

KAMPALA PRINCIPLES

ON EFFECTIVE PRIVATE SECTOR ENGAGEMENT IN DEVELOPMENT CO-OPERATION



**Global
Partnership**
for Effective Development
Co-operation

KEY TERMS AND DEFINITIONS

PRIVATE SECTOR ENGAGEMENT THROUGH DEVELOPMENT CO-OPERATION: The aim of private sector engagement (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. 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.”¹ The definition is broad and includes all modalities - such as finance, policy dialogue, capacity development, technical assistance, knowledge sharing and research. These efforts and actions range from informal collaboration to more formalised arrangements. Furthermore, they encompass many sectors (e.g. health, education, private sector development, renewable energy, governance, etc.).

PRIVATE SECTOR: The organisations that make up the private sector are those that engage in profit-seeking activities and have a majority private ownership (i.e. they are not owned or operated by a government). The 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. The term excludes actors with a non-profit focus, such as civil society organisations.

DEVELOPMENT CO-OPERATION: Development co-operation is an activity that “aims explicitly to support national or international development priorities, is not driven by profit, discriminates in favour of developing countries and is based on co-operative relationships that seek to enhance developing country ownership”.² Official Development Assistance is one form of financing 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.

DEVELOPMENT PARTNERS: This refers to the range of national and international organisations that partner with countries receiving development co-operation in order to realise national sustainable development priorities and achieve the SDGs. They 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 and philanthropic organisations. They may also include civil society organisations, trade unions and parliamentary organisations in their capacity as implementing partners.

PARTNER COUNTRIES: These are countries that benefit from development co-operation.

¹ Organisation for Economic Co-operation and Development (2016): *Peer Learning. Lessons from DAC Members on Effectively Engaging the Private Sector in Development Co-operation*. Paris.

² Alonso and Glennie (2016): *What is development co-operation?* In: Development Cooperation Forum Policy Briefs, No. 1, United Nations Department of Economic and Social Affairs, New York.



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INTRODUCTION

The scope and ambition of the transformative 2030 Agenda for Sustainable Development cannot be met solely through the efforts of the public sector. It requires a **collective effort to step-up all forms of resource mobilisation and innovative partnerships and solutions** to achieve the Sustainable Development Goals (SDGs).

The private sector contributes to sustainable development in its own right. Beyond its investment in areas and sectors that have a positive impact on the lives of citizens, many private sector actors are increasingly adopting approaches and business models that focus on profitable solutions to sustainable development challenges. They achieve this by leveraging their innovative power and targeting new markets and customers, while aiming to create positive outcomes for the communities in which they work. This is particularly evident in the case of purpose-driven multinational companies and local small and medium-sized enterprises (SMEs) who operate in sustainable value chains and are committed to responsible business models that go beyond traditional ideas of Corporate Social Responsibility (CSR).

Against this backdrop, the **development co-operation community is scaling up its engagement with the private sector** to leverage additional finance and expertise, create and strengthen partnerships, and help build inclusive markets and value chains across key sectors. Members of both communities are increasingly working together on areas of mutual interest that promote sustainable development.



WHY IMPROVE PRIVATE SECTOR ENGAGEMENT?

The **aim of private sector engagement (PSE)** through development co-operation is to leverage the innovation potential of, and additional finance from, the private sector. It aims to achieve development objectives while simultaneously recognising the need for financial return for the private sector.

Different partners have highlighted a number of **challenges with private sector engagement** through development cooperation. These include lack of safeguards on the use of public resources; insufficient attention to concrete results and outcomes (particularly for the benefit of those furthest behind); and limited transparency, accountability and evaluation of PSE projects.

The results from a review of 919 PSE projects³ echoed the need to improve country ownership, focus on sustainable development results, establish more inclusive partnerships, strengthen transparency and accountability, and manage risks for all partners – in particular commercial risks for the private sector – to invest in ways that help to reach the furthest behind first.⁴ Based on this review, the following key issues were identified:

- Not all PSE projects should involve all stakeholders by default. However, **only 13% of the projects studied listed national governments as partners** and even fewer projects listed other stakeholders (civil society: 9%, business associations: 5%, trade unions: 0%).
- **Only a small share of projects explicitly referred to rural, remote or under-served locations (4%), the objective of targeting poor or low-income people (5%) or benefitting women (4%).** Projects that did not specifically mention those furthest behind may have provided benefits for these groups. However, this implies considerable scope for more explicit targeting of these beneficiaries in PSE projects.
- Monitoring, and inclusive dialogue on monitoring findings, allow actors to learn from each other's experiences and build on their expertise and knowledge. However, **only 17% of projects examined included a monitoring framework developed specifically for the project.** The projects reviewed also demonstrated a need for overall improvement in the identification and articulation of results, with only 16% of projects providing information on actual results.

3. The Global Partnership examined 919 projects involving development partners and the private sector across four countries – Bangladesh, Egypt, El Salvador and Uganda – over 2017-18. The findings were discussed in inclusive workshops with a broad range of stakeholders in all four countries.

4. For more information on the challenges and opportunities identified in the review, see <http://effectivecooperation.org/wp-content/uploads/2018/11/PSE-Issue-Areas-Paper-for-Consultation.pdf>.

PRINCIPLES FOR EFFECTIVE PRIVATE SECTOR ENGAGEMENT THROUGH DEVELOPMENT CO-OPERATION

Following **extensive consultations**, led by a multi-stakeholder Working Group, with governments, businesses, civil society, trade unions and other actors, and drawing on the advice of a **Business Leaders Caucus**, the Global Partnership for Effective Development Co-operation (GPEDC) developed a set of **principles to guide collective work** on making private sector partnerships for development co-operation more effective. The Principles were endorsed by the Steering Committee of the Global Partnership in Kampala, Uganda in March 2019.⁵ The five mutually reinforcing principles are:

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|  | PRINCIPLE 1 | INCLUSIVE COUNTRY OWNERSHIP Strengthening co-ordination, alignment and capacity building at the country level |
|  | PRINCIPLE 2 | RESULTS AND TARGETED IMPACT Realising sustainable development outcomes through mutual benefits |
|  | PRINCIPLE 3 | INCLUSIVE PARTNERSHIP Fostering trust through inclusive dialogue and consultation |
|  | PRINCIPLE 4 | TRANSPARENCY AND ACCOUNTABILITY Measuring and disseminating sustainable development results for learning and scaling up of successes |
|  | PRINCIPLE 5 | LEAVE NO ONE BEHIND Recognising, sharing and mitigating risks for all partners |

5. The GPEDC Steering Committee includes representatives from development partners, partner countries, countries providing and receiving development co-operation, private sector actors, foundations, civil society organisations, parliamentarians, trade unions, local and regional governments, and multilateral organisations and development banks.

These **Kampala Principles** for effective PSE through development co-operation

- Build upon and complement the Busan **principles for effective development co-operation**⁶
- Address **key challenges and opportunities** presented by PSE in development co-operation
- Recognise the **heterogeneity and diversity of the private sector**
- Are geared towards supporting national and global **sustainable development priorities**, including the 2030 Agenda and the spirit of helping those furthest behind
- Are **suggested for voluntary use** by the diverse range of development co-operation and private sector actors engaged in country-level partnerships

The Kampala Principles have been deliberately structured to ensure inclusivity at the country level. 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 international standards.**⁷ At the same time, PSE through development co-operation is also about moving beyond minimum environmental, social and governance (ESG) standards for the private sector. It aims to enhance the positive contribution of core business operations to sustainable development.

The five principles provide new normative guidance for private sector partnerships. In order to facilitate action by governments, their development partners, the private sector, civil society and trade unions, it is critical to provide more detailed guidance tailored to these stakeholder groups. Such guidelines should build on the areas identified under each principle in the following section and take into account the specific needs and incentives of the different partners involved. The Global Partnership, as a multi-stakeholder platform bringing together all actors engaged in development co-operation, is well placed to undertake this task.

The following section describes each principle in more detail and presents areas for guidelines with a view to operationalising the five principles.

6. These are: ownership of development priorities by developing countries, a focus on results, inclusive partnerships for sustainable development, transparency and mutual accountability.

7. Including the International Labour Organisation labour standards, the United Nations Principles on Business and Human Rights, the OECD guidelines for multinational enterprises and other internationally agreed standards.

USING THE KAMPALA PRINCIPLES FOR EFFECTIVE PSE THROUGH DEVELOPMENT CO-OPERATION

What do the principles focus on?

The Kampala Principles promote ownership of private sector engagement (PSE) through development co-operation by partner countries and ensure the alignment of PSE projects and programmes with national sustainable development priorities. They focus on realising sustainable development results and serve as a basis for inclusive dialogue and more effective partnerships. The principles support greater transparency and accountability and address the heightened commercial and other risks for partners involved in PSE through development co-operation when targeting those furthest behind.

Who are the principles for?

The principles are for voluntary use by all stakeholder groups including governments, domestic and international businesses, business associations, micro, small and medium enterprises (MSMEs), development partners, trade unions, civil society, research institutions, and foundations. They have been structured to apply to private sector partnerships supported by development co-operation, such as MSMEs testing an innovative good or service that contributes to sustainable development or delivering key infrastructure or services. The principles are purposely broad to ensure their applicability at policy and operational levels in acknowledgement of the fact that PSE through development co-operation involves many approaches with different objectives and stakeholders. In this context, the principles apply to all forms of PSE through development co-operation and recognise the need for additional guidance for specific modalities and groups of stakeholders.

How should the principles be understood?

The principles should inform actions at policy, programming and operational levels. While each principle is distinct, the set of principles is designed to be holistic and mutually reinforcing. Progress on one principle will contribute to progress on others, while failure on one may jeopardise the benefits of progress in others. The principles should be understood as an interlinked set of criteria for success. Progress across the board should be pursued to ensure that PSE through development co-operation is effective in delivering sustainable development outcomes.

How do they relate to other frameworks of principles?

The principles build on and complement the principles for effective development co-operation. They include a supplementary element, however, namely a focus on effectively managing risks to target those furthest behind. The principles also complement other frameworks, 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 role of the private sector in development by focusing specifically on PSE through development co-operation undertaken at the country level.

8. For an overview of established principles and guidelines in relation to the role of the private sector in development and development co-operation, see <http://bit.ly/ExistingPSEGuidance>.

INCLUSIVE COUNTRY OWNERSHIP

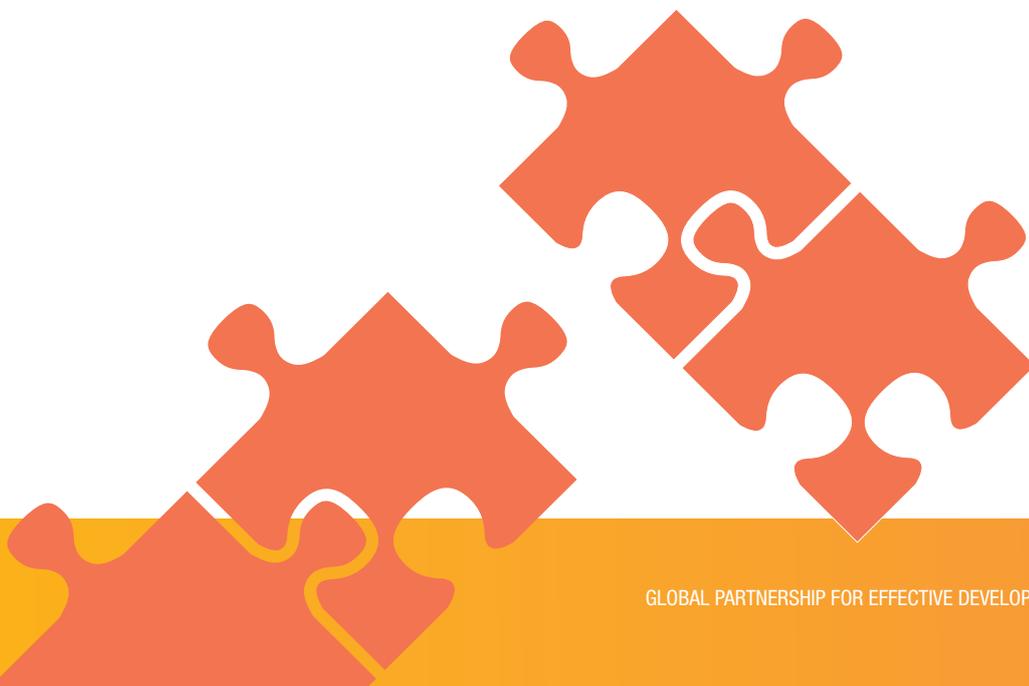
Strengthening co-ordination, alignment and capacity building at the country level

Government leadership, inclusive and co-ordinated 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.

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 co-operation, including how success will be measured. 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. They should be developed through an inclusive and equitable process that allows for dialogue (including social dialogue) up front with all relevant stakeholders, including those with more limited capacities such as micro, small and medium-sized enterprises (MSMEs).

1.B Align and co-ordinate 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. Co-ordination 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 institutional capacities to effectively partner across different stakeholder groups. The development community should also support the efforts of stakeholder groups to strengthen their capacity to engage effectively in PSE through development co-operation. This includes through national and local-level policy making and resource allocation with a particular focus on commonly excluded or difficult to reach groups.



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 the planet through partnerships that harness the mutual benefit from businesses and development stakeholders. Its effectiveness in achieving significant, sustained and sustainable development impacts depends on maximising clearly identified, well-defined and measurable sustainable development and business outcomes; predicting, avoiding and remedying unintended negative impacts; and ensuring that partnerships recognise and respect the needs and incentives of all partners.

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. It is also important to identify situations where PSE through development co-operation can support inclusive dialogue processes and the creation of partnerships involving private sector actors. Partners should identify and prioritise investments and engagement opportunities to maximise results for groups most in need, such as poor rural households and those living in urban poverty, women and young people. Delivering results for these groups will require partnerships with and support for micro, small and medium-sized enterprises (MSMEs), 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 among all partners. When working with the private sector, projects and partnerships should be built on appropriate 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 that efforts are mutually beneficial for all parties and can be sustained beyond the end of the partnership.

2.C Engage in partnerships according to agreed international standards. Development partners and governments 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, the United Nations Principles on Business and Human Rights, and the OECD guidelines for multinational enterprises. Due diligence processes should include the 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 founded on an understanding that all partners will follow relevant existing national and international voluntary and legal frameworks, in recognition of the fact that a commitment to high standards contributes to sustainable development results.



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. Private sector engagement (PSE) through development co-operation can use its convening power to foster trust at country level between 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.

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 these exist – to reach agreement 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 (e.g. local MSMEs, informal sector entrepreneurs and rural producers and traders). Of equal importance 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. For specific partnerships, increase the range of partners involved at community level, including micro, small and medium-sized enterprises (MSMEs), making use of innovative engagement modalities to explore partnership opportunities in the spirit of leaving no one behind. 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. Such

processes should recognise 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.



TRANSPARENCY AND ACCOUNTABILITY

Measuring and disseminating sustainable development results for learning and scaling up of successes

There is a lack of timely information, evidence and data related to the performance of partnerships with the private sector established to achieve sustainable development, including the 2030 Agenda. 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 business outcomes. Such results frameworks provide a transparent and mutual understanding of what is expected of the partners and what constitutes success for the partnership. They should set out roles and responsibilities for data collection and provisions for information disclosure, the communication of results and independent evaluation. The creation of complaints mechanisms related to the impacts or negative effects of PSE through development co-operation is also important for ensuring accountability.

4.A Measure results. Stakeholders should define and agree on frameworks to measure results for all partners involved. These include sustainable development outcomes and roles and responsibilities for data collection, with due consideration for reporting burdens. This also involves establishing provisions for independent evaluation, as appropriate.

4.B Disseminate results. Provide information on the outcomes of partnerships, including through inclusive dialogue, in order to learn, improve transparency and remain accountable to the partners involved, beneficiary communities and citizens at large. Sharing outcomes broadly also plays an important role in scaling and replicating successes.

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



LEAVE NO ONE BEHIND

Recognising, sharing and mitigating risks for all partners

Targeting the furthest behind through private sector engagement (PSE) requires greater risk-taking on the part of all partners involved. 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 incentivise greater private sector contributions to sustainable development. This enables PSE through development cooperation to realise its full potential and help achieve 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 vulnerable citizens and communities concerned that are excluded from competitive markets, employment opportunities and key economic and social services – or actors 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 to address income poverty, food security, decent employment, inequality and economic inclusion. To ensure investments in these areas maintain 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.

5.A Ensure that a private sector solution is the most appropriate way to reach those furthest behind. The use of PSE through development co-operation to reach those furthest behind should be based on an assessment of whether a private sector solution is the most appropriate and sustainable way to realise the desired sustainable development results. Important factors in determining whether PSE through development co-operation is the right approach include the interests and motivations of 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. In situations where PSE through development co-operation is the best approach, a set of realistic sustainable development objectives that target specific populations or sectors should be established, alongside 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. When undertaking PSE, development co-operation should target contexts where investments in profitable entrepreneurial activity will 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 offset risks for the private sector when targeting populations underserved by the market. Considerations about sharing risks should be made in accordance with the scale and scope of the desired sustainable development results and due attention to the proportionality of risk being taken by public and private actors vis-à-vis benefits to partners. There should be transparency from the outset regarding the risks undertaken by each partner.

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



INCLUSIVE CONSULTATIONS AND DIALOGUE



Agreement on GPEDC focus

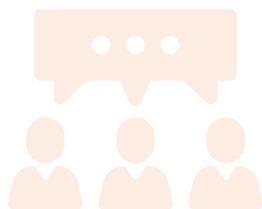
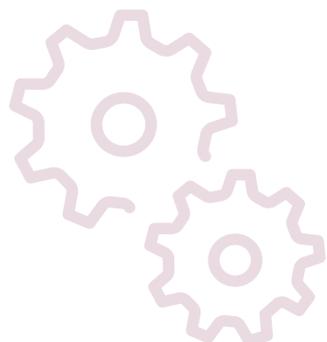
Focus on effective PSE through development co-operation at country level with all partners, based on mapping and gap analysis of 70 global, regional and sectoral PSE platforms

Multi-stakeholder policy guidance

Creation of inclusive PSE Working Group and Business Leaders Caucus



Country case studies in Bangladesh, Egypt, El Salvador and Uganda, drawing on extensive literature review, interviews and analysis of 919 PSE projects.



National workshops in partner countries with policy makers, experts, practitioners and business representatives, leading to action at the national level

Regular consultations among the **PSE Working Group**

Guidance from **GPEDC Steering Committee**



.....TOWARDS THE PSE PRINCIPLES



Meetings of the Business Leader Caucus

Specialised Policy Dialogue at the OECD's Private Finance for Sustainable Development (PF4SD) Week, with a statement by the Business Caucus



PSE side-event at BAPA+40 Conference, including a **typology of PSE efforts by emerging economies**



Event on PSE in emerging economies in Brazil

Synthesis of findings in **GPEDC issues paper**

Online survey with 100 participants



"Kampala Principles" for Effective Private Sector Engagement **agreed upon by Steering Committee** at the 17th Meeting in Kampala, Uganda



Launch of "Kampala Principles" at the GPEDC Senior-Level Meeting (13-14 July 2019, New York)

ANALYSIS

INCLUSIVE CONSULTATION AND DIALOGUE



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