

Concluding Report of the Heiligendamm Process

1. At the German Summit in Heiligendamm 2007, the Heads of State and Government of the G8 and the G5 started a new partnership – the Heiligendamm Dialogue Process (HDP) – in order to discuss crucial challenges of the world economy, in particular in the following four fields:
 - Development, with a special focus on Africa;
 - Promoting cross-border investment to mutual benefit;
 - Promoting research and innovation, including intellectual property rights (IPRs);
 - Energy, with special focus on energy efficiency.

It was agreed that a substantive concluding report on the progress of the Dialogue would be presented to Leaders at the 2009 Summit in Italy.

2. The HDP has been steered by the Personal Representatives of the Leaders - the Sherpas - and carried forward by the respective working groups in an open, transparent and constructive manner. As a non-negotiating process on an equal footing, the HDP has complemented work in other multilateral and regional institutions and fora and has contributed to advance the search for mutually beneficial solutions to common challenges. The OECD and the IEA have supported the HDP through their analyses and expertise and this is appreciated.
3. Partners have committed to share responsibility and to take a lead in tackling global challenges of the world economy, recognising that the ability to take action is linked to the economic, social and political situation in our countries. Dialogue partners have built mutual

confidence and understanding as a basis for tangible results in the following areas.

I. DEVELOPMENT

4. The Dialogue Partners have pursued a constructive dialogue on development, convinced of their shared responsibility for poverty eradication globally. This demands a concerted and effective response in the poorest and most vulnerable countries, especially in Africa. They engaged in a dialogue on objectives, principles and instruments of development policy and cooperation in the belief that enhancing common understanding should strengthen the impact of their efforts in eradicating poverty. The Dialogue Partners support sound country-led development strategies, with appropriately targeted aid and other external financing to complement local resources so as to contribute to achieving the Millennium Development Goals (MDGs) and other development goals. Building on their different experiences with development policy and cooperation, and recognising their different socio-economic environments, the time is ripe to develop the synergies that can strengthen these efforts.

5. Dialogue Partners reaffirm their shared commitment to contribute to achieving the MDGs and poverty eradication through support for sustainable economic growth and development. Partners identified key challenges of development and are fully aware of the serious implications of the global crisis on financial flows to developing countries, growth, and poverty eradication. Despite the increase in official development assistance (ODA) volumes in 2008, the global crisis reinforces the imperative of maintaining ODA commitments, beginning with the predictability of aid flows. They agree on the need to continue improving the quality and effectiveness of development cooperation, including both North-South and South-South cooperation. To this end, partners are fully committed to implementing the Accra Agenda for Action (AAA) which constitutes a common and solid basis for building the future of development cooperation, appreciating the diversity of

approaches as well as the common goal and principles of aid effectiveness. They also share the vision to move beyond aid effectiveness to development effectiveness. Partners recognise the need to mobilise all potential resources for development, including by strengthening developing countries' own capacities for effective domestic resource mobilisation, in line with the Monterrey Consensus and the Doha Declaration on Financing for Development. As part of these overall efforts, the G8 countries are firmly committed to work to fulfil their ODA commitments, including those made at Gleneagles and other fora.

6. All partners appreciate the unique opportunity provided by the Heiligendamm Dialogue Process to share information on their respective policies and practices of international development cooperation on a transparent and equal footing basis. The discussions showed that Dialogue Partners share key objectives such as peace and security, sustainable economic growth, development and the achievement of MDGs, and that there are commonalities in their instruments for development cooperation.
7. To achieve these objectives, the Dialogue Partners agree on the need to effectively promote and strengthen collaboration on capacity development and good governance. Acknowledging that there are various country-specific approaches to good governance, Dialogue Partners agree that it requires appropriate policy frameworks and decision-making processes that are conducive to sustainable social, environmental and economic development. They also agree that it requires the responsible and transparent use of political power and public resources by the state. The Dialogue Partners understand capacity development as the process of creating, strengthening, and maintaining capacity over time. They acknowledge, in line with the AAA, that capacity development interventions have lasting impacts when they respond to the needs of developing country partners, reinforce home-grown processes and do not place an additional burden on the existing capacities of the developing partners' administrative structures.

8. Dialogue Partners discussed the policies and instruments for South-South cooperation and North-South cooperation, and acknowledge their respective roles, strengths, and differences. Partners are determined to work to strengthen complementarity between them, building on their common objectives and learning from each other.
9. Dialogue Partners agree on the value of triangular cooperation in providing an important link that can enhance synergies between South-South and North-South cooperation. Triangular cooperation offers an opportunity for enhanced national and regional ownership as well as an increase in the support, harmonisation and coordination of peace, security and development efforts of the international community. In this spirit, Dialogue Partners agree to pursue effective triangular cooperation on a case by case basis and according to their respective capacities. Through the dialogue, together with African institutions, and on the basis of their own experiences, partners identified working principles that could be used as a point of reference to guide effective triangular cooperation. They agree that due respect shall be paid to the aspirations and willingness of developing country partners to engage in triangular cooperation.
10. Dialogue Partners agree that their contribution to development efforts will only be relevant if it responds to the priorities of developing country partners and is well coordinated under their leadership. In this spirit, with the aim of maximising the impact of their common efforts, Dialogue Partners are committed to implement the principles of ownership and alignment. They further agree on the need to reduce the administrative burden on developing country partners in terms of time, cost and effort. They also acknowledge that better country-led coordination, based on stronger information sharing, contributes to strengthening developing countries' capacities for planning their budget, programmes for development, and domestic and mutual accountability for results.

11. Dialogue Partners firmly believe that peace and security are essential for economic growth, sustainable development and poverty eradication. They appreciate the opportunity to enhance common understanding in this area. Dialogue Partners shared experiences and identified lessons learned for effective cooperation with states in fragile situations. They highly appreciate the contributions made by regional and sub-regional organisations including the African Union (AU) and agree to build their cooperation on the basis of the priorities and needs of developing country partners, such as through assisting Africa's efforts to build its peace and security architecture; to consolidate state institutions and capacities in key functions such as security, justice, governance and development; to promote whole-of-government approaches; and to enhance coordination and information-sharing among all relevant stakeholders. Dialogue Partners strongly believe that applying these lessons will contribute to their efforts to have a greater impact on peace-building and development.

12. Dialogue Partners are committed to global development, and agree on the need to minimise the impact of the economic and financial crisis on the most vulnerable countries. In this context, Dialogue Partners recognise the importance of maintaining open markets. They recognise the risk of further deterioration in poverty and food security. In this regard, Dialogue Partners emphasised the need for enhanced efforts, better coordination, and increased effectiveness. For this purpose, Dialogue Partners acknowledge the value of multi-stakeholder international platforms and take note of the Global Partnership for Agriculture and Food Security (GPAFS) which is being developed now under the UN auspices. In this respect, Dialogue Partners recognise the special needs of Africa. They underline the high priority that the African Union (AU) has put on infrastructure and agriculture development in view of their important role in regional and continent-wide growth prospects. Dialogue Partners note with interest the significant step taken by African leaders through the Programme for Infrastructure Development in Africa (PIDA) that was endorsed at the 2009 AU Summit, and the Comprehensive African Agriculture Development

Programme (CAADP) adopted in the 2003 AU Summit. Dialogue Partners recognise the potential contribution of these initiatives in offsetting the effects of the economic crisis and in promoting food and energy security.

II. INVESTMENT, INCLUDING RBC/CSR

13. International investment is a core issue of the Heiligendamm Dialogue because it is one of the major features of a dynamic world economy. Foreign direct investment has grown at a rapid pace in the past two decades and such flows, although uneven, play an important role as driver of economic growth, innovation and employment. Dialogue Partners recognised in particular that:

- Major shifts in investment patterns and the emergence of some developing economies as significant sources of FDI, especially in other developing regions, make G8 and G5 cooperation particularly relevant;
- Responsible Business Conduct and Corporate Social Responsibility improve the investment climate and contribute to sustainable development, as well as helping to sustain support for open investment policies;
- Although there is little evidence of a trend towards investment protectionism in response to the economic crisis in Dialogue partner countries, there are growing concerns that some policy measures may be less favourable to international investment, both inward and outward. In addition, the question of protecting national security and “strategic” industries in relation to foreign investment remains relevant and deserves continued scrutiny.

In the context of the global financial and economic crisis, international investment has slowed down considerably, including with respect to foreign direct investment in emerging economies and other developing

countries, with a substantial negative impact on growth, employment and development.

14. On account of these developments the Dialogue has focused on:

- Promoting, protecting and facilitating international investment with the aim to support economic and social development. Accordingly there is a need to strengthen open and transparent investment regimes and resist tendencies to impose restrictions, while acknowledging that each country has primary responsibility for its own economic and social development and for protecting its own legitimate national security interests.
- Improving the investment climate by making it more clearly-defined, predictable, and stable, while respecting the different legal and institutional settings in partner countries.
- Promoting Responsible Business Conduct and Corporate Social Responsibility in order to enhance the contribution of international investment to sustainable development.

15. The Dialogue has underscored the common interest of the Partners in maintaining an open investment climate. Exchanging information and views on measures that affect investment decisions contributes to the development of policy responses at the national level which avoid negative external impacts. Partners highlighted the impact that public policy statements may have on investment decisions. Dialogue Partners have also taken note of the Freedom of Investment Process at the OECD, of the discussions that have been held in that context on the protection of national security and “strategic” industries, and of the progress made in defining relevant principles. They also discussed the UNCTAD analysis of trends in international investment policies. The Dialogue has demonstrated its value for deepening mutual understanding of the political challenges they face in maintaining and promoting freedom of investment, particularly in the context of the financial and economic

crisis. The HDP has facilitated the informal discussion of policy measures and of the links between national measures and an effective and coordinated international response to the crisis.

16. The Dialogue Partners recalled the commitment of G20 Leaders at the London Summit in April 2009 to refrain from raising new barriers to investment and to rectify promptly any such measures, as well as the call for the WTO and other international bodies, within their respective mandates, to monitor and report on adherence in this respect. They took note that OECD/UNCTAD/WTO/IMF cooperation had begun, welcomed this quick response, and look forward to the expected reports. Partners share the view that there is value in drawing on them in future discussions on how to keep markets open and resist protectionism, including measures that constrain capital flows particularly to developing countries.
17. Against this background of change and the opportunities and challenges it presents, Dialogue Partners have focused on policy strategies to maximise the positive impact of international investment as a catalyst for economic development and higher standards of living. Dialogue Partners underscored that appropriate institutions and policies are necessary to take full advantage of international investment for sustainable development in the host country and to help to ensure that the process of globalisation is fair and inclusive. Partners have also taken note of the discussions at UNCTAD in regard to the development dimension of investment. Moreover, Partners have discussed existing obstacles to FDI and examined how their reduction can produce benefits.
18. Dialogue partners agreed that building confidence and trust in open investment policies is crucial to ensure public support of foreign direct investment and that common principles of responsible business conduct and corporate social responsibility contribute in this respect. Insofar as common RBC and CSR principles provide more transparency, conduce to economic, social and environmental sustainability, and empower workers and consumers, they show the important role that business

plays in society. In order to encourage the highest possible rate of corporate participation, Partners agreed that international and voluntary CSR guidelines, including the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy, the OECD Guidelines for Multinational Enterprises, and the UN Global Compact could be fostered and promoted. It is understood that these instruments are complementary to, and not substitutes for, adequate regulatory policy and supervision by governments.

19. Dialogue Partners have focused on international investment rules and their contribution to the promotion of international investment. Discussions showed that such rules should ensure respect of the rights of foreign investors and should preserve the policy flexibility for governments to regulate according to legitimate public interests. In connection with policy flexibility, Partners exchanged views on the issue of policy space and its relationship to regulatory predictability. They agreed on the need for further exchanges that would enhance mutual understanding.
20. Partners examined dispute settlement processes and their implications with respect to the rights and obligations of investors and host countries. They acknowledged the need for a balanced approach which meets the needs of governments and investors and enhances transparency of the international arbitration system. Partners shared the view that there is value in continuing the discussion on the consistency of dispute settlement outcomes to gain a better understanding of the challenges. It would also include issues related to international arbitration of investment disputes, their cost effectiveness, and the capacity of developing countries to participate.
21. Dialogue partners observed that the large number of Bilateral Investment Treaties and other agreements with investment provisions may raise questions concerning the coherence of the system. The pace of global market integration in recent decades may explain the proliferation of such investment agreements and increased access to international

arbitration. Against this background, there is value in exploring multilateral co-operation and exchanging views on the issues associated with international investment rules. HDP, thanks to its nature as a platform for open dialogue rather than negotiations, has served as an important forum to improve understanding of respective interests and priorities, including development. In the context of a broader discussion on the value of coherence and means to address existing challenges and take advantage of opportunities, it would also be important to discuss conditions which would be necessary for consideration of a multilateral framework. Partners have welcomed the participation of OECD and UNCTAD in discussions to date and believe they and other organizations should be invited to contribute to future discussions.

III. INNOVATION

22. Partners have engaged in this Dialogue because of a shared acknowledgement that innovation is important for economic, social and sustainable development. Innovation plays a central role in addressing key global challenges of our times, ranging from climate change, poverty eradication and public health, to the recovery from the current economic slowdown through employment generation. Partners underscored the importance of providing adequate protection to all forms of innovation and creativity.
23. To fully address these varied goals is not easy and discussions in international fora are sometimes contentious. It is against this background that Partners have engaged in a fruitful dialogue to appreciate better respective positions with the aim of forging common ground. Partners acknowledge the need to conduct a constructive dialogue in order to address contentious issues in a manner which would assist in the promotion and protection of innovation and intellectual property rights (IPRs) to the benefit of all economies.
24. Partners recognise the important contribution that the Heiligendamm Dialogue on innovation has made to build common understanding on

priorities of Partner countries, on the socio-economic aspects of intellectual property, and on ways to increase the efficiency of the international system to the benefit of all. The dynamics of innovation – as manifested in the digitalisation of the economy, the internationalisation of research and development networks, industrial design, and the development of open innovation – calls for focused policy consideration. New challenges emerge that require international dialogue and cooperation, as well as openness towards the science and research community, the business sector and civil society.

25. The Dialogue has reinforced our common understanding that an enabling policy and business environment where intellectual property rights are respected is necessary to promote innovation, knowledge, entrepreneurship, and creativity. A well-functioning system of IPRs is balanced; it encourages innovation and creativity while safeguarding the public interest. Building national IPR capacity and spreading understanding on the importance of respecting innovation and creativity are crucial and difficult endeavours. Where IPR enforcement is currently weak, Partners discussed the need to build respect for IPRs through public awareness/sensitisation efforts. The importance for right-holders to consider socio-economic realities when developing business models was also discussed.
26. Dialogue Partners recognise the challenges of designing and implementing innovation policies and emphasise that there is great value in mutual learning about country experiences. National innovation systems are increasingly interconnected to our mutual benefit and the flow of ideas around the world has changed the way innovation is generated. Partners' response to the economic crisis has reflected their sense of the important role innovation will play in economic recovery. An effective global IP system is an important foundation for these responses. In particular, Partners have discussed the role of mutually-agreed technology transfer as an important component for diffusion and dissemination of innovation that should be promoted in a manner consistent with national laws and international obligations. Partners

acknowledge the complexity of technology transfer, the importance of IPR respect in this regard, and the need to involve important stakeholders such as government, industry, and academia in developing innovative models and strategies that reflect country- and business-specific situations.

27. Partners acknowledge that innovative firms in all countries suffer economic losses due to counterfeiting and piracy. Efforts to prevent infringement of intellectual property in all the countries and territories where counterfeited and pirated goods and services are produced, distributed, purchased and consumed require strengthened international collaboration.
28. Partners are particularly concerned with the phenomenon of falsified medical products, as it poses a major public health risk for all communities and especially for the weakest countries and groups. We encourage continued dialogue on ways to meet this challenge.
29. Genetic resources and associated traditional knowledge can also contribute to innovation, especially in the agricultural and pharmaceutical sectors. It is in our mutual interest to respect the rights of indigenous groups and members of local communities, as determined by relevant national laws. In full recognition of the business risks that are associated with innovation, and of the need to promote research and development, partners see value in advancing together to facilitate access to genetic resources, and to ensure that benefits arising out of the utilisation of genetic resources and associated traditional knowledge are fairly and equitably shared.
30. Partners have noted that countries have sovereignty over genetic resources and acknowledged that prior informed consent and equitable benefit-sharing for the use of genetic resources and associated traditional knowledge are important issues. In this regard, there is continuing discussion in international organisations. Partners recognise the need to explore ways to prevent the misappropriation of genetic resources and

associated traditional knowledge. The Traditional Knowledge Digital Library (TKDL) developed by India can make a useful contribution.

31. Partners acknowledge the important role that the World Intellectual Property Organisation (WIPO) plays in developing an efficient, accessible and balanced international intellectual property system in response to a rapidly evolving environment. In particular, they realise that changes in the world economy pose substantial and institutional challenges to the processing of patent applications that may be particularly severe for small- and medium-sized enterprises; and recognise the need to reinforce the efficiency, legitimacy and credibility of the IP system. Against this background, they encourage WIPO to continue to reinforce its activity in these areas, to implement the Development Agenda, and to facilitate the development of vibrant IP regimes in its Member States which build respect for IPRs and promote their socio-economic development.

IV. ENERGY

32. Energy is crucial for global prosperity and sustainable development. Dialogue Partners acknowledge the close relationship between security of energy supply and demand, energy efficiency, renewables and access to energy. The Dialogue has provided an opportunity to discuss and develop common understanding on these key aspects of energy policies, with a focus on energy efficiency, all of which are also crucial for mitigating climate change and achieving the Millennium Development Goals. Partner countries have discussed relevant aspects of energy security as contained in the Summit Declaration of St. Petersburg as well as proposed by the G5 countries. They recognise that energy markets are increasingly global and interdependent, and call for concerted efforts for enhanced international, including multilateral, cooperation to address common challenges.
33. The Dialogue has concentrated on energy policy issues that have substantial potential to influence energy security, specifically increased

efficiency in coal-fired power generation, the creation of a Sustainable Buildings Network (SBN) and the promotion of renewable energy. The Dialogue Partners recognise that technical and cost-effective progress in these areas depend on national circumstances. They agree to improve cooperation to achieve progress. The Dialogue Partners also recognise the need in all of these areas to develop technologies that are affordable and suitable to the conditions of developing countries, and to facilitate access to these technologies.

34. The financial crisis is substantially changing conditions in both short and long term energy markets. Now more than ever, investments in the energy sector are fundamental to secure sustainable, affordable and diversified sources of energy. In particular, investments in energy efficiency and in renewables can play a critical role in supporting economic recovery and growth by creating employment and setting the foundations for sustainable development. Dialogue Partners agree that an inclusive, green and sustainable recovery should be a key objective. This requires consistent policy frameworks which promote predictability for investors, as well as development, diffusion and access to technologies.

Retrofit of coal-fired power plants

35. Coal will continue to play an important role for economic growth and development for most of our countries and is one of the most affordable sources of energy. It is, however, the most carbon-intensive fossil fuel and the increase in consumption of coal for electricity production over the next decades will pose a major challenge with regard to greenhouse gas emissions. While agreeing that a broad range of instruments can be deployed to achieve energy efficiency, the Dialogue Partners recognise the urgency in a shorter term perspective of taking measures to increase efficiency in existing coal-fired power plants through retrofit of plant and equipment. The Partners note the IEA estimate that a 1 % increase in plant efficiency can lead to a 2.5% decrease in greenhouse gas emissions. Retrofit has the potential to become an important element in an

overarching energy policy to manage resources, improve energy security and address climate change.

36. Dialogue Partners agree that plant-specific benchmarking, targeted incentives and appropriate regulatory frameworks can encourage implementation of efficiency improvements through retrofitting, including appropriate maintenance of existing power stations. The Dialogue has provided a welcome opportunity to share experiences and good practices in this field, as a basis for developing policy instruments, including the promotion of capacity building measures, and for identifying concrete action and suitable incentive mechanisms.

Energy-efficient and sustainable buildings

37. Dialogue Partners agree that there is significant potential in Partner countries for energy efficiency improvements in buildings, including appliances and equipment, with positive impacts on the climate and the environment, economic growth and employment, as well as on energy security. They therefore commit to promoting energy-efficient and sustainable buildings and endorse the creation of a Sustainable Buildings Network (SBN), open to all interested countries and stakeholders.
38. Partners acknowledge the value of this “network of networks”, which should invite interaction and co-ordination among all relevant actors in this field; build and maintain a central database on new technologies and policies; disseminate best-practice examples; and offer evidence-based policy advice. Dialogue Partners acknowledge that technological solutions for increased efficiency in buildings are available. They recognise the need for sharing experiences on technological, regulatory and implementation best practices. The central mission for the Network will be to facilitate and support policies for energy efficiency in buildings globally.
39. Dialogue Partners agree to move forward on the SBN. As agreed at the Energy Ministerial meeting, appropriate institutional linkages should be developed between the International Partnership for Energy Efficiency Cooperation (IPEEC) and SBN in order to realise synergies and maximise efficiency. The Network will be launched through a high-level kick-off conference in the latter part of 2009 by the Italian G8 Presidency. Subsequent periodic high level conferences should aim at maintaining political momentum and at drawing global attention to energy efficiency in buildings.

Renewable energy

40. To complement energy efficiency, the Dialogue Partners recognise that increasing the share of renewables in the energy-mix is essential for

moving towards a low-carbon economy. A diversified basket of renewable energy technologies also contributes to more reliable and sustainable energy supply. However, some renewables are not competitive with traditional sources of energy. Transitional policy support is needed to foster the development and large-scale deployment of renewables in effectively operating markets.

41. Globally, investment in renewables is slowing down as a consequence of the economic downturn. In this context, Partners recognise the urgent need to reinforce their efforts and welcome the inclusion of renewable energy in economic stimulus plans as a contribution to a green economic recovery. Investment in research and development can play an important role in this regard. Moreover, deployment of renewables has socio-economic benefits that contribute to sustainable development.
42. The success of individual renewable policies depends primarily on a long-term, comprehensive policy framework, which provides investors with predictable and consistent signals, and at the same time, addresses non-economic barriers, including integration into the grid. This is even more important in view of the economic crisis.
43. There is value in increased international co-operation to exchange experiences and best practices in order to increase deployment of renewable energy technologies that support sustainable economic growth and development as well as climate change mitigation.