

Effective Private Sector Engagement through Development Co-operation for Sustainable Development: Towards Principles and Guidelines

17th Steering Committee Meeting

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This background document for the 17th Steering Committee Meeting of the Global Partnership aims to inform a discussion and agreement on five draft principles for effective private sector engagement (PSE) through development co-operation, which will form the basis for refining draft PSE guidelines to be launched at the GPEDC Senior Level Meeting in July 2019, and next steps to operationalise the PSE principles and guidelines.

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Overview of Draft Principles for Effective Private Sector Engagement



1. Introduction

With a set of 17 Sustainable Development Goals (SDGs) and 169 targets, the scope and ambition of the transformative 2030 Agenda for Sustainable Development go well beyond what the public sector can achieve alone. The 2030 Agenda requires a collective effort to step-up all types of resource mobilisation and innovative solutions for development impact.

While governments have primary responsibility for implementing the 2030 Agenda, all stakeholders in society – governments, civil society organisations (CSOs), academia and the private sector – have critical roles in national sustainable development processes. The 2030 Agenda provides a critical reference for all stakeholders to support sustainable development through its set of globally recognized objectives, specific and measurable targets and strategic focus on sustainability.

In this context, private sector actors are increasingly expected to contribute to the SDGs through the social and economic roles and functions that the efficient and sustainable pursuit of their core business operations can play and support. The private sector contributes to sustainable economic growth and the creation of decent work, in line with SDG 8. For its part, the development co-operation¹ community has raised the expectation to scale up its engagement with the private sector, in order to leverage additional finance and new business models, create partnerships and build inclusive markets and value chains across key sectors to achieve the 2030 Agenda. This expectation was confirmed at the Second High-Level Meeting of the Global Partnership for Effective Development Co-operation (GPEDC) in late 2016 in Nairobi, Kenya.

As stated in the [Nairobi Outcome Document](#), the Global Partnership's vision is "to maximise the effectiveness of all forms of co-operation for development for the shared benefits of people, planet, prosperity, and peace." To this end, members of the Global Partnership agreed to strengthen and deepen partnerships with businesses and other stakeholders, using effective development co-operation to support public-private dialogue across sectors to build trust, attract investments and establish partnerships that provide shared benefits to business strategies and sustainable development, well aligned with agreed international commitments on environmental sustainability, human rights, decent work, gender equality and the elimination of all forms of discrimination. The commitment to leave no one behind can present an opportunity for stakeholders to partner with the business sector to co-create inclusive and sustainable prosperity by addressing market failures.

The ambition to scale effective private sector engagement (PSE)² through development co-operation is well-established and members of the development community and the business sector are increasingly working together on areas of mutual interest that promote sustainable development. However, different stakeholders have pointed to ongoing challenges in PSE through development co-operation, such as: the potential harmful effect of the privatisation of sensitive public services; a lack of safeguards on the use of public resources; insufficient attention to concrete results and outcomes (particularly for those furthest behind); limited transparency and accountability for the outcomes of private sector partnerships, and; the risk of diverting public resources for predominantly private motives and related negative market distortions.

To address these concerns, there is a need to safeguard and promote the effectiveness of development co-operation practices and modalities that engage the private sectors as to maximize the developmental impact of partnerships between the private sector and the development community and the contribution that they make to realising the 2030 Agenda. To rise to this challenge, members of the Global Partnership agreed – building on agreements made in Nairobi³ and as reflected in the [2017-18 Global Partnership Programme of Work](#) – to develop principles and guidelines to ensure the effectiveness of PSE through development co-operation based on inclusive dialogue.

¹ See annex for a definition of development co-operation.

² See annex for definition.

³ The renewed mandate of the Global Partnership, enshrined in the [Nairobi Outcome Document](#), called for unleashing the potential of development co-operation in attracting inclusive private investment by setting effectiveness commitments as the development community engages in partnerships between governments, civil society and the business sector and promote a mutually-agreed framework to monitor public-private partnerships.

Within the range of existing platforms, partnerships and initiatives that engage the private sector in development co-operation,⁴ the Global Partnership provides distinct added value by leveraging its multi-stakeholder platform – which brings together the representatives of development partners and partner countries, multilateral and bilateral institutions, social partners, civil society, and private, parliamentary, local and regional organisations – to develop a comprehensive, voluntary and practical set of principles that address the opportunities and challenges inherent in upscaling PSE through development co-operation to maximise contributions to the 2030 Agenda. Other initiatives and platforms on PSE have made progress in elaborating principles at global, regional and sectoral level,⁵ but still place limited focus on the *effectiveness* of PSE through development co-operation; are limited in terms of the types of stakeholders they engage with; and do not focus on the role of development co-operation specifically.⁶ In this sense, the Global Partnership is filling an important gap with voluntary principles that will:

- Build on, and complement, the four broader and existing principles for [effective development co-operation](#);
- Support partnerships with the private sector in ways that make them more impactful;
- Address key challenges and opportunities faced by PSE in the development co-operation context;
- Recognise the heterogeneity and diversity of the private sector actors that PSE through development co-operation targets;
- Support national and international sustainable development priorities, including the 2030 agenda and the ambition to leave no-one behind;
- Be available for voluntary adoption by all stakeholders including the diverse range of development co-operation and private sector actors; and
- Develop linkages to the Global Partnership’s monitoring framework with a view to improving the tracking of the effectiveness of PSE through development co-operation.

Following the discussion of progress to date on the work programme, this document provides an overview of the draft principles, including areas for guidelines, and how they could be used, and next steps. An annex has also been included that provides a list of key terms and their definitions.

⁴ For a list of the mapped platforms and the mapping findings, see <http://www.oecd.org/dac/effectiveness/Mapping-Private-sector-engagement-initiatives.pdf>.

⁵ For instance the blended finance principles. See <https://www.oecd.org/dac/financing-sustainable-development/development-finance-topics/OECD-Blended-Finance-Principles.pdf>.

⁶ A mapping of 66 platforms, partnerships and initiatives mandated to engage the private sector with the intent of achieving the SDGs found limited focus on effectiveness issues. Only a handful of platforms work in the realm of development co-operation and effectiveness, but focus on specific actors, modalities or sectors only, and/or do not provide inclusive dialogue opportunities. Roughly 25% of PSE platforms have partner country governments as their members and even fewer of them strategically engage civil society, trade unions and parliamentarians. Small and medium-sized enterprises also lack access to these multi-stakeholder platforms.

2. Progress to Date

The work stream on effective private sector engagement (PSE) through development co-operation started its work through a series of inclusive and evidence-driven processes in 2017.

Evidence-based analysis in selected developing countries: Following the mapping of nearly 70 global, regional and sectoral PSE platforms and initiatives to identify the specific focus of the Global Partnership, analytical work was carried out in 2017 and 2018 to evaluate the challenges, concerns and views of stakeholders involved in PSE through development co-operation. This work has included four country case studies in [Bangladesh](#), [Egypt](#), [El Salvador](#) and [Uganda](#) in 2018 based on an extensive literature review, a detailed mapping of 919 PSE projects and interviews.

Inclusive national consultations: The Global Partnership has also supported national workshops in each of the four countries, mobilising relevant communities of policy makers, experts and practitioners, including a critical mass of business representatives, pooling the comparative advantages of all relevant actors and ensuring their feedback informed the analytical work as it progressed.

Emerging Issue Areas: Based on the emerging evidence, the Global Partnership produced an [issues paper](#) to collate emerging issue areas around three strands:

- Leveraging the contributions of the development co-operation community;
- Making PSE through development co-operation work in programmes at the country level;
- Achieving sustainable results and accountability to scale up PSE efforts.

Online consultations: The Global Partnership has also undertaken outreach to a wide range of stakeholders – governments, parliamentarians, civil society, trade unions, academics, business associations and members of the private sector – at the global level, including through a global online survey in 2018 that gathered feedback on the [key emerging issues](#) to inform the principles.

Specialised Policy Dialogue: A [Specialised Policy Dialogue](#) on PSE was held in Paris as part of [OECD Week on Private Finance for Sustainable Development](#) on 16-17 January 2019. It attracted around 200 participants from business and development co-operation communities specifically to the GPEDC events. Building on previous research and consultations, discussions at the event and live polling on key priorities for participants, a first set of draft principles emerged as a conclusion from the event.

PSE in Emerging Economies: The Global Partnership has also worked with the BRICS Policy Center and other partners to advance initial conceptual thinking around how emerging economies are engaging the private sector through their development co-operation. This was discussed at the South-South Dialogues in Rio de Janeiro in September 2018 and in a side event at OECD Week on Private Finance for Sustainable Development in Paris in January 2019 with a view to facilitating knowledge sharing and mutual learning between different actors. A respective independent draft paper is being presented at a related side event of the BAPA+40 Conference. Emerging insights inform the draft principles.

PSE Working Group: To ensure broad buy-in, an inclusive alliance of partners composed of Global GPEDC stakeholders⁷ was established to guide analytical work and preparation of principles. The “PSE Working Group” has convened on a regular basis since June 2017 to ensure that the principles are guided by the key concerns and ambitions of the Global Partnership’s members most active in this area.

Business Leaders Caucus: The Global Partnership also established a [Business Leaders Caucus](#), a senior-level advisory group that provides strategic advice and policy guidance, to ensure that the principles for effective PSE through development co-operation address the concerns and ambitions of the private sector and to engage businesses actively in developing, and ultimately using the principles. The Caucus convened for the second in-person meeting at the GPEDC Specialised Policy Dialogue in Paris in January 2018, following a successful meeting hosted by Germany in Berlin in October 2018, and issued [a statement](#) outlining priorities for the principles.

⁷ Members include: African Union/New Partnership for Africa's Development (NEPAD), Business Sector (Center for International Private Enterprise, International Chamber of Commerce, The Partnering Initiative), Bangladesh, Canada, civil society (CSO Partnership for Development Effectiveness), Egypt, El Salvador, European Commission, foundations, Germany (lead), Inter-Parliamentary Union, International Trade Union Confederation, Japan, Mexico, Peru, Pacific Islands Forum Secretariat, Uganda, World Bank, OECD and UNDP Joint Support Team of the GPEDC.

3. Next Steps: From principles to guidelines and making them operational

The GPEDC Steering Committee will use this background paper as a basis for discussion and agreement on five draft principles and the way forward in refining related draft guidelines at its next meeting in Uganda (26-27 March 2019). Based on the outcome of the Steering Committee meeting, the draft guidelines will be further developed and fine-tuned through discussion with relevant and interested partners and presented, together with the principles, at the [Senior Level Meeting of the Global Partnership in July 2019](#) in the margins of the United Nations High-level Political Forum. The principles and guidelines are intended to provide the basis for more detailed and practical guidance relevant for different PSE modalities and for specific groups of interested stakeholders, possibly as part of a future GPEDC work programme. The guidelines provide direction to actions, but they are not the answer to 'how to do effective PSE'. Operationalising the guidelines will lead to stakeholder specific recommendations, possibly toolkits and priority checklists and actions to consider, as well as pitfalls to avoid, based on country examples. The following graph provides an overview of what is proposed to move from principles to guidelines and how to make them operational:



4. Draft Principles for Effective Private Sector Engagement through Development Co-operation

Like the development effectiveness agenda overall, the draft principles for effective PSE through development co-operation reflect a multi-stakeholder setting. They aim at driving behavioural change among GPEDC members and the private sector, and are grounded in a recognition of the overarching purpose of development co-operation - eliminating poverty and inequalities, and reaching those left behind as outlined in the 2030 Agenda. They build on the Global Partnership's [existing principles for effective development co-operation](#) and have been deliberately structured to ensure inclusivity and applicability to all stakeholders while respecting the diversity of actors involved in PSE through development co-operation at the country level. The draft principles reflect the different motivations of the private sector and development co-operation and recognise that efforts by all partners are important to maximise positive impacts on sustainable development.

Reflecting the diversity of stakeholders involved, their differing incentives and the range of modalities that exist for PSE through development co-operation, the principles are underpinned by well-established standards, recognising that engagement with the private sector should occur in accordance with International Labour Organisation labour standards, United Nations Principles on Business and Human Rights, and the OECD guidelines for multinational enterprises, among others. At the same time, for development co-operation, PSE is also about moving beyond minimum environmental, social and governance (ESG) standards for the private sector to promoting the SDGs as a strategic reference point for selecting investments and improving the sustainability of core business operations. In this sense, the principles aim to maximise proactive contributions towards sustainable development results while leaving no one behind, with the 2030 Agenda and established ESG standards informing the objectives of PSE through development co-operation and the ways in which it is undertaken.

Fundamentally, the five proposed principles aim to achieve shared benefits between stakeholders across sectors by establishing a set of shared expectations that can address the key challenges to scaling effective PSE through development co-operation. They promote:

- ✓ Ownership of PSE through development co-operation at the country level and its alignment with national sustainable development priorities;
- ✓ Focusing on realising sustainable development results;
- ✓ Inclusive dialogue and partnership development;
- ✓ Greater transparency and accountability; and
- ✓ Addressing the heightened risk involved in targeting those left behind.

Similar to the established principles for effective development co-operation that apply to all stakeholders, the proposed PSE principles have been structured to apply to all partnerships with businesses – large and small, domestic and international – regardless of the intent of partnership, such as supporting MSMEs, testing an innovative good or service that contributes to sustainable development or delivering key infrastructure or services. Recognising that there are many approaches and modalities, with different objectives, target groups, stakeholders and delivery mechanisms in PSE through development co-operation, the principles are purposely broad enough to ensure their applicability at policy and project levels. In this context, the principles apply to all modalities of PSE through development co-operation, and are grounded in the recognition that there may be a need for additional guidance at country level, for specific modalities and for specific groups of stakeholders should interest arise in the future.

The principles are distinct but should be understood holistically and as mutually reinforcing. Progress on one principle will often contribute to progress on others – while failure in one may reduce the benefits of progress in others (see graph on page 2 above). The principles should be seen as an interlinked set of criteria for success, on which progress across the board should be pursued to ensure that PSE through development co-operation is effective in delivering sustainable development outcomes.

The principles have been prepared so as to complement existing principles, such as those for blended finance and the United Nations Global Compact.⁸ At the same time, they move beyond available standards and frameworks related to the private sector in development by focusing specifically on effectiveness of PSE through development co-operation undertaken at the country level.

Finally, though the principles focus on concrete partnerships with private sector actors, their attention to inclusive policy dialogue, country ownership, social dialogue and transparency and accountability, are all intended to contribute to the creation of supportive framework conditions and a positive business enabling environment for inclusive and responsible business and investment, particularly in the sectors, markets and value chains critical for delivering the 2030 Agenda and reaching those furthest behind.

Principle 1: Inclusive country ownership: Strengthening coordination, alignment and capacity building at the country level

Government leadership, inclusive and coordinated processes and capacity at national and local levels impact the long-term sustainability and effectiveness of private sector engagement (PSE) through development co-operation. Development co-operation can support the creation and implementation of policies for PSE through development at country level, facilitate PSE through development co-operation in ways that maximise participation by local businesses and build the capacity of all stakeholders to contribute.

Proposed areas for draft guidelines:

1.A Define national PSE goals through an inclusive process. Articulate a policy framework that is explicit about the role expected of the private sector in delivering national and sectoral development priorities in line with the 2030 Agenda and the contributions of PSE through development cooperation, including how success will be measured can provide a basis for local leadership. Such frameworks should set clear expectations regarding priorities and objectives for PSE through development co-operation at national level, including in key sectors and markets, and should be developed through an inclusive and equitable process that allows engagement with all relevant stakeholders in dialogue (including social dialogue) upfront, including those with more limited capacities to engage, such as micro, small and medium sized enterprises (MSMEs).

1.B Align and coordinate PSE through development co-operation with national priorities and strategies. Individual projects should be based on agreed objectives that are linked to national development priorities and the 2030 Agenda. Partners should align their efforts with the priorities identified in the plans and policies of national and sub-national governments, as well as through inclusive consultation. Coordination within and across stakeholder groups is equally important to ensure synergies among the work of different actors and alignment with national PSE priorities and the Sustainable Development Goals (SDGs).

1.C Invest in capacities for PSE through development co-operation. There is a need for investment in the development of their own institutional capacities to effectively partner across different stakeholder groups. The development community should also support stakeholder groups' efforts to strengthen their capacity to engage effectively in PSE through development co-operation, including in national and local level policy-making and resource allocation, focussing particularly on those most commonly left out or difficult to reach.

⁸ See <https://drive.google.com/file/d/0Bzz0sWMSULrpYy01amFKQI9udGc/view> which provides an overview of established principles and guidelines in relation to the role of the private sector in development and development co-operation. A review of existing principles and guidelines was carried out by the JST to inform the proposed principles.

Principle 2: Results and targeted impact: Realising sustainable development outcomes through mutual benefits

Private sector engagement (PSE) through development co-operation aims to realise better outcomes for people and planet through partnerships that harness the mutual benefits between businesses and development stakeholders. The effectiveness of PSE through development co-operation in achieving significant, sustained and sustainable development impact requires a focus on maximising clearly identified, well defined and measurable sustainable development and business outcomes, predicting, avoiding and remedying unintended negative impact and ensuring that partnerships recognise and respect the needs and incentives of all partners.

Proposed areas for draft guidelines:

2.A Focus on maximising sustainable development results. At the policy level, there is a need to identify key sectors, markets, and populations where increased private investment and entrepreneurial activity is needed to support sectoral, national and international sustainable development priorities and efforts to leave no one behind and where PSE through development co-operation can support inclusive dialogue processes and the creation of partnerships involving private sector actors. Moreover, partners should identify and prioritise investments and engagement opportunities for maximising results for groups most in need, such as poor rural households and those living in urban poverty, women or young people. Delivering for these groups will require partnerships with, and support for MSMEs and businesses and entrepreneurs in the informal sector, as well as trade unions and other relevant actors.

2.B Ensure sustainable results by aligning core business and development interests. The sustainability of results relies on a high level of commitment by all partners. When working with the private sector, projects and partnerships should be built on the right incentives for private participation, upfront consideration for core business practices/cases and agreed exit strategies that ensure ongoing viability after support schemes end. Ensuring compatibility between core business activities and 2030 Agenda objectives contributes to ensuring efforts are mutually beneficial for all parties and sustainable beyond the end of partnerships.

2.C Partner according to agreed international standards. Development partners and government have an obligation to ensure compliance with safeguards and regulations when working with the private sector or when the private sector is implementing a project on their behalf. These include the International Labour Organisation labour standards, United Nations Principles on Business and Human Rights, and the OECD guidelines for multinational enterprises. Due diligence processes should include identification of environmental, social and governance (ESG) risks as part of the partnership development process with appropriate plans and responsibilities set in place to monitor and address risks over the course of the project life cycle. Partnerships should be grounded in the understanding that all partners will follow relevant existing national and international voluntary and legal frameworks, recognising that a commitment to high standards contributes to sustainable development results.

Principle 3: Inclusive partnership: Fostering trust through inclusive dialogue and consultation

Governments, parliamentarians, the private sector, business associations, civil society and trade unions all play roles and have valuable contributions to make in the development of a domestic private sector that provides markets, decent employment, production inputs and services and goods which improve the lives and livelihoods of those left behind. PSE through development co-operation can use its convening power to foster trust at country level between the different stakeholders by promoting processes for regular and ongoing dialogue as well as targeted consultation in the development of specific partnerships and programmes. It is important that PSE through development co-operation opportunities are inclusive and accessible to a wide range of partners, including smaller businesses at the local level.

Proposed areas for draft guidelines:

3.A Support and participate in inclusive dialogue and consultation. Partners should support institutionalised dialogue on PSE through development co-operation, including social dialogue, building on existing mechanisms where they are in place, to agree on priorities, identify solutions to shared challenges, establish relationships and build partnerships. Such efforts contribute to building trust within and across stakeholder groups. Ensuring inclusivity may also mean supporting stakeholders with more limited capacities to engage in dialogue up front, such as local MSMEs, informal sector entrepreneurs and rural producers and traders. Equally important is inclusive consultation with local stakeholders to identify needs and respond to concerns at policy and project levels.

3.B Promote inclusive, bottom-up and innovative partnerships and raise awareness of engagement opportunities. At specific partnerships, increase the range of partners involved at community level, including MSMEs, by exploring partnership opportunities in the spirit of leaving no one behind, making use of innovative engagement modalities. Development partners should promote outreach and awareness raising of partnership opportunities by working with government, civil society, trade unions, academia and private sector stakeholders, including business associations to promote greater participation by local businesses and other actors in PSE through development co-operation.

3.C Make partnerships more accessible. Partnerships should be facilitated through streamlined procedures that make engagement opportunities accessible to a wide range of stakeholders, recognising that needs and capacities vary across and within stakeholder groups and that many of those with limited abilities and opportunities to engage are often also those most important to delivering the 2030 Agenda. Application procedures, and monitoring and evaluation provisions should be established in accordance with different needs and capacities, the scale and scope of partnerships, and attention to transparency, accountability and timeliness.

Principle 4: Transparency and accountability: Measuring and disseminating sustainable development results for learning and scaling up of successes

Timely information, evidence and data related to the performance of partnerships with the private sector to achieve sustainable development, including the 2030 Agenda are lacking. Transparency and accountability for private sector engagement (PSE) through development co-operation needs to be improved through the creation and use of frameworks that identify and measure results in terms of nationally and internationally defined sustainable development targets and in terms of business outcomes. Such results frameworks provide a transparent and mutual understanding of what is expected of the partners and of what constitutes success for the partnership. They should set out roles and responsibilities for data collection, and provisions for information disclosure, communication of results and independent evaluation. The establishment of mechanisms to address complaints related to the impacts or negative effects of PSE through development co-operation is also important for ensuring accountability.

Proposed areas for draft guidelines:

4.A Measure results: Stakeholders define and agree on results frameworks that measure results for all partners involved, including sustainable development outcomes, and roles and responsibilities for data collection with due consideration for reporting burdens. This includes establishing provisions for independent evaluation as appropriate.

4.B Disseminate results: Provide information on the outcomes of partnerships, including through inclusive dialogue, to learn, improve transparency and be accountable to each other, to beneficiary communities and to citizens at large. Sharing outcomes broadly is also important to scale and replicate successes.

4.C Ensure accountability: Effective governance mechanisms, good project design and credible commitment are important to sustain partnerships and ensure engaged parties are answerable to the commitments that they have made. There is a need to establish and clearly communicate provisions for addressing concerns related to the impacts of partnerships.

Principle 5: Leave no one behind: Recognising, sharing and mitigating risks for all partners

Targeting the furthest behind through private sector engagement requires greater risk-taking on the part of all partners engaged. It is essential to recognise, share and mitigate such increased risk. This is necessary as diverse actors engage in partnerships, make investments to deliver development results, and to incentivise greater private sector contributions to sustainable development. In doing so, it is possible for PSE through development cooperation to realise its full potential and help to make progress where it is most urgently needed. This endeavour requires comprehensive and inclusive approaches that involve private investors, governments, civil society, and in particular the concerned vulnerable citizens and communities that are excluded from competitive markets, from employment opportunities and key economic and social services, or those operating in areas and economic sectors where market failures, poor infrastructure, difficult access and weak governance make both private and public investment costly, difficult and risky. Private investment in these contexts is essential for addressing income poverty, food security, decent employment, inequality and economic inclusion. To ensure investments in these areas keep a focus on leaving no one behind, all PSE efforts – from creating new markets and decent employment to providing specific goods and services – require such targeted approaches. As such, PSE through development co-operation must visibly contribute to leveraging additional investments, rather than simply increasing profitability.

Proposed areas for draft guidelines:

5.A Ensure that a private sector solution is the most appropriate way to reach the ones left behind. The use of PSE through development co-operation to reach the furthest behind should be grounded in an assessment of whether a private sector solution is the most appropriate and sustainable way to realise desired sustainable development results. Understanding the interests and motivations of both, potential private and public sector partners, the additional value a partnership with the private sector can bring over alternative solutions and the likelihood of realising long-term sustainable development results are important factors for determining if PSE through development co-operation is the right approach. Where PSE through development co-operation is the best approach, it should establish a set of realistic sustainable development objectives that target specific populations or sectors and an associated results framework.

5.B Target specific locations, markets, value chains and investor types that are most likely to have a positive impact on those furthest behind. In undertaking PSE, development co-operation should ensure that efforts are targeted on contexts where investments in profitable entrepreneurial activity provide markets, employment, production inputs, services and goods that improve the lives and livelihoods of those furthest behind. Partners should target support accordingly to promote efforts that leave no one behind by reducing risk, incentivising investment and ensuring sustainability.

5.C Share risks proportionately to incentivise private sector contributions to leaving no one behind. Reaching those left behind can mean promoting partnerships in markets that have higher risks. These perceived risks need to be assessed jointly. Development co-operation can be used strategically to off-set risks for the private sector when targeting populations underserved by the market. Considerations about sharing the risks should be made in accordance with scale and scope of desired sustainable development results and due attention to the proportionality of risk being taken by public and private actors vis-à-vis the benefits to partners. From the outset, partners should be transparent regarding the risks undertaken by each partner.

5.D Establish provisions to mitigate and manage risks. As part of due diligence processes, carry out a joint assessment of the potential risks for the beneficiaries of the partnership. Develop systems to monitor these risks, including through bringing in appropriate civil society partners as needed, and enable course correction where necessary.

ANNEX: KEY TERMS AND WORKING DEFINITIONS

Development co-operation: Major social, political and financial changes over the past decade mean that thinking on development co-operation has evolved. Official development assistance is one form of assistance within a much broader palette of development co-operation approaches and instruments. These include non-concessional finance, South-South and triangular co-operation, climate finance, co-operation among governments on non-aid policies, and co-operation with and among non-governmental actors, such as businesses and civil society.⁹ Development co-operation is also being defined by some (Alonso and Glennie, 2016) as an activity that: (1) Aims explicitly to support national or international development priorities; (2) Is not driven by profit; (3) Discriminates in favour of developing countries; and (4) Is based on co-operative relationships that seek to enhance developing country ownership.

Development partners: Refers to the range of national and international organisations that partner with countries that receive development co-operation to realise national sustainable development priorities and the SDGs. These include governments that provide different types of development co-operation, multilateral organisations such as United Nations' agencies and programmes, international financial institutions such as the World Bank, bilateral development finance institutions, parliamentary organisations, civil society organisations, trade unions and philanthropic organisations.

Partner countries: Refers to countries that receive development co-operation.

Private sector: Organisations that engage in profit-seeking activities and have a majority private ownership (i.e. are not owned or operated by a government). This term includes financial institutions and intermediaries, multinational companies, micro, small and medium-sized enterprises, co-operatives, individual entrepreneurs and farmers who operate in the formal and informal sectors. It excludes actors with a non-profit focus, such as private foundations and civil society organisations.¹⁰

Private sector engagement through development co-operation: In 2016, the OECD defined private sector engagement (PSE) in development co-operation as "an activity that aims to engage the private sector for development results, which involves the active participation of the private sector."¹¹ The definition is broad and includes all modalities (finance, policy dialogue, capacity development, technical assistance, knowledge sharing and research for engaging the private sector in development co-operation from informal collaborations to more formalised and encompasses all sectors (e.g. health, education, private sector development, renewable energy, governance, etc.). The aim of PSE through development co-operation is to leverage the private sector to achieve development objectives while at the same time recognising the need for financial return for the private sector.

⁹ For more details, access <http://www.oecd.org/dac/effectiveness/aideffectivenessglossary.htm>

¹⁰ For more details, access <http://www.oecd.org/dac/peer-reviews/private-sector-engagement-for-sustainable-development-lessons-from-the-dac.htm>

¹¹ For more details, access <http://www.oecd.org/dac/peer-reviews/private-sector-engagement-for-sustainable-development-lessons-from-the-dac.htm>