

Building Public-Private Governance for SDGs through Private Sector Engagement

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Research Background and Questions

Background

- **Progress of the Achievement of UN SDGs**
 - “People, Planet and Prosperity” as global public goods
- **COVID-19 and Its Impacts**
 - Negative impacts on poor countries
- **Obstacles to the Achievement of UN SDGs**
 - Development finance gap
- **Private Sector Engagement (PSE) as an Alternative**
 - Transformation from traditional government-led governance to collaborative governance based on public-private partnerships

Research Questions

- **Question 1**

- Why is PSE regarded as an alternative to government-led governance for the SDGs?

- **Question 2**

- If PSE is an important framework of development cooperation and for SDGs, what is the stance and stage of PSE in Korea?
- What are the challenges to the facilitation of PSE in Korea?

Rationales for the Issue

UN's SDG Progress Monitoring

The Sustainable Development Goals Report
2022

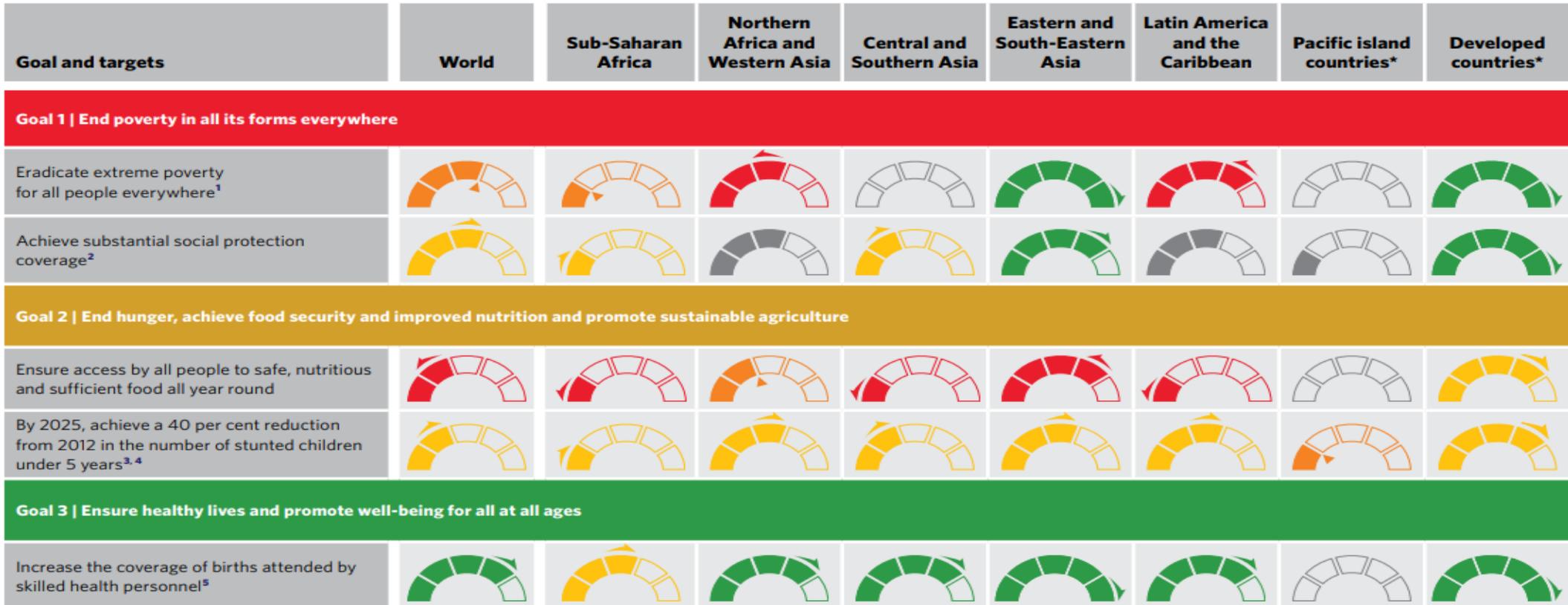
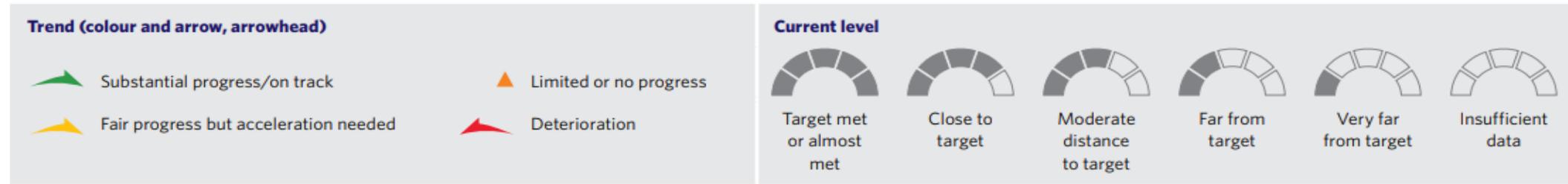


UN Secretary-General, António Guterres:

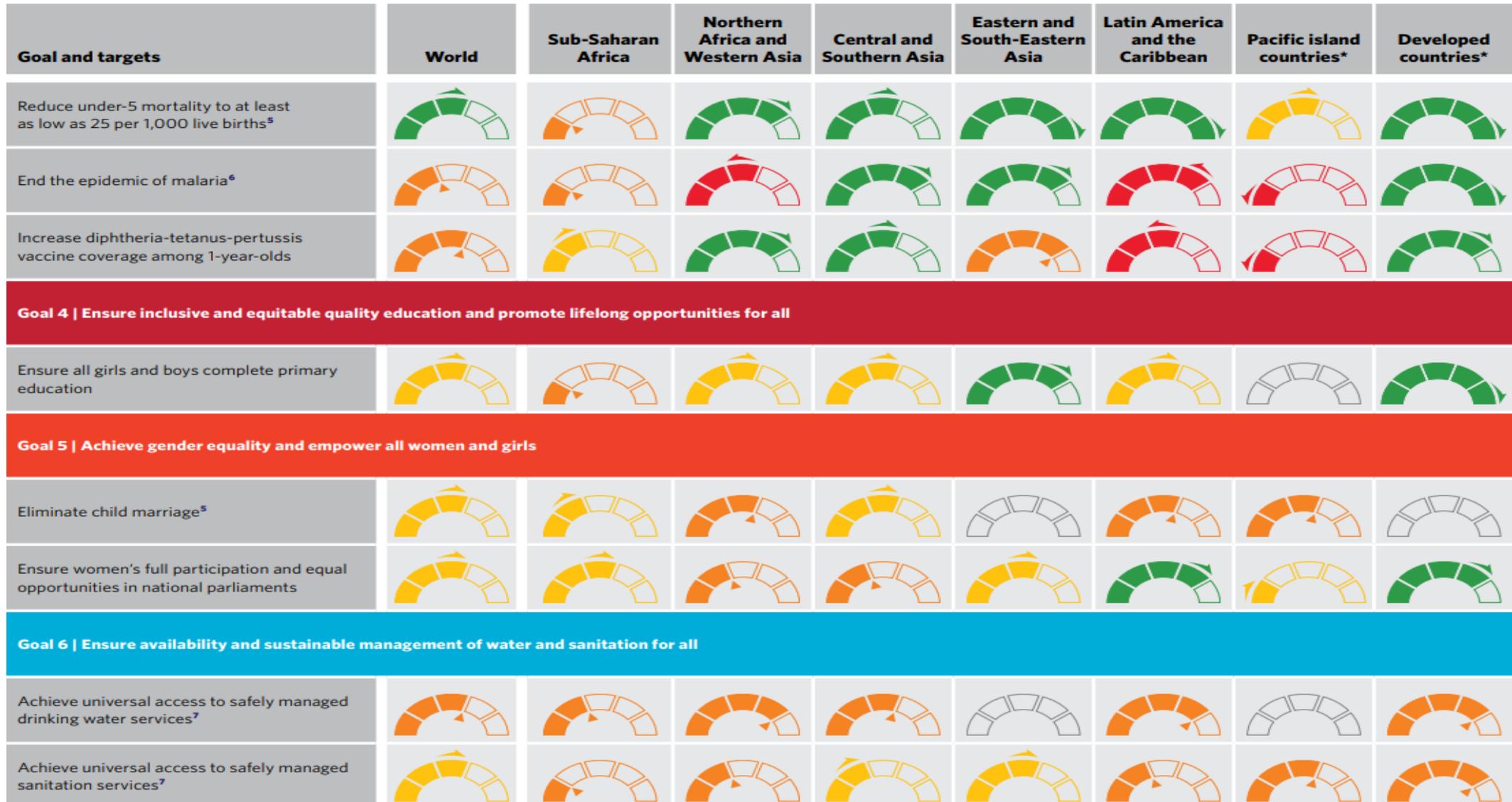
"aspirations set out in the 2030 Agenda for Sustainable Development are in jeopardy"

Progress of SDGs, 2021

Legend

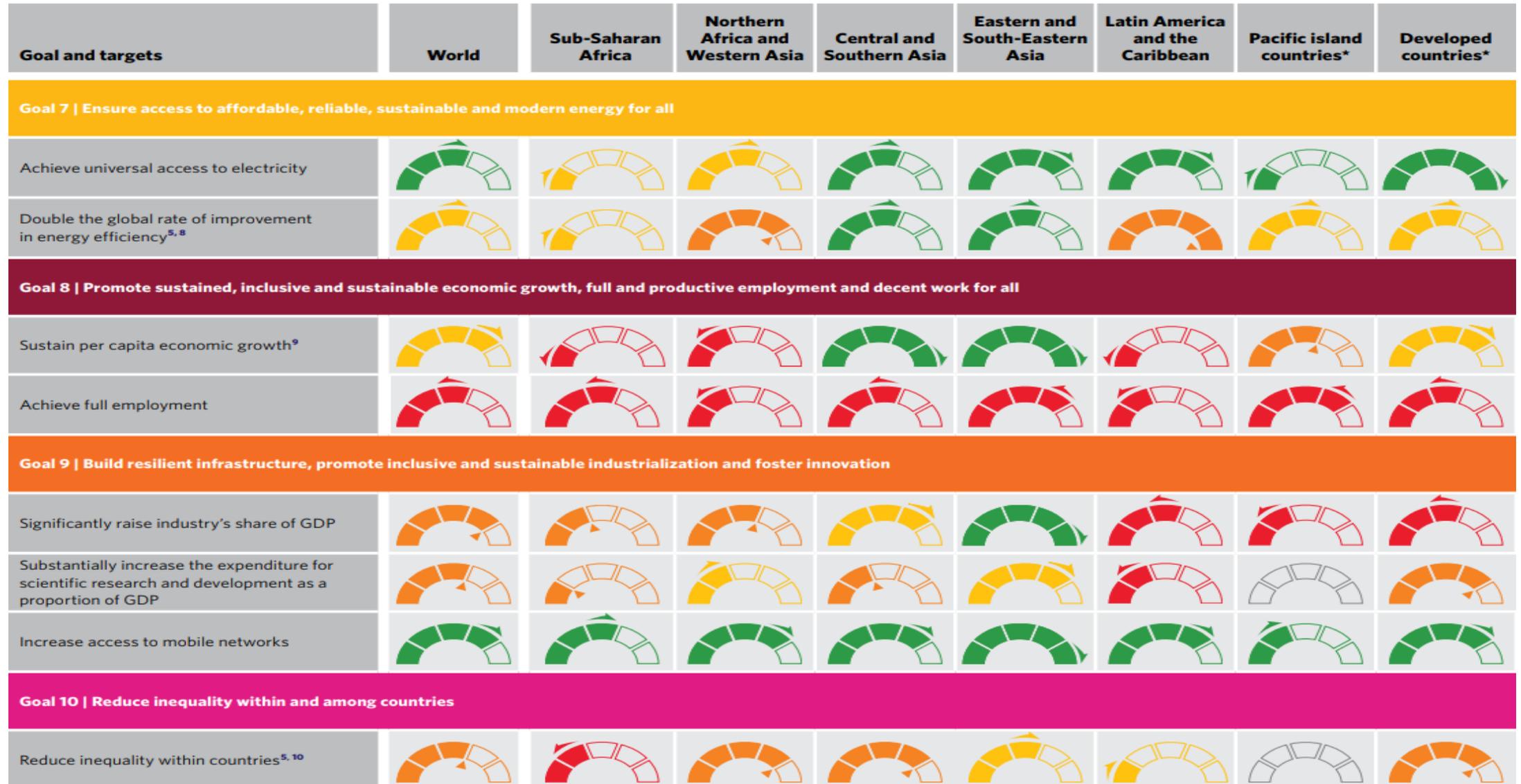


Progress of SDGs, 2021 (cont'd)

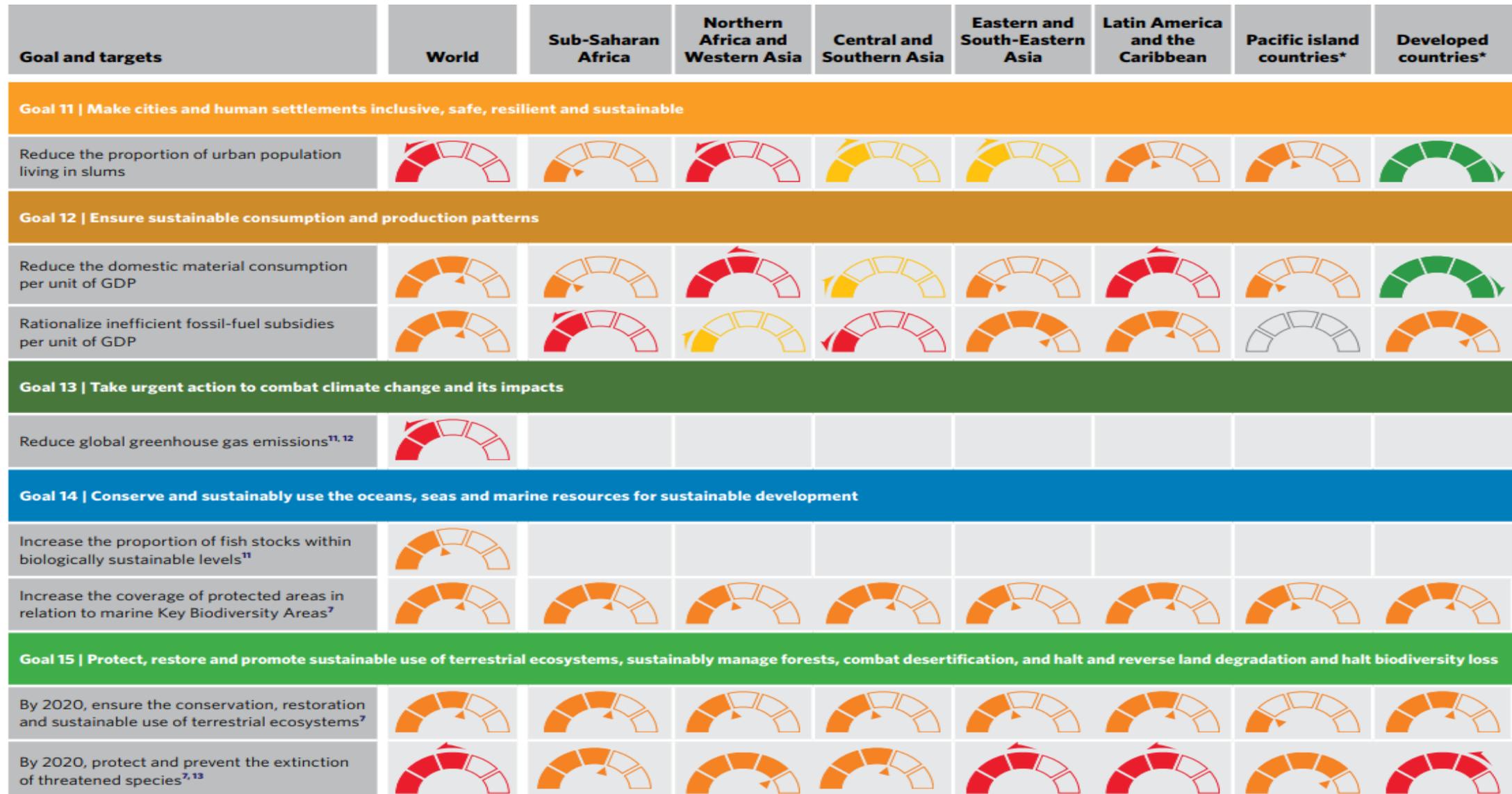


Source: <https://unstats.un.org/sdgs/report/2021/progress-chart-2021.pdf>

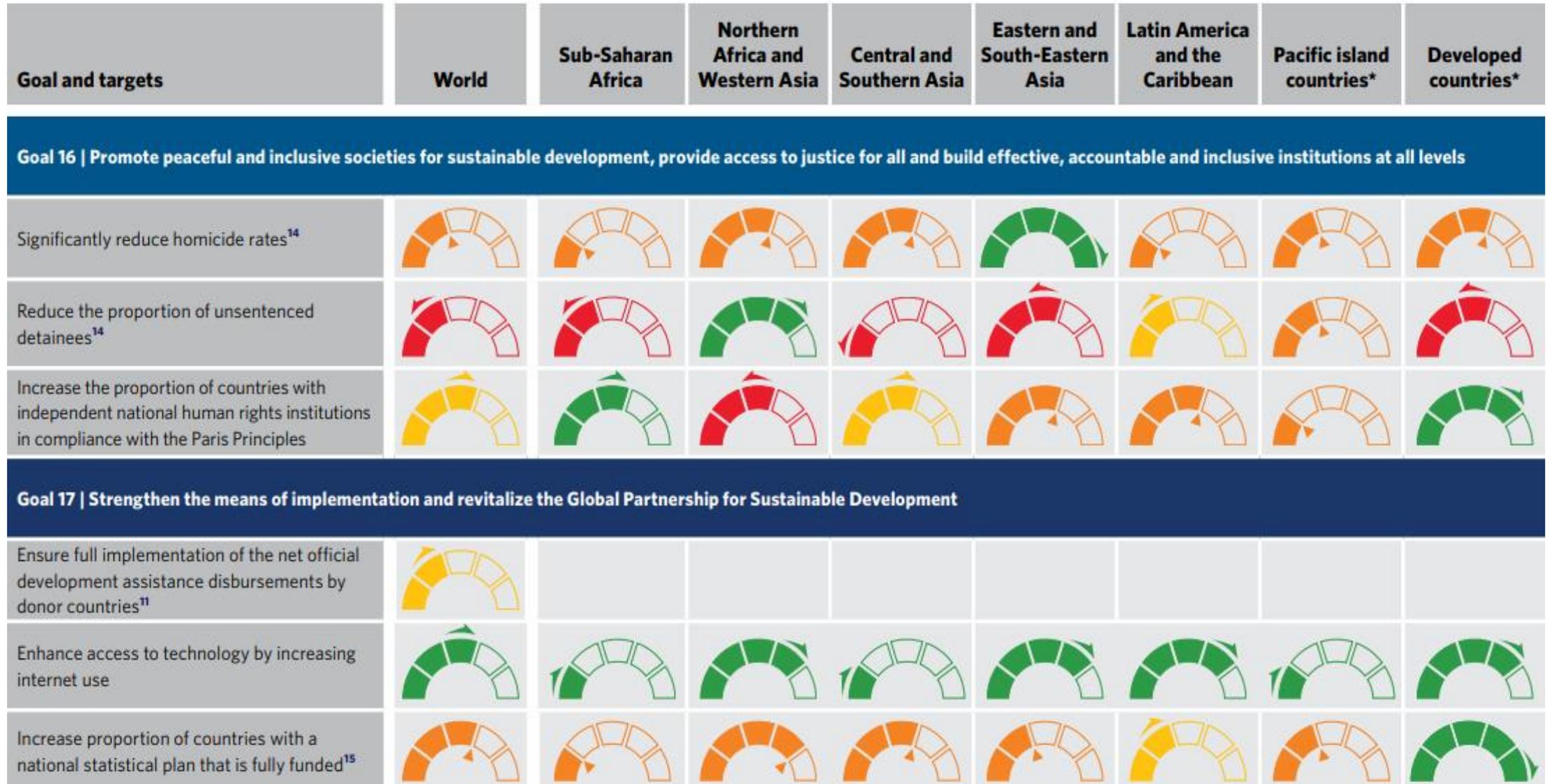
Progress of SDGs, 2021 (cont'd)



Progress of SDGs, 2021 (cont'd)



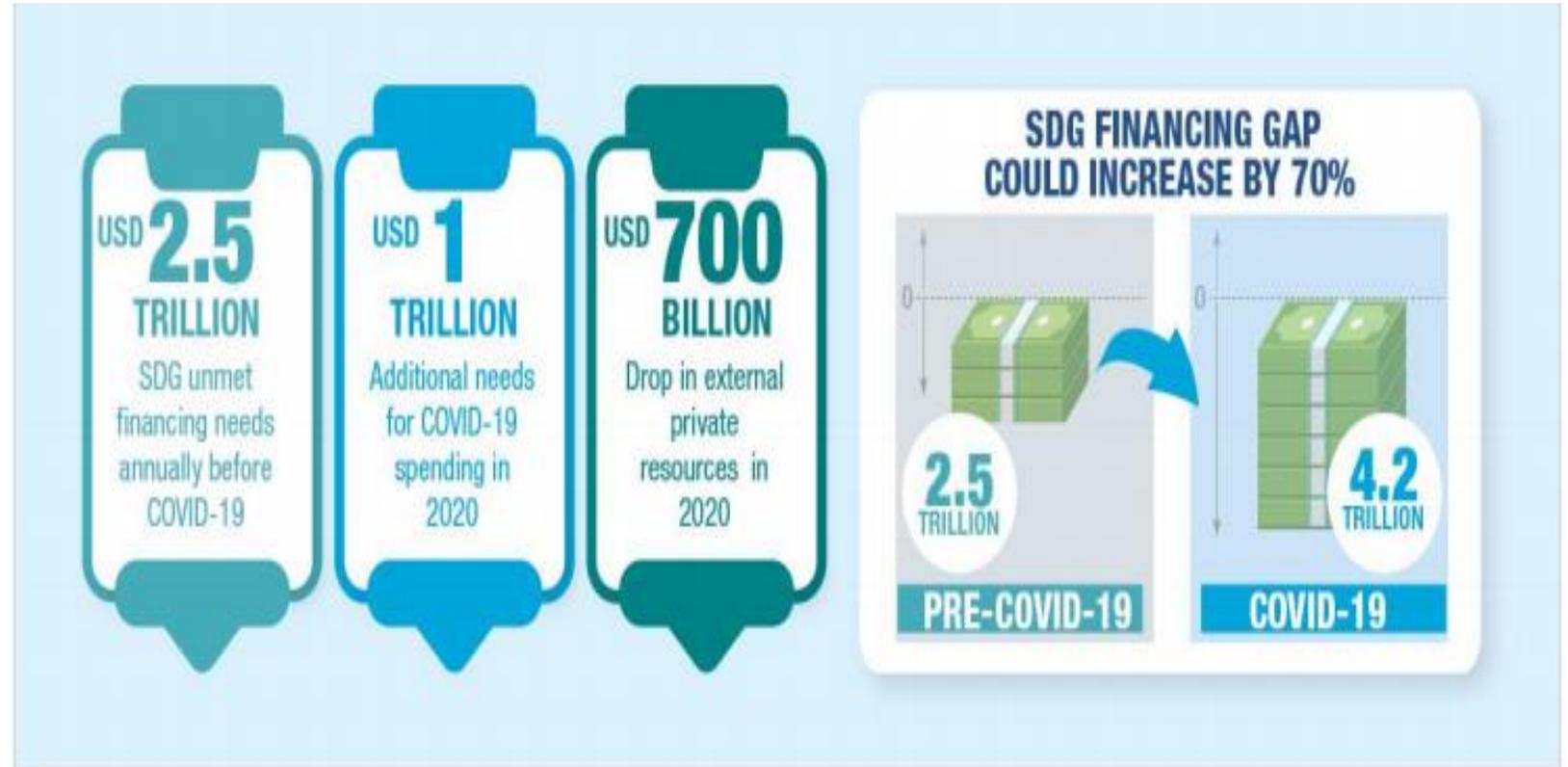
Progress of SDGs, 2021 (cont'd)



Development Financing Gap



**Global Outlook
on Financing for Sustainable
Development 2021**
A NEW WAY TO INVEST FOR PEOPLE AND PLANET



Source: OECD, *Global Outlook on Financing for Sustainable Development 2021*.

Analytical Framework

Definitions of PSE

| Organization | Definition |
|---|--|
| OECD (2016) | An activity that aims the private sector for development results, which involves the active participation of the private sector. |
| Donor Committee for Enterprise Development (DCED) | The interest of donors and others to work more strategically and systematically with business to meet the SDGs. |
| USAID (2018) | A strategic approach to planning and programming through which the USAID consults, strategizes, aligns, collaborates, and implements with the private sector for greater scale, sustainability, and effectiveness of development or humanitarian outcomes. |
| DFAT of Australia (2020) | Working with commercial enterprises to achieve a particular development outcome. |
| Sida of Sweden (2019) | An activity that aims to engage the private sector for development results and involves the active participation of the private sector. |
| State Secretariat for Economic Affairs (SECO) of Switzerland (2019) | A collaborative arrangement between public sector and private sector actors aiming at achieving a common development objective. |

Keys in PSE Definitions

- PSE as a **strategical approach** to donor agency
- **Private firms** as a key partner of collaboration within a PSE Framework
- Attainment of **development outcomes and development results** as the Goals of PSE



Benefits of PSE

| Entity | Benefit |
|--------------------------------|--|
| Donor Agency | <ul style="list-style-type: none">• Additional source of development financing• Utilization of private sector's expertise, knowledge and innovative entrepreneurship |
| Private Firms | <ul style="list-style-type: none">• Acceleration of corporate social responsibility (CSR) activities• Better CSR performance by using the donor agency's networks• Improvement of image and reputation• Expansion of business opportunities |
| Partner Country | <ul style="list-style-type: none">• Increase of funds for social and economic development• More chances for private sector development |
| International Community | <ul style="list-style-type: none">• Moving forward to the achievement of SDGs |

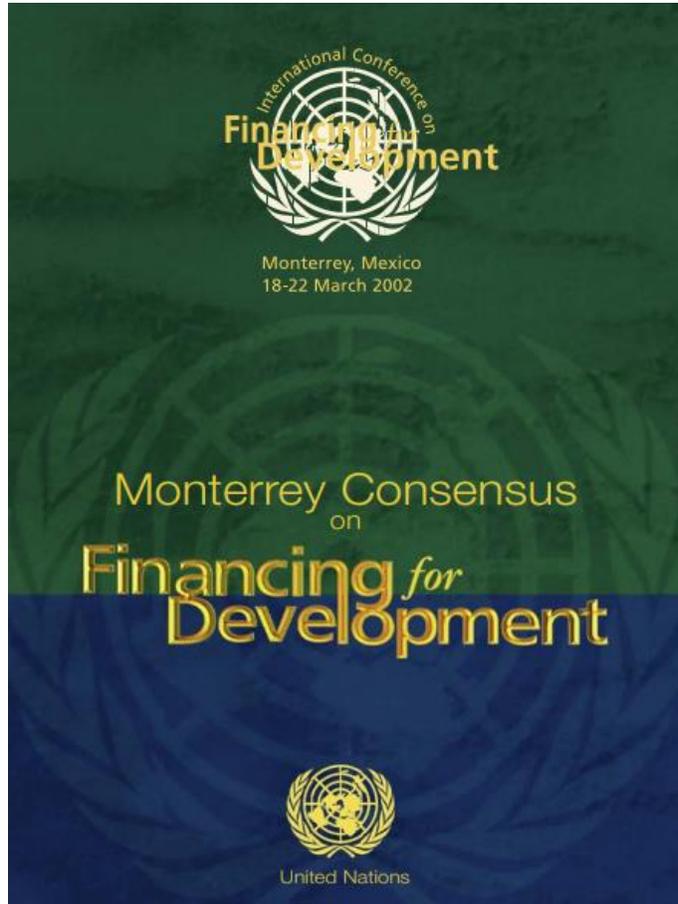
Modalities of PSE

| Modality | Objectives | Mechanisms | Examples ^a | Roles of the private sector | Level of financial risk |
|--|--|---|--|--|--|
| Knowledge and information sharing | <ul style="list-style-type: none"> Advance solutions by sharing new methods, tools and innovative approaches to addressing development challenges | <ul style="list-style-type: none"> Multi-stakeholder networks Learning platforms Conferences, seminars, workshops and other events Funding for research (specifically on private sector engagement in development co-operation) | <ul style="list-style-type: none"> Aligned Capital in Impact Investing Alliance for Integrity PPPLab Practitioner Hub for Inclusive Business^b | <ul style="list-style-type: none"> Beneficiary Participant Resource provider | <ul style="list-style-type: none"> Low |
| Policy dialogue | <ul style="list-style-type: none"> Develop policy agendas and frameworks at international, national and local levels that reflect all parties' interests Change behaviour such as through improvements in corporate practices and industry standard-setting | <ul style="list-style-type: none"> Multi-stakeholder networks and platforms Cross-sector roundtables Specialised hubs or institutions Institutionalised dialogues | <ul style="list-style-type: none"> Dutch Post-2015 Charter Initiative Inclusive Business Action Network Swedish Leadership for Sustainable Development | <ul style="list-style-type: none"> Beneficiary Participant Target | <ul style="list-style-type: none"> Low |
| Technical assistance | <ul style="list-style-type: none"> Enable private sector actors to effectively engage in development co-operation such as through support for project design Improve private sector actors' operational capacities and effectiveness | <ul style="list-style-type: none"> Business advisory services Feasibility studies | <ul style="list-style-type: none"> DEG financing opportunities Service Point for the Private Sector and EZ-Scouts | <ul style="list-style-type: none"> Beneficiary | <ul style="list-style-type: none"> Moderate Private sector beneficiaries typically contribute to costs |
| Capacity development | <ul style="list-style-type: none"> Improve capacities of private sector actors to contribute to development results Change or modify business operations | <ul style="list-style-type: none"> Training activities and other forms of capacity development programming Professional exchanges and secondments | <ul style="list-style-type: none"> Chambers and Associations Partnership Programme (KVP) Entrepreneurship promotion Vocational Education and Training Partnership Programme (BBP) | <ul style="list-style-type: none"> Beneficiary Reformer Target | <ul style="list-style-type: none"> Low |
| Finance | <ul style="list-style-type: none"> Leverage or raise private sector finance and investment promotion Test innovation and scale success Monetise development results (e.g. output-based mechanisms) Support expansion of more and better business including through the promotion of business-to-business partnerships, inclusive business, responsible business conduct and CSR Harness private sector expertise and market-based solutions to development challenges | <ul style="list-style-type: none"> Private sector instruments including grants, debt instruments, mezzanine finance instruments, equity and shares in collective investment vehicles, guarantees and other unfunded liabilities Includes the range of instruments captured under innovative finance | <ul style="list-style-type: none"> African Enterprise Challenge Fund African Guarantee Fund DEG financing opportunities Development Credit Authority Dutch Good Growth Fund Global Development Alliances Impact investing | <ul style="list-style-type: none"> Beneficiary Implementer Reformer Resource provider Participant | <ul style="list-style-type: none"> Moderate to high |

Source: OECD, *Private Sector Engagement for Sustainable Development: Lessons from the DAC*.

Issue Analyses

From the 2002 Monterrey Consensus to the 2015 Addis Ababa Action Agenda



Private Capital Mobilization for Development: Financial Instruments

| Instrument | Definition |
|--|---|
| Guarantees | Legally binding agreements under which the guarantor agrees to pay part or the entire amount due on a loan, equity, or other instrument in the event of non-payment by the obligor or loss of value in case of investment. |
| Syndicated loans | Loans provided by a group of lenders (called a syndicate) who work together to provide funds for a single borrower. |
| Shares in collective investment vehicles | Those invested in entities that allow investors to pool their money and jointly invest in a portfolio of companies. |
| Direct investment in companies | On-balance sheet investments in corporate entities which are conducted without any intermediary (e.g., a collective investment vehicle) and which typically consist of or can combine the following instruments/mechanisms: equity, mezzanine finance and senior loans. |
| Credit lines | A standing credit amount which can be drawn upon at any time, up to a specific amount and within a given period of time. |
| Simple co-financing | Various business partnerships, B2B programmes, business surveys, matching programmes, and similar, but also result-based approaches. |

Private Capital Mobilization of OECD DAC

| Member Country | 2015 | 2016 | 2017 | 2018 | 2019 | Total | Average |
|-----------------|---------|---------|----------|----------|----------|-----------------|----------|
| Australia | n.a. | 5.1 | 5.7 | n.a. | n.a. | 10.8 | 5.40 |
| Austria | 9.0 | 20.8 | 58.9 | 123.0 | 62.6 | 274.3 | 54.86 |
| Belgium | 11.0 | 26.6 | 26.1 | 44.3 | 50.3 | 158.3 | 31.66 |
| Canada | 44.6 | 47.0 | 265.2 | 39.0 | 16.3 | 412.1 | 82.42 |
| Czech Republic | 0.2 | 0.2 | 0.5 | 1.4 | 1.7 | 4.0 | 0.80 |
| Denmark | 733.9 | 360.9 | 544.4 | 901.8 | 245.3 | 2,786.3 | 557.26 |
| Finland | 27.7 | 20.2 | 274.4 | 210.8 | 22.2 | 555.3 | 111.06 |
| France | 1,120.4 | 1,862.5 | 1,985.1 | 2,138.9 | 3,415.2 | 10,522.1 | 2,104.42 |
| Germany | 389.1 | 571.4 | 757.5 | 448.4 | 956.9 | 3,123.3 | 624.66 |
| Ireland | 0.1 | n.a. | 3.6 | 0.6 | 3.1 | 7.4 | 1.85 |
| Japan | n.a. | n.a. | 244.4 | 110.9 | 127.7 | 483.0 | 161.00 |
| Korea | 17.5 | 17.2 | 14.7 | 29.2 | 20.9 | 99.5 | 19.90 |
| Luxembourg | 5.0 | n.a. | 1.5 | 2.4 | 3.2 | 12.1 | 3.02 |
| Netherlands | 360.8 | 589.9 | 562.5 | 874.6 | 589.2 | 2,977.0 | 595.40 |
| Norway | 102.6 | 217.1 | 117.9 | 85.9 | 51.0 | 574.5 | 114.90 |
| Portugal | 10.3 | 8.4 | 5.7 | 54.3 | 67.1 | 145.8 | 29.16 |
| Slovak Republic | n.a. | 0.0 | 0.0 | 0.3 | 0.0 | 0.3 | 0.075 |
| Slovenia | n.a. | n.a. | n.a. | 0.1 | 0.0 | 0.1 | 0.05 |
| Spain | 10.6 | 4.0 | 129.2 | 148.3 | 62.5 | 354.6 | 70.92 |
| Sweden | 127.2 | 263.0 | 154.9 | 179.2 | 290.4 | 1,014.7 | 202.94 |
| Switzerland | 152.6 | 82.6 | 123.0 | 72.9 | 37.0 | 468.1 | 93.61 |
| UK | 1,487.0 | 1,485.0 | 851.2 | 1,028.1 | 1,372.0 | 6,223.3 | 1,244.66 |
| US | 4,482.5 | 3,797.6 | 5,080.2 | 3,637.7 | 7,140.2 | 24,138.2 | 4,827.64 |
| Total | 9,092.1 | 9,379.5 | 11,206.6 | 10,132.1 | 14,534.8 | 54,345.1 | |
| Average | 478.53 | 493.65 | 509.39 | 460.55 | 660.67 | | |

Top 3 countries:
 US+UK+France=
 US\$40.8 billion (75.2%)

Korea:
 US\$99.5 million (0.18%)

Empirical Findings

PSE Strategy of the Korean Government

3rd Mid-term Strategy for International Development Cooperation



Vision

Realizing Global Values and Mutual
Development through Cooperation and Solidarity

Strategic
Goals

**Inclusive
ODA**

Strengthening
response to global
health threats

Expanding
humanitarian aid in
vulnerable areas

Improving the
quality of human life

**Co-
prosperous
ODA**

Creating the
foundation for
economic and social
development

Leading green
transition

Improving
coherence with
foreign policy

**Innovative
ODA**

Reinforcing
innovation
capabilities of
recipient countries

Conducting innovative
development
cooperation programs

Diversifying resources
for development
cooperation

**Together
ODA**

Reinforcing
partnership with
civil society

Enhancing
international
cooperation

Expanding
development
cooperation

Tasks

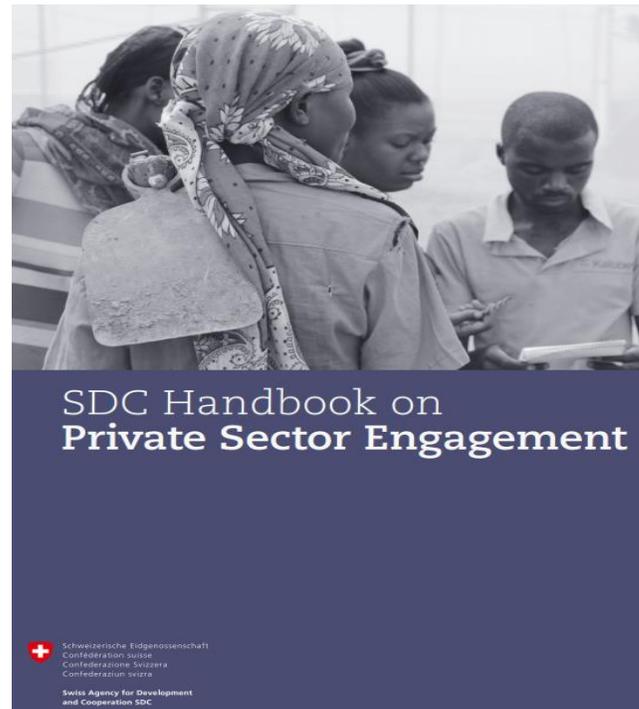
Source: https://www.odakorea.go.kr/ODAPage_2022/eng/cate02/L02_S04_01.jsp

PSE Strategies and Policy Documents

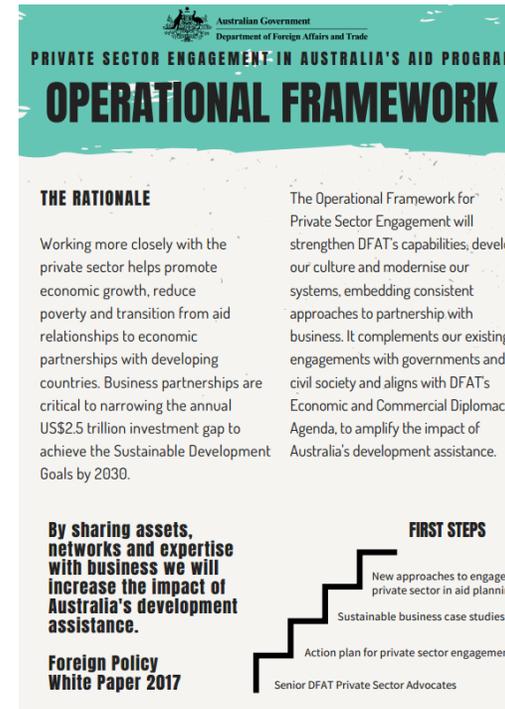
USAID (2018)



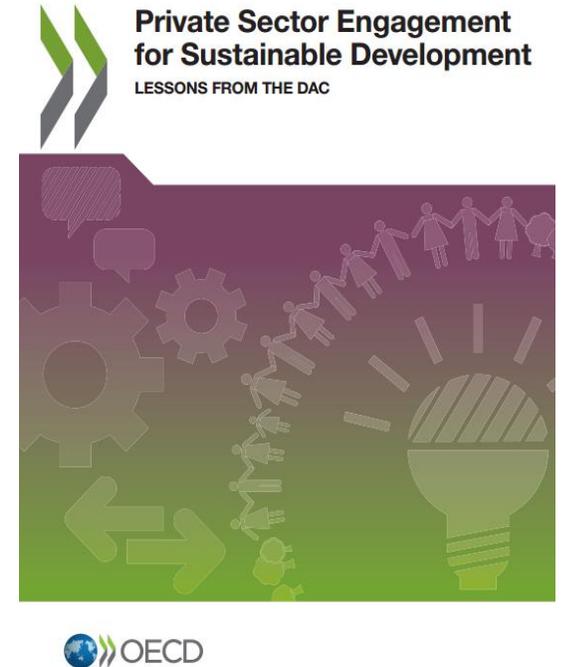
Sida (2019)



AusAid (2017)



OECD (2016)



Limitations of PSE Strategy of the Korean Government

- No separate PSE strategy
- Limited development and use of PSE policy tools
- Lack of manageable and traceable PSE-related targets

Readiness and Willingness of Private Sector and Effectiveness of PSE Policy

| Questions | Results | | | | N |
|--|------------|------|---------------|------|-----|
| | Large Firm | SME | VCC & Startup | Mean | |
| Experience and Willingness | | | | | |
| Experience of SCR and CSV Activities | 56.7 | 56.1 | 80.00 | 64.2 | 106 |
| Experience of Working with the Public Sector | 36.7 | 36.6 | 62.9 | 45.3 | 106 |
| Willingness to Work with the Public Sector | 86.7 | 78.0 | 91.4 | 84.9 | 106 |
| Readiness for CSR and CSV | | | | | |
| Size of Manpower | 2.78 | 2.96 | 3.30 | 2.99 | 71 |
| Overall Capacity | 3.52 | 3.46 | 3.90 | 3.61 | 71 |
| Organizational Interest | 3.41 | 3.67 | 3.85 | 3.62 | 71 |
| Effectiveness of Policy Tools | | | | | |
| Tax Benefits | 3.18 | 3.20 | 3.14 | 3.17 | 48 |
| Matching Funds | 3.18 | 3.33 | 3.82 | 3.52 | 48 |
| Financial Support | 3.09 | 3.40 | 3.45 | 3.35 | 48 |
| Provision of Information | 3.64 | 3.53 | 3.27 | 3.44 | 48 |
| Provision of Consulting | 3.27 | 3.33 | 3.23 | 3.27 | 48 |
| Policy Dialogue and Information Sharing Platform | 3.18 | 3.47 | 3.32 | 3.33 | 48 |
| Necessity of Policy Tools | | | | | |
| Tax Benefits | 3.82 | 4.20 | 4.00 | 4.02 | 48 |
| Matching Funds | 3.64 | 3.93 | 4.27 | 4.02 | 48 |
| Financial Support | 4.00 | 4.13 | 4.05 | 4.06 | 48 |
| Provision of Information | 4.00 | 4.27 | 4.05 | 4.10 | 48 |
| Provision of Consulting | 3.91 | 4.14 | 3.91 | 3.98 | 48 |
| Policy Dialogue and Information Sharing Platform | 3.73 | 4.00 | 4.05 | 3.96 | 48 |

Summary and Policy Implications

- **Systemic and Strategic Approach at the National Level**
 - Integrate PSE into its framework of national development cooperation strategy
- **Development and Deployment of PSE Policy Tools**
 - Diversify policy tools based on a detailed needs analysis of diverse private participants
- **Acceleration of Mobilization of Private Sector Capital**
 - Develop diverse and sophisticated policy tools to garner financial mobilization
- **Tracing and Recording of PSE Results**
 - Verify the improvement of development outcomes and contribution to the SDGs



Q & A