

Towards strategic private sector engagement: A summary of innovations and institutional change in donor agencies



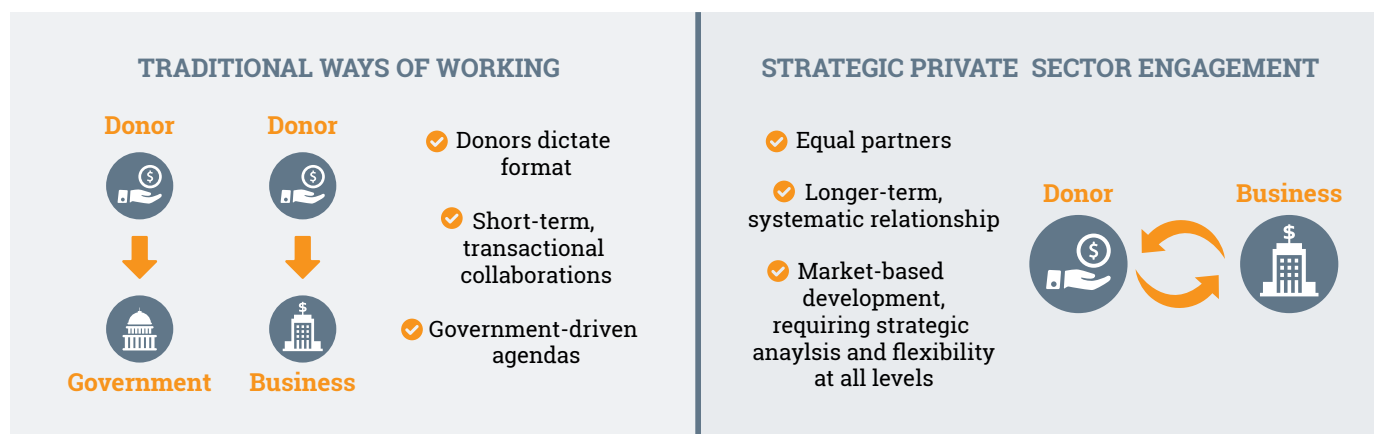
This summary is based on a [34-page DCED report published in 2017](#) which documents how development organisations are changing policies and procedures, staff roles and team structures, as well as staff capacity and incentives to enable private sector engagement.

[Click here for a checklist](#) to review organisational readiness for private sector engagement. For more resources, see the DCED knowledge page on [private sector engagement](#).

Donor agencies now aim to engage the private sector as an equal partner across their work, through a variety of formats. This represents a new way of working (see Figure 1): It complements bilateral work, and contrasts with more traditional,

transactional ways of working with business, whereby donors largely set the parameters of collaboration. Agencies have begun to implement significant changes:

Figure 1: Traditional versus new ways of working



1. Agencies are changing their policies, procedures and funding frameworks to enable more strategic private sector engagement.

This includes:

- **Making engagement strategies more tailored to the needs and interests of different businesses**, e.g. by consulting them in strategy development or tailoring engagement formats to different types of businesses, whether or not they have a demonstrated interest in sustainable development;
- **Enhancing and formalising criteria and responsibilities for due diligence**, while becoming more systematic about working with trusted and like-minded companies identified through joint platforms or previous collaborations;
- **Finding alternatives to traditional partnership configurations**, for example by investing months or even years in preparatory discussions with businesses; or building longer-term relationships with a wider spectrum of collaborations over time; and
- **Exploring more flexible funding mechanisms, such as centrally managed funds**, which can be accessed by all technical staff to support strategic collaborations with business, and programmes that include grant as well as non-grant instruments. Some donors enter longer-term funding arrangements with NGOs (as implementers of partnerships), enabling open-ended discussions with business.

2. Donor organisations are creating or adapting roles of staff as well as entire teams and units.

While the changes vary by agency, key options are summarised in the table below:

	Leadership roles	<ul style="list-style-type: none"> New senior staff leading on PSE and internal changes, often with significant corporate experience
	Technical roles at the interface between agencies and business	<ul style="list-style-type: none"> Staff working part of their time as 'Relationship Managers' for strategic corporate partners for institutional memory, reduced transaction costs Focal points for in-house and external enquiries on PSE Outreach staff in national business membership associations
	Mainstreaming PSE tasks across the organisation	<ul style="list-style-type: none"> Mandating all technical staff to develop partnerships Allocating more staff time to networking events etc 'Corporate Champions'/ PSE advisory staff across different thematic units
	Central private sector engagement units	<ul style="list-style-type: none"> Larger central units or new teams ('competency centres') leading on Private Sector Engagement
	Cross-functional teams	<ul style="list-style-type: none"> Members of different units working together on private sector engagement (e.g. strategy, communications, knowledge management, sectoral programme and legal teams)
	Agency-wide coordination and whole-of-government approaches	<ul style="list-style-type: none"> More formalised and systematic division of tasks and knowledge sharing between headquarters and field offices Greater cross-departmental and institutional coordination (e.g. one-stop online portals on engagement opportunities) and collaboration (e.g. exchange of contacts and experience) on private sector engagement

3. In order to facilitate the execution of new roles, agencies are building staff skills and experience, bringing in new expertise and promoting buy-in for new ways of working.

- Organisations have developed various mechanisms to build staff skills and experience – as summarised in Figure 2. Some have also recruited from the private sector for specific technical roles (e.g. for new financial instruments), and there is increasing demand for 'partnership expertise' in supporting roles – e.g. legal teams.
- Promoting cultural change for private sector engagement is also considered critical. Executive level support to change processes within the organisation has been helpful in some agencies. Reassuring sceptics requires an active internal communication of due diligence processes as well as of results and lessons learnt – through newsletters, case studies, introductory workshops, and conferences.
- Discussions are ongoing on how to improve general staff incentives for private sector engagement. Senior staff in some agencies encourage colleagues to experiment with riskier projects and to share lessons from failure; some agencies explore using relevant training or successful partnership management as criteria for staff's upward mobility, or as a basis for greater internal influence on strategic decisions regarding private sector engagement. Other agencies have issued new policy guidance encouraging flexible, adaptive ways of working.

Figure 2: Developing staff capacity for private sector engagement

