

## Report<sup>i</sup>

### Side Event: “Engaging Private Actors to Achieve the 2030 Agenda: Learning from South-South and Triangular Cooperation”

20 March 2019 – 6 p.m. to 9 p.m. | Meliá Recoleta Plaza Hotel

Organized by the **BRICS Policy Center** in collaboration with DCD-OECD, the Research and Information System for Developing Countries (RIS) and the German Development Institute (DIE),

#### Executive Summary

The 2030 Agenda recognizes the key role of actors beyond governments and international organizations, including the private sector, civil society, and institutional philanthropy, in achieving the Sustainable Development Goals (SDGs). South-South and Triangular Cooperation have created the conditions for the engagement of private actors, philanthropy and civil society organizations, leveraging the comparative advantages of each partner in innovative partnerships, and filling existing knowledge and financial gaps to achieve the SDGs and national development priorities.

Private sector engagement (PSE) through development cooperation requires greater attention among all development partners in order to unlock its ability to bring market-based solutions to sustainable development challenges and to avoid potentially harmful effects. South-South and triangular cooperation initiatives provide an opportunity to learn how to ensure PSE generates impact, particularly for those furthest behind, assuring ownership, transparency, and accountability.

Civil Society Organizations (CSOs) have always played a crucial role in enhancing the quality and impact of development cooperation through promoting inclusive partnerships, innovative approaches and the application of lessons at the country level. There is however minimal information about CSOs’ engagement in South-South and triangular cooperation. Finally, institutional philanthropy is on the rise within the development cooperation context, with many foundations exceeding the development cooperation flows provided by public agencies. At the same time, much is to be learned still about the diverse range of philanthropic organizations, their interests, comparative advantages and distinct contributions to South-South and triangular cooperation.

#### Objectives

Building on a series of policy dialogues held on South-South and Triangular Cooperation since the international sustainable development agreements on climate, the agenda, and finance in 2015; this side event aimed to:

- Contribute to the four sub-themes of BAPA +40 by presenting and discussing different approaches, challenges, and opportunities in engaging private actors through South-South and Triangular Cooperation;
- Share experiences and best practices for assessing the effectiveness and the development impact of partnership arrangements of South-South and Triangular Cooperation partners with private actors with a view to also reaching those furthest behind; and

- Encourage more systematic learning and inclusive dialogue that can contribute towards scaling up successful partnerships with private actors.

### Knowledge, ideas, and solutions shared

This side event brought together **42 participants** from the BAPA+40 Conference. Among the participants were representatives from development cooperation partners, private partners, development practitioners, regional and international organizations, as well as civil society, trade unions, institutional philanthropy, think tanks and academia.

On its first interactive roundtable debate, the participants focused on ‘**Engaging the Private Sector through South-South and Triangular Cooperation.**’ They followed two guiding questions:

- a. What **principles** can guide development partners when promoting PSE through development cooperation?
- b. What **approaches and instruments** are being used by South-South Cooperation Partners (SSCP) for supporting PSE through development cooperation?

### Highlighted Ideas

**Jorge Moreira da Silva** - director of the ‘Development Co-operation Directorate’ of the OECD – spoke in his presentation on the need to promote and localize PSE through development cooperation in emerging and developing contexts. Silva highlighted that current efforts are being devoted towards thinking beyond simply the means of implementation, to understand inconsistencies that may emerge between policy and finance, and to develop evidence based on best practice to devise guidance for PSE through development cooperation. Here, Silva proposed that the Principles for Effective Private Sector Engagement – of which are in step with the internationally agreed principles for effective development cooperation - can provide a basis for shared understanding so as to maximise the developmental impact of partnerships between the development community and the private sector towards realising the 2030 Agenda. These principles are based on extensive evidence based work and inclusive consultations with a range of stakeholders, and they promote:

1. **Inclusive country ownership**, that can serve to strengthen coordination, alignment, and capacity at the country level;
2. **Results and targeted impact**, and the realisation of sustainable development outcomes through mutual benefits;
3. **Inclusive partnerships**, that can foster trust between all stakeholders through inclusive dialogue and consultation
4. **Transparency and accountability**, that can serve to promote learning and the scaling up of successes;
5. **Leaving No One Behind**, whilst recognising, sharing and mitigating risks for all partners.

The second speaker of the evening, Professor **Paulo Esteves**, - from the BRICS Policy Center and the Pontifical Catholic University of Rio de Janeiro (PUC-Rio) - presented an analytical framework to help understand how South South Cooperation Providers are supporting PSE. This framework was part of an ongoing study entitled “*Emerging economies’ approaches to PSE through development cooperation*” of which is being conducted jointly with the University of Bonn and it is based on three case studies: on China, Turkey, and Indonesia.

Reflecting on support for PSE in SSC, Esteves highlighted that South South Cooperation often encompasses both ODA-like as well as Other Official Flows (OOF), including trade and development finance. The blending between these different flows raises questions around the coordination amongst different agents: How can these flows and tools be **coordinated** by South-South Cooperation Providers in order to support PSE?

Esteves noted that it is possible to identify different actors' mandates and various PSE models. Actors have mobilized a series of tools to support PSE that are related to traditional development instruments. These include concessional loans, grants and capacity development. Indeed, South-South Cooperation Providers mobilize agents from different governmental branches, and these range from foreign policy and development cooperation to trade and investment finance, as well as the private sector itself. Actors involved in fostering PSE include MFAs, ministries of commerce, development agencies or departments, Eximbanks and NDBs. While the focus of Eximbanks is on trade finance, providing lines of export credits, insurance, and guarantees; they may also support investments abroad for development purposes by generating lines of credit that are then managed by South-South Cooperation Providers. Moreover, the BRICS New Development Bank focuses on domestic development agendas and only somewhat on investments abroad. Nevertheless, the international activities of South-South Development Providers are not only growing but have been increasingly integrated into international development arrangements.

Furthermore, coordination mechanisms vary across different degrees of centralization. Esteves noted four types of coordination arrangements: (i) Centralised; (ii) De-Centralised; (iii) Multi-Track; (iv) Double-Track. In the case of China, there are also hybrid instruments for foreign aid agencies, supported by both the public and private sector abroad. If we are to compare DAC donors with South-South Cooperation Providers, we see that the former are primarily engaged within middle-income countries, while the latter are also engaged with least developed countries (LDCs). For the latter, we therefore have to ensure that commercial goals can be compatible with the highly volatile environment of LDC contexts. In this respect, Esteves shared three questions that should be taken into account when dealing with PSE:

- **Policy Coherence:** How to ensure coherent private sector engagement where mixed agendas and policies do not conflict but mutually reinforce each other?
- **Focus on the Least Developed Countries:** What incentive mechanisms ensure that impactful PSE can deliver on development and commercial goals in LDCs, fragile contexts and conflict-affected countries?
- **Leveraging the Benefits of Cooperation:** How can the comparative advantages of development cooperation be better harnessed in PSE provided by emerging economies, including through South-South and Triangular Cooperation arrangements?

**Jorge Pérez-Pineda**, from the Universidad Anáhuac and the NeST México, stressed the need for assuring inclusive ownership in partnerships with the private sector. For him, southern countries need to be able to make their own decisions when bringing the private sector into their development strategies. Most of the flows that are documented have to do with transnational companies in the South and the acquisition of local companies. Consequently, it is absolutely essential that when we talk about the private sector, we need to know and be clear about **who the private sector is i.e. are we referring to Micro, Small or Medium Enterprises or Transnational Corporations?** Policy dialogues are there needed in order to discuss the ways resources are being shared, to align development strategies and engage the private sector within existing initiatives.

The next speaker was **Beverly Longid**, the Co-chair of the CSO Partnership for Development Effectiveness. Longid reinforced the importance of the event in providing an opportunity to revisit the role of SSC, as well as principles and conditions for effective private sector engagement. For Longid we should draw upon the lessons of the past with regards to SSC experience, and to acknowledge the history of colonization and the continuity of neo-colonial relations that are still defining relations within the South. The impacts of development

cooperation (including SSC) in destructing or weakening identities should matter both in terms of the assessment of past and current experiences. Moreover, Longid defended the need for people-centered development, and this includes discussion on the policies for fostering PSE. Hence, for her, when we speak about SSC and PSE in development, we should also speak about the role of the state, and that it should not be diminished. Here Longid stressed that the state remains the authority responsible for national development, and this includes private operations. For Longid, when we speak about PSE we therefore need to think about strict mechanisms and regulatory measures in order to safeguard this role for the state.

Finally, Mr. **Irshad Ahmed Mecca** - managing director from the Farida Group - shared his experience with inclusive growth and profitable investments. Mecca provided the audience with an example of a development intervention that was directly aligned to SDGs and targets. His company ran a study about how to benefit the population of the Indian city where the company is located. Mecca highlighted that through this initiative they were able provide citizens access to the basic needs that they hitherto were unable to access. The Group started a new project that involved the construction of one hundred apartments, of which can be bought by citizens at the cost of one dollar a day. Mecca highlighted that the real challenge was in terms holding back in terms of obtaining as much profit as possible. For him, many companies do want to promote and achieve the SDGs, however they are not always aware of how to do so. Here, Mecca proposed the creation of some mechanisms that can orient action and can make companies follow the 2030 Agenda. For instance, Mecca proposed to creation of a rating mechanism that can increase the competition between companies as a means to promote such action. Mr. Irshad Mecca also agreed that **principles need to be applied**.

The **second interactive roundtable** debate approached the topic of '**Multi-stakeholder partnerships: learning from South-South Cooperation Partners**'. Participants organized their interventions around three guiding questions:

- a. How can SSC and TrC **leverage the comparative advantages** of each partner to achieve the SDGs?
- b. How can it be ensured that multi-stakeholder partnerships **align with national development priorities** and reach those furthest behind?
- c. How can the development **impact of SSC lead multi-stakeholder partnerships to be assessed?**

**José Antonio González Norris** - from the Peruvian Agency for International Cooperation - supported the promotion of political dialogues to establish a strategic framework in order to regulate and to facilitate PSE. Norris defended the importance of such at regional and local levels, and also as a way to make the public sector more aware of its role in international cooperation. In this regard, he stressed the important role of academia in the generation of expertise.

**Sabyasachi Saha** - from the Research and Information System for Developing Countries (RIS) - stressed the difficulties in making the so-called leap from "billions to trillions" as is often stated as necessary for financing the sustainable development agenda. Saha noted that 30 years of discussions around PSE in the OECD is an example that those narratives are hard to implement. Saha also raised a series of questions related to the difficulties that southern countries have to face in terms of following technological innovations towards the achievement of sustainable development: (i) the role of technology transfer; (ii) the need for leading partnerships and (iii) knowledge sharing mechanisms.

**Anthea Mulakala**, from the Asia Foundation, affirmed that Asian companies are becoming key agents in the field of development cooperation. The introduction of new modalities, including finance and business, is no longer peripheral to this discussion. Many companies have extended their action abroad, thus creating new

technologies and new markets. However, these companies do not know what other companies are doing. Mulakala thus reinforced the need to create a platform to facilitate the exchange of information on the PSE.

**Xiuli Xu**, from the China Agriculture University, raised questions surrounding the motivations of the private sector in PSE, questioning why they decide engage in PSE through development cooperation instead of creating jobs or increasing tax revenues. Xiuli also emphasized the need to develop more comprehensive methodologies, of which should clearly define what each investment is, what aid is, and what the particular understanding of developments. To this end, Xiuli agreed that there is a need for principles that can assist in shared understanding in PSE.

The last panelist, **Govind Venuprasad**, from the International Trade Centre (ITC), noted that there is a need for more strategic thinking and approaches towards private sector engagement. For him, we need to think about how inclusive design can inform our policies in the future. In the context of development cooperation, Venuprasad argued that was a clear need to go beyond state cooperation. Venuprasad also noted that the debate around ownership has been ongoing for over 40 years. Consequently, if we are going to leverage comparative advantages, we need to first establish ownership and to define roles for each donor.

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<sup>i</sup> This document must be considered as an authorial interpretation of the event's discussions by experts and researchers from the BRICS Policy Center. The views contained here do not express the official position of any of the individuals who have actively participated, nor the institutions they represent. The report, therefore, presents the authors' reflections on the ongoing debate.