

EXPANDING AND ENHANCING PUBLIC AND PRIVATE CO-OPERATION FOR BROAD-BASED, INCLUSIVE AND SUSTAINABLE GROWTH

A joint Statement for endorsement by representatives from the public and the private sectors at the Fourth High-Level Forum on Aid Effectiveness

11 November 2011

The Fourth High-Level Forum on Aid Effectiveness in Korea promotes a more effective and catalytic role of aid to leverage other forms and sources of support for development, including from corporations and other private sector entities, in order to accelerate poverty reduction and boost sustainable economic, social and environmental development.

It is in this regard that we, Ministers of developing and developed countries, representatives of private sector entities and corporations and heads of multilateral and bilateral institutions and regional organizations meeting in Busan, encourage greater cooperation between the public and the private sectors, with the objective of better understanding our respective contributions towards common development objectives, building on existing initiatives.

Representatives from the public and private sectors, as well as any additional development actors, are therefore invited to express their support for this statement which builds on past months active dialogue amongst a range of actors and entities, and is presented on the occasion of the Fourth High-Level Forum on Aid Effectiveness.

ACKNOWLEDGEMENT

While recognizing the differing objectives of the private and the public sectors, and in particular stressing that the responsibility and accountability for sustainable and inclusive development ultimately lie with governments, this joint statement recognizes the critical importance of the for-profit private sector¹ as a key engine of economic growth, job creation, innovation and sustainable development.

The private sector is now widely acknowledged as a key partner in development, including through establishing new enterprises, creating jobs, providing goods and services, generating income and profits, and contributing to public revenues, which are critical to increasing countries' self-reliance and sustainable growth. This joint statement fully recognizes the diverse forms of engagement that the private sector brings to support development, together with governments, donors and civil society. These include core business activities, public private partnerships, social responsibility activities, and cross-sector or multi-stakeholder partnerships for development.

This joint statement recognizes the important role played by governments and other public development actors in enabling and leveraging these private sector activities. It stresses the common objective across all partners to build on the various forms of private sector engagement, including investment, capacity building, inclusive business models, knowledge sharing and innovation and contributions to policy dialogue. It also recognizes the importance of developing more conducive environments for entrepreneurship and private enterprise, domestic market

¹ The "private" sector is a broad term that encompasses a range of diverse actors. It covers both formal and informal enterprise, micro, small, medium, and large enterprises, local and global enterprise, private financial institutions, as well as business associations, including women's business associations.

growth, participation in international trade, capital investment and realization of the full potential of human capital in countries.

Recognizing the private sector as an equal, complementary partner in discussing and identifying solutions and actions to promote development effectiveness, we jointly agree to the five shared principles presented below, and together will consider possibilities for coordinated actions over coming years that would positively impact on development. In promoting such coordination, collaboration and effective country-grounded joint strategies and programming, we seek to turn the diversity of development co-operation actors into an asset for the countries themselves, and not to add to the current complexity and fragmentation of the development landscape.

FIVE SHARED PRINCIPLES

We, Ministers of developing and developed countries, representatives of private sector entities and corporations and heads of multilateral and bilateral institutions and regional organizations, recognize the importance of the following principles to maximize the benefit of coordination and collaboration to support development:

(1) Inclusive dialogue for building a policy environment conducive to sustainable development: We recognize that an inclusive dialogue between the public and private sectors is needed to improve cooperation amongst all actors, develop synergies and generate new effective partnerships for development. Governments should consult closely with the domestic and foreign private sectors in order to create an enabling environment for development which promotes peace and stability, the rule of law, enforcement of human rights, good governance with accountability and transparency, the absence of corruption, adequate economic and social infrastructure, stable economic policy, an educated workforce, clear property rights and enforceable contracts, enhances the competitiveness of the local private sector and promotes equitable growth.

(2) Collective action: We believe that development requires the establishment of more permanent interactive platforms for dialogue both at the country and global levels – where they do not exist - to enable sustainable and competitive private sector development and the involvement of the private sector in finding solutions to development challenges. Consultation with the private sector in the elaboration of national and sector plans is a prerequisite to broadening country ownership of the development process and ensuring inclusive growth, and expanding economic opportunity for all segments of the population.

(3) Sustainability: We recognize that aid and other development efforts should scale up development impact in a sustainable manner and align with local priorities and capacities. Public and private activities should comply with relevant national laws and respect applicable international norms promoting social, environmental, financial, economic as well as good governance progress².

(4) Transparency: We recognize that long-term private sector development as well as effective national budgeting and governance benefit from policies which are predictable and designed and implemented in a transparent way. More progress can be made to encourage greater transparency of public-private cooperation including Public-Private Partnerships, building on, where appropriate, ongoing transparency and accountability initiatives³ in sectors which are critical to developing

² Examples which might be applicable include: the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy, the UN Global Compact, the OECD Guidelines for Multinational Enterprises and IFC performance standards

³ Examples which might be applicable include: the Extractive Industry Transparency Initiative (EITI), the Natural Resource Charter, the Kimberley process, the Forest Law Enforcement, Governance and Trade (FLEGT) initiative and the Construction Sector Transparency initiative (CoST).

countries' economies. More transparency and a predictable institutional environment, including effective and transparent procurement systems, are critical conditions to unlock the full potential of private enterprise and open markets in a way that contributes to sustainable and equitable growth. We believe that it is important to promote transparency of all players relevant for public private cooperation including Public-Private Partnerships, including business, governments and international organizations, subject to valid concerns about commercially sensitive information.

(5) Accountability for results: Our partnership should aim to foster discussion on options for monitoring, reporting and evaluation of development results, measuring the sustainable impact of public-private cooperation for development, including Public-Private Partnerships, and to sharing the lessons learned from our partnership.

THE WAY FORWARD

On the basis of the shared principles mentioned above, representatives from the public and private sectors encourage and engage in a new process for cooperation between governments and private sector entities and they encourage all interested partners to join on a voluntary basis. This process aims to be a key pillar in the new Global Partnership for Effective Development Cooperation on the path to realizing all Millennium Development Goals and other development objectives. It aims to develop concrete initiatives for improving understanding of the role of the private sector in development and sharing lessons learned, in order to propose specific actions for greater development effectiveness.

Within the coming months, interested public and private sector representatives who support the Busan Joint Statement on "Expanding and enhancing Public and Private Sector Co-operation for Development" will build on the momentum and contribute to informal informational exchanges with a view to prepare a proposal, by June 2012, on how to further strengthen the dialogue and enhance cooperation between the public and the private sectors at both country and global level, focusing on sectors, global challenges and the Millennium Development Goals.

This process will be time-bound and supportive of broader arrangements related to the post-Busan follow up and organization of the forthcoming Global Partnership for Effective Development Cooperation. It will learn from and complement the activities of existing institutions and networks for public and private sector dialogue at global, regional and country levels.

The two annexes below are distinct but complement the Busan Joint Statement in providing illustrative selected examples of potential coordinated action and various partnership arrangements.

ANNEX 1: ILLUSTRATIVE SELECTED EXAMPLES OF POTENTIAL COORDINATED ACTION

The shared principles provide a basis for a range of coordinated actions that the public and private sectors may agree to take in order to improve development effectiveness. The public and private sectors should be encouraged to involve all actors and to share lessons learnt from their coordinated actions by 2015, the Millennium Development Goals target year.

For example, these coordinated actions may focus on:

- Transparent information on all flows and contributions to development.

Representatives of the public sector could:

- ❖ In close co-operation with the private sector, work to improve data collection and dissemination on private aid, remittances, and Foreign Direct Investment flows having an impact on development⁴
- ❖ At the country level, encourage broad accessibility to regular and transparent information on all flows of Official Development Assistance, remittances, and private aid as part of the regular national budget process in order to build the capacity of all parties to make better use of the information for operational and policy decisions, while fully respecting confidential business information.
- ❖ Fight corruption by broadening the support for, and deepening the implementation of, existing transparency and accountability efforts such as the Extractive Industry Transparency Initiative (EITI), the Natural Resource Charter, the Kimberley process, the Forest Law Enforcement, Governance and Trade (FLEGT) initiative and the Construction Sector Transparency initiative (CoST). We urge further global attention and debate in the area of the governance of natural resources, including transparency of payments, and tracking of mineral supply chains from conflict-affected and high-risk areas⁵. Governments should implement and enforce relevant instruments developed by the United Nations and the OECD for combating corruption.
- ❖ Promote increased transparency and competition in public procurement, particularly given the increasing importance of private participation in infrastructure development through modalities such as PPPs for delivery of public services, and to broadening support for continued work in this area in the context of WTO - sponsored multilateral trade dialogue and in other forums such as the G20 initiatives on infrastructure.

Representatives of Development Financial Institutions and the private sector could encourage further disclosure of relevant information pertaining to private flows of funds affecting development in the case of public-private partnerships that have a public development purpose, as long as disclosure is in accordance with local laws and confidentiality arrangements. The public and the private sector should continue to fight against bribery and corruption, including the prevention of bribe solicitation and extortion.

- Building an enabling environment:

Representatives of the public sector could take steps to:

- ❖ Create an enabling environment for development, including peace and stability, the rule of law, protection of human rights, good governance with accountability and transparency, the absence of corruption, adequate infrastructure, stable economic policy, an educated workforce, clear property rights and enforceable contracts that reduces informality and enhances the competitiveness of the local private sector and promotes equitable growth. This should be realized in close communication with the domestic and foreign private sector.
- ❖ Renew efforts toward improving countries' policy and legal frameworks and regulatory mechanisms, as well as strengthening skills and capacities of local private sector; and to

⁴ There are no precise figures on private flows given the diversity, lack of common agreed upon definitions and mechanism for capturing data. The OECD DAC collects data – albeit with possible under-reporting – on 1) grants by private voluntary agencies; 2) private flows at market terms; and 3) bilateral ODA through NGOs.

⁵ Building on the OECD Guidelines Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict and High-Risk Areas.

improving access to financial services, local and regional markets, economic and social infrastructure and other determinants of a good private sector climate.

- ❖ Lower barriers and create incentives for informal businesses to join the formal economy by streamlining business registration processes, improving the regulatory environment and procedures, reforming property rights systems and tax systems, and expanding access to government services and other vital institutions.
- ❖ Build on best practice for using aid to leverage private sector investment. Engagement of private sector participants and financing into countries and sectors where private capital is scarce should be encouraged, through the effective, transparent blending of aid and concessional lending with non-concessional resources, using sound principles to ensure program sustainability and efficient resource use. Official agencies and Development Finance Institutions should be used to provide critical knowledge and upgraded instruments to improve risk management and catalyze the resources and talents from the private sector.

Representatives of the private sector could take steps to:

- ❖ Strive to seek effective forms of organization to be able to communicate the needs and concerns of local business communities, including those of small- and medium-sized enterprises, foreign investors, and the informal sector to governments and intergovernmental organizations in order to help improve countries' efforts in building enabling environments for development and private sector-led economic growth and job creation.
- ❖ Disseminate and promote voluntary sectoral and regional agreements on anti-bribery and corruption measures, established among companies themselves. These can be effective instruments to discourage the supply of, as well as demand for, bribes.
- ❖ Engage with governments in order to unleash the talent, creativity and potential of women in the workplace. As the repository of half of all human talent and potential, women are an underutilised and valuable resource, in developing and developed countries alike.
- ❖ Promote the corporate social responsibility of private enterprises.
- ❖ Engage with stakeholders, including the communities where they invest, their employees, customers suppliers, trades unions, civil society organizations and human rights organizations to share information, undertake collaborative projects, to speak out together on issues of common concern and to together find ways to enhance the positive, and eliminate or mitigate negative effects, of private sector development on affected stakeholders
- ❖ Continue to undertake efforts to increase energy and material efficiency. The private sector will continue to play a major role in the implementation of greener growth in many different ways, including through the reduction of environmental impacts of production, efficient use of natural resources, waste prevention, and the development of new products and services.

Both the public and private sectors should continue to support aid for trade and working towards abolishing trade barriers, subsidies and other discriminatory frameworks.

- Integrating the private sector in the local development context:

Representatives of the public sector could take steps to:

- ❖ Systematically seek the participation of representatives of the private sector in the global, national and local dialogue in order to expand and enhance public and private sector cooperation for development. Capacities of all sides, including business associations and cooperatives, should be strengthened to engage the private sector.
- ❖ Promote broader market and value chain development approaches that bring together large and small companies, government authorities, donors and other stakeholders in coordinated and integrated efforts to support income generation, sustainable production and capacity development.

- Broaden partnerships between the public and the private sector:

Representatives of the public sector could take steps to:

- ❖ Apply the lessons on what makes cooperation between the private and public sectors work, including on Public-Private Partnerships including:
- ❖ Promote leadership and political commitment by governments to prepare the groundwork to ensure public and private cooperation including PPPs are demand-driven, balanced and sustainable. This includes effective policy, legal and regulatory frameworks, anchoring such cooperation into national and sector plans and engaging local stakeholders and local communities. This also requires capacities in the public sector to identify and transparently select the best partners for public-private cooperation including Public Private Partnerships and effectively manage the contractual and regulatory processes.
- ❖ Work towards shared objectives by building trust as well as sharing the risks. Shared decisions should factor in risks and include the public sector, making available, as fitting, a broad range of instruments, including financial and contractual instruments, with appropriate terms, conditions and risks management which can mitigate the political, economic and financial risks to encourage private investment in developing countries. The valuable tools developed by official agencies and Development Financial Institutions should be further expanded and upgraded to support public and private cooperation for development including Public Private Partnerships.
- ❖ Encourage transparency and competition as a means to assure good governance of such processes. Governments should ensure that public and private cooperation including Public Private Partnerships are demand-driven and competitive in order to increase the chances of innovation and bring benefits to the local private sector.

Representatives of the public and private sectors could work together to improve results measurements⁶ by prioritizing “what to measure” and by harmonizing terminologies between the private and public sectors. Focus should be placed more on measuring development impact over inputs and outputs, and encouraging use of results as a way to improve performance rather than as an end product.

⁶ Such an effort would build on existing guidance such as the OECD –DAC principles for evaluating development assistance, the Good Practice Standards for Evaluation agreed by the Multilateral Development Banks, the Common Performance Assessment System (COMPAS) and the Donor Committee for Enterprise’ Development’s (DCED) “Standards for measuring results in private sector development”

ANNEX 2: ILLUSTRATIONS OF VARIOUS PARTNERSHIPS ARRANGEMENTS

- Core business activities- Through developing inclusive business models with the poor as suppliers (e.g. local content, value chain), as employees, and as customers (e.g. affordable health, education, micro-banking)

- ❖ Role of business: Responsible core business; investor; innovator
- ❖ Role of government: Regulator; enabler
- ❖ Role of donors: Support to government to create good business enabling environment; support to companies to develop inclusive business models (share risk)
- ❖ Role of civil society: Partner in certain inclusive business models (e.g. in adapting goods / services to be appropriate for poor customer needs)

- Public Private Partnerships - private sector uses its core business to provide public goods / infrastructure / services for a profit

- ❖ Role of business: Core business; investment and implementing partner
- ❖ Role of government: Regulator; partner
- ❖ Role of donors: Support to / capacity building of government to implement its role
- ❖ Role of civil society: Advisors; representatives of stakeholder groups in governance structures

- Cross-sector or multi-stakeholder partnerships for development (e.g. around health, education, skills development, shared infrastructure, regional economic development etc.) in which business combines its resources and competencies with other sectors' to develop the community / wider society in which it operates: for the management of risk, reputation and social/legal license to operate, and to have the social, business and physical infrastructure necessary to operate effectively.

- ❖ Role of business: Partner (potentially both financial and implementing);
- ❖ Role of government: Partner (potentially both financial and implementing); champion; regulator (usually only light touch if necessary at all);
- ❖ Role of donors: Partner (potentially both financial and implementing); facilitator / broker; partnering capacity builder
- ❖ Role of civil society: Partner; champion; advisor

SIGNATORIES TO THE JOINT STATEMENT (as of 28 November 2011)

The process leading to this Joint Statement was initiated and managed by the OECD.
The Joint Statement was formally endorsed by:

- ❖ Austria
- ❖ Belgium
- ❖ Business Call to Action
- ❖ Business and Industry Advisory Committee to the OECD
- ❖ Canada
- ❖ Caribbean Community (CARICOM)
- ❖ Common Market for Eastern and Southern Africa (COMESA)
- ❖ Confédération des Entreprises Citoyennes de Tunisie
- ❖ Confederation of Danish Industry
- ❖ Conseil Français des Investisseurs en Afrique
- ❖ Czech Republic
- ❖ CONNECT, Tunisia
- ❖ Denmark
- ❖ European Business Council on Africa and the Mediterranean (EBCAM)
- ❖ European Development Finance Institutions (EDFI)
- ❖ European International Contractors
- ❖ Finland
- ❖ France
- ❖ GAVI Alliance
- ❖ Global Business Coalition on Health (GBCHealth)
- ❖ Germany
- ❖ Global Fund to Fight AIDS, Tuberculosis and Malaria
- ❖ Global Partnerships Forum
- ❖ International Business Leaders Forum
- ❖ International Finance Corporation
- ❖ Japan
- ❖ Korea
- ❖ Mali
- ❖ Netherlands
- ❖ Omega Farms, Ethiopia
- ❖ Pan African Business Coalition on HIV and Health



- ❖ Peru
- ❖ Portuguese Association for Economic Development and Cooperation
- ❖ Sanofi
- ❖ Spain
- ❖ Sweden
- ❖ Switzerland
- ❖ Tanzania private sector foundation
- ❖ United Nations Global Compact
- ❖ United States of America
- ❖ World Business Council for Sustainable Development
- ❖ Zambia