exchange on one of the topics included in this year's work plan.

One topic of interest was an exchange on how different agencies are streamlining their offer to businesses, e.g., through one-stop online portals. In preparation of such an exchange, Katie suggested that it would be useful to compile a spreadsheet listing the online portals of all PSE WG member agencies; this list could also be published as a page on the DCED website.

The Secretariat will liaise with members to identify possible presenters on the topic and compile such a spreadsheet, and will send out a poll to schedule a meeting in February.