

SUMMARY OF THE TECHNICAL WORKSHOP

Effective Private Sector Engagement through Development Co-operation: Working with the Private Sector to Achieve the Sustainable Development Goals

Background

On Thursday, 18 October 2018, the [Global Partnership for Effective Development Co-operation](#) (GPEDC), represented by Germany, in its capacity as Co-Chair of the GPEDC, organised a technical workshop on “[Effective Private Sector Engagement through Development Co-operation: Working with the Private Sector to Achieve the Sustainable Development Goals](#)”. The workshop was carried out in collaboration with the European Union and the Ministry of Foreign Affairs of El Salvador.

The event had robust participation from different sectors, including representatives from the public and private sectors, development partners, civil society organisations, foundations, academia and officials from neighbouring countries. Opening remarks were provided, in front of more than 70 participants, by the Minister of Foreign Affairs of El Salvador, His Excellency Mr. Carlos Alfredo Castaneda, and the Ambassadors of Germany and the Delegation of the European Union in El Salvador, their Excellencies Mr. Bernd Finke and Mr. Andreu Bassols respectively.

The workshop was organised as part of a pilot initiative in response to the Global Partnership’s [commitment](#) to improve the effectiveness of development co-operation efforts by *all actors*, contributing to the achievement of the Sustainable Development Goals (SDGs). This includes an inclusive exchange on the challenges and opportunities for increasing the effectiveness of private sector engagement (PSE) leveraged through development co-operation.

In this context, four case studies were conducted in different countries, including El Salvador, in order to better understand the issues and challenges around private sector engagement (PSE) in development co-operation at the project level and to identify entry points and incentives for more effective development co-operation with the private sector. The results and recommendations of the [draft case study](#)¹ on the dynamics of PSE in El Salvador served as a baseline for multi-stakeholder dialogue during the workshop. The inputs from this dialogue will feed into the final version of the study, deepening the analysis of the national context.

The results of this exchange at the workshop will also serve as a complement to another GPEDC pilot process in El Salvador, which is aimed at implementing the agreed [effectiveness principles](#) of development co-operation at the country level. This pilot is being undertaken in an inclusive and participatory manner, focusing on El Salvador’s National Development Co-operation Policy, and will culminate in the launch of a new national strategy for effective development co-operation. Both pilots seek to encourage effective multi-stakeholder dialogue as part of a collective effort to achieve the SDGs.

Private Sector Engagement (PSE) in El Salvador: context and findings

The [case study](#) on the effectiveness of private sector engagement through development co-operation in El Salvador took stock of the national context, finding that:

¹ The study generated unique, country-specific evidence based on a mapping of 131 PSE projects in development co-operation in El Salvador, a review of existing literature, and interviews with various stakeholders.

- Micro, small and medium-sized enterprises (MSMEs) represent 99% of the private sector in El Salvador, contribute 35% of the GDP, operate mainly in the informal sector, with more than half on a subsistence basis.
- MSMEs have limited access to public-private dialogue and subsequently, the opportunities presented by development co-operation projects. The same applies to local actors' access to PSE projects.
- Only a limited number of PSE projects explicitly target underserved or rural populations and / or markets.
- Corporate Social Responsibility (CSR) is widespread, but the application of sustainable practices and the Sustainable Development Goals to core business models is still uncommon.
- At the national level, there is no formal, inclusive and sustained public-private dialogue mechanism on private sector engagement and no formal mechanism to co-ordinate development partners on PSE specifically.
- Trade union membership is strong, business associations have a high level of political influence — the *National Association of Private Enterprises (ANEP)*, for example, represents 50 trade unions from all sectors representing a total of over 15,000 companies (93% small, 4% medium and 3% large).
- Existing information on the concrete results of public-private co-operation in development co-operation in El Salvador is limited, making it difficult to assess the key factors which foster success and sustainability in PSE projects.

Areas of work and guiding questions

Based on the assessment of the national context and the analysis of 131 PSE project documents that were assessed in the draft study, the following areas of work and guiding questions for further multi-stakeholder dialogue emerged over the course of the workshop:

1) National ownership and capacity building for more effective private sector engagement in development co-operation:

What are the key challenges for joint work between the private sector, the government and other development partners? What mechanisms of communication and inclusive dialogue do you suggest for facilitating joint work with the government and other partners to increase the effectiveness of PSE through development co-operation? What would be the thematic aspects and / or challenges that should be prioritised?

2) Role of SMEs in development co-operation:

How can SMEs (and micro-enterprises in particular) be more actively involved in public-private dialogue and have greater access to the opportunities presented by development co-operation projects? How can MSMEs be empowered to maximise their positive impact as contributing partners in development co-operation?

3) Leave no one behind:

How can PSE projects focus on social sectors and rural or underserved markets to benefit the most vulnerable populations? What incentives are required?

4) Development results, transparency and accountability:

What are the key factors that foster success in PSE projects and how can the exchange of good practices in effective private sector engagement through development co-operation be scaled up? How can transparency and accountability be increased in PSE projects?

5) *Achieving the SDGs through private sector engagement in development co-operation:*

Within the context of PSE through development co-operation, how can inclusive and sustainable business models that go beyond CSR be promoted to achieve shared value for business and society, while contributing to the implementation of the SDGs?

Key messages

The multi-stakeholder discussions and a designated interactive table discussions session deepened the contextualization of challenges and opportunities related to private sector engagement in development co-operation in El Salvador. The comprehensive and inclusive exchange, which included a regional perspective through the inputs from government officials from neighbouring countries, facilitated a better understanding of the practical implications of the processes and challenges of effective private sector engagement in development co-operation. The following key messages and recommendations emerged from the workshop:

National ownership and capacity building for PSE effectiveness

It is important to...

- Adopt a comprehensive and national perspective. This means addressing the [2030 Agenda for Sustainable Development](#) as a national and sub-national agenda for all, based on a common country vision.
- Strengthen a co-operative approach based on the common good and identify issues and objectives of mutual interest between the actors involved.
- Share and systematise experiences and good practices to scale up and increase the potential of PSE in development co-operation.
- Emphasise the role of the private sector in the decentralisation of development co-operation.
- Create spaces for comprehensive dialogue / one common platform instead of having different parallel processes to arrive at a truly inclusive multi-stakeholder approach to development co-operation.
- Strengthen the support of development partners as (more) neutral entities / brokers in achieving inclusive and effective public-private dialogue.

Specific recommendation: Create an inclusive, multi-stakeholder space for public-private dialogue on the strategic contribution of the private sector in sustainable development co-operation.

Achieving the SDGs through PSE in development co-operation

- In order to improve the effectiveness of PSE, it is important to develop differentiated and 'tailor-made' strategies to respond to specific needs at different levels (local / national / sectoral, etc.).
- Outreach to the private sector should be made without a preconceived agenda, with an open perspective, facilitating flexible approaches to co-operation with private sector actors.

- Economic and non-economic incentives must be created to motivate greater private sector engagement (for example, through access to financing for MSEs and risk reduction on the economic side, and technical support, assistance and training on the non-economic side).
- A more holistic understanding of the role of the private sector in development co-operation and implementation of SDGs must be reached. The private sector should not be perceived only as a financial source, but as a true partner in development co-operation that contributes its own experience and innovative capacity, among other assets.
- It is essential for PSE projects to be aligned with companies' business models in order to guarantee project / financial sustainability.
- Civil society plays a very important role in promoting social dialogue around PSE in development co-operation.
- It is important to strengthen and create more strategic alliances between different actors, including at the local level.

Specific recommendation: Carry out a national mapping to identify financial and territorial development gaps in the context of SDGs implementation in order to achieve a more strategic and effective use of PSE in development co-operation.

Leaving no-one behind

- There is a need to carefully analyse which sectors / actors / populations are left furthest behind and why. In this context, it is important to have a differentiated diagnosis for specific geographical areas / groups of society.
- It is important to link the ambition of leaving no-one behind directly with the focus on SDGs which apply to all, guiding the effective use of PSE through development co-operation.
- There is a need to facilitate greater access to finance and financial services for marginalised actors and sectors (e.g. micro and small enterprises and the rural population).
- Specific incentives should be created for companies to invest in marginalised areas and innovative ways of public-private co-operation should be explored to mitigate the related risks.
- Decentralisation of services presents an opportunity for greater involvement of local companies on the ground.
- The specific realities and characteristics of vulnerable territories need to be explored and identified in order to formulate PSE projects that can respond effectively to these needs.

Open question: Should there be fiscal incentives for investment activities with a direct impact on sustainable development?

Specific recommendation: Develop and strengthen capacities to create differentiated statistics at the national and subnational levels that facilitate a better targeting of PSE projects towards vulnerable groups that are lagging behind.

Role of MSMEs in development co-operation

It is important to...

- Provide comprehensive training to MSMEs that takes into account existing capacities.

- Promote the exchange of successful experiences to strengthen learning processes.
- Continue working on strengthening processes and training on labour rights.
- Guarantee the participation of municipal governments in PSE projects.
- Create legal and institutional frameworks that allow MSMEs to participate in development co-operation.
- Strengthen and train MSMEs (in organisational, leadership and administrative capacities, for example) both for a more active and positive contribution within the communities they operate and in advocating for best practise examples of greater project effectiveness.

Development results, transparency and accountability

- Appropriate indicators for monitoring activities and results frameworks should be applied in a flexible and transparent manner to respond to specific contexts.
- Monitoring and evaluation mechanism should be designed according to the role of each sector / actor.
- Private companies should be made aware that social investment is still below its potential.
- Governments and co-operation partners should be encouraged to make available more detailed information on PSE through development co-operation in order to facilitate mutual learning and the identification of good practices.

Cross-cutting axes

a) Multi-stakeholder approach:

- The importance of creating spaces for open and broad dialogue was highlighted. These spaces need to take into account the political situation, building on the 2030 Agenda.

b) Subnational level and comprehensive approach:

- The need to establish mechanisms / platforms for dialogue in / with communities and to integrate incentives for PSE in local policies was identified.
- The need to strengthen the dialogue between companies and the community, so that projects may be tailored to the specific needs of the community in which these projects will be carried out, was highlighted.
- It is seen as important to promote leadership and citizen participation at the local level.

Next steps

- Review and revise the draft case study based on inputs from the workshop. The final version of the study will serve as a reference document for participatory dialogue at the national level, with the objective of encouraging more effective private sector engagement through development co-operation.
- Elaborate a roadmap and action plan to increase the effectiveness of private sector engagement through development co-operation in El Salvador.
- Seek synergies for the incorporation of key findings from the PSE study into the GPEDC pilot process for the effective implementation of development co-operation at the country level,

which supports the elaboration of the 2018-2021 Second National Plan for Effective Co-operation in El Salvador.

- Continue to deepen the exchange of experiences at the regional and international level (in the framework of the GPEDC and through other related fora and processes) to share good practices and support the identification of the key elements for the GPEDC's elaboration of mutually agreed principles and guidelines for effective PSE through development co-operation. To this end, the Global Partnership has launched an online consultation on the key issues and challenges around the effectiveness of PSE. All stakeholders are invited to participate in this survey (before 7 December) and share it with their respective networks using these links:

<https://survey2018.oecd.org/Survey.aspxs=d515054af89f42bfad4862deba41a656>

<http://effectiveco-operation.org/2018/11/pse-survey/>