

## **Interim Report on the Heiligendamm Process at the G8 Summit in Hokkaido Toyako 7 to 9 July 2008**

*Prepared by the Steering Committee of the Heiligendamm Process consisting of the personal representatives of the G8 as well as of Brazil, China, India, Mexico and South Africa (G5)*

Our leaders decided at the G8 Summit in Germany in 2007 to intensify their co-operation. Against the background of major world economic challenges, they decided to launch a dialogue on equal footing that deals with issues of global scope and serves to enhance confidence and understanding among dialogue partners. In Heiligendamm it was agreed that the G8 Summit in Japan would receive an interim report on the dialogue. The Summit will be an opportunity to assess its progress and to give it further momentum.

Today, dialogue partners emphasize the great potential that the Heiligendamm Process holds to strengthen co-operation to our mutual benefit. The goal is to work together to meet the challenges of globalization, to work towards a common view on outstanding global issues, and on this basis to develop common initiatives for resolving them.

Being aware that the ability to take action and contribute to resolving global problems is inseparably linked to the economic, social and political situation in each of our countries, it is recognized that the responsibility to address key global challenges is a common one. In view of current developments in the world economy, this enhanced need for international co-operation and co-ordination is recognized by all dialogue partners.

We would like to report to our leaders that we have carried this dialogue forward since the Summit in Heiligendamm, and that consensus has been reached on a series of principles for the dialogue.

- The Heiligendamm Process is a topic-driven policy dialogue, and not a negotiating process.
- Openness, transparency and equal partnership form the basis of the dialogue.
- The Heiligendamm Process should complement work in other multilateral or regional institutions and forums.

In addition, all dialogue partners are in agreement with the organisational structure of the dialogue. This includes the tasks of the political Steering Committee at Sherpa level and the establishment of working groups to carry forward the dialogue at working level. Each working group is led by co-chairs from a G8 and a G5 country, thereby giving organisational expression to the principle of equal partnership. A support unit has been established at the OECD to provide organisational and technical support for the dialogue.

As decided in Heiligendamm, together with the working groups we have been pursuing the dialogue in the following areas:

- Promoting cross-border investment to our mutual benefit including the encouragement of responsible business conduct;
- Promoting research and innovation including IPR;
- Energy with special focus on energy efficiency;

➤ Development, particularly in Africa.

Discussions in the working groups are based on the concept paper which has been agreed and that sets out the political working agenda for each of the four dialogue areas. After the Toyako-Hokkaido Summit, we will continue our work taking into account the discussion of our leaders on the 9<sup>th</sup> of July at the Summit in Japan so that, at the 2009 Summit in Italy, we can provide our leaders with a substantive concluding report on the progress of the dialogue.

The current status of progress in each of the working groups is as follows:

Development, particularly in Africa

The dialogue in this field is aimed at strengthening a partnership for development and fostering a common understanding on development principles and approaches in view of the growing diversity of aid channels to recipient countries. The dialogue partners acknowledge their responsibility for development issues, in particular their shared commitment to the Millennium Development Goals (MDGs), including the eradication of poverty and the improvement of health and education, and the achievement of sustainable development.

The dialogue focuses on an exchange of experiences in the field of development policies and cooperation, including triangular and South-South cooperation. This is in response to the increasing willingness to mutually learn from each other. Without duplicating the work of other fora, the process aims to add value to the discussions on development strategies, aid effectiveness and harmonization. Both donors and partner countries have to take further steps to improve the effectiveness and impact of aid based on the principles of partnership and mutual accountability. Dialogue partners support sound development strategies, with appropriately targeted aid and other external financing complementing local resources, so as to ensure that the MDGs and other development goals will be met. All dialogue partners have to work on encouraging and respecting country ownership, ensuring alignment of development programmes with country priorities, reducing the transaction costs of aid and improving transparency and donor coordination.

The dialogue should also foster growth and poverty reduction in Africa. Dialogue partners support African efforts to overcome poverty and marginalization and share Africa's ambitions as articulated in the Charter of the African Union. The common aim is to strengthen Africa's capacities as a strong economic and political partner taking into account global challenges like food security, energy security and climate change. All stakeholders are willing to fulfil the commitments they have made and acknowledge that Africa will also need increased private capital and investment for economic growth, social progress, environmental protection and sustainable development.

Capacity development, good governance and peace and security are among the essential prerequisites for sustainable development, poverty alleviation, investment and higher and inclusive growth. The dialogue partners welcome African efforts in fostering democratic governance, particularly through the African Peer Review Mechanism (APRM), and they support endeavours for a better investment climate in Africa. In order to advance these aims we will feed our key conclusions from this process into dialogue with key African stakeholders like the AU, AfDB and NEPAD in the run up to the Italian Summit.

With regard to the Italian Summit in 2009, we and the working group on development will jointly focus the dialogue particularly on:

- The role of aid and trade in development, the quality of aid and its effectiveness in meeting the MDGs, and the Paris Declaration, noting that not all dialogue countries adhere to it;
- Addressing development challenges in some developing countries, particularly in Africa, where the promotion of peace and security is a priority;
- Mobilising external resources, developing domestic revenue generation capacity and improving systems of planning, accountability and transparency in the use of resources;
- Promoting sustainable growth, taking into account in particular infrastructure and private sector development;
- Capacity development particularly focusing on good governance and institution building;
- Promoting the role of triangular cooperation with equal partnership, while encouraging and respecting country ownership.

In focusing on the areas above, the dialogue partners highlight the possible contribution they could make to important international events such as the Third High Level Forum on Aid Effectiveness in Accra, and the Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus in Doha.

#### Energy with special focus on energy efficiency

Energy is crucial to prosperity, economic stability and sustainable development across the globe. Economic growth, and in particular the quest for better economic opportunities, increases the need for energy. Energy security, energy access, and energy poverty are major challenges of our time.

What the world needs is a future global energy market that adequately allows supply and demand to match and that provides stable, economical, clean and safe energy on a predictable basis. To contribute to this end, the development, deployment and diffusion of new technologies, also taking into account the development perspective, the further development of renewable energies and the enhancement of energy efficiency are necessary prerequisites.

This dialogue pillar will focus in particular on increasing energy efficiency because of its high potential to raise energy security and to substantially reduce CO<sub>2</sub> emissions. Through an open and cooperative exchange on the different national experiences, the dialogue should produce substantive results for the Italian G8 Summit. The IEA's support of this work is highly appreciated.

Against this backdrop, we and the working group on energy will jointly focus the work on:

- Energy security: On the basis of the G8 St. Petersburg statement on Global Energy Security and additional proposals from partners, the dialogue will include a focus on the contribution of energy efficiency to energy security in order to develop a common understanding on its main components, including access to energy and legal and regulatory frameworks.
- Sustainable buildings: Taking into account that approximately 40% of global energy final consumption is in buildings, the dialogue partners will work on the creation of a sustainable building network with the support of relevant stakeholders.
- Power generation: In the next 20 years the world will be facing an enormous increase in primary energy needs. A large share of electricity generation will come from power plants that use coal as a primary energy source. The dialogue partners will explore ways to increase the energy efficiency of fossil fuels fired plants, utilizing existing expertise,

including that of the private sector, and concentrating in particular on the retrofit of coal-fired power plants, possibly including through pilot projects on a voluntary basis, and on low-emitting new technologies.

- **Renewable energy**: The dialogue will focus on exchanging best practices, learning from each other's policies, regulations, and technologies, and mapping cooperation on renewable energy, including bio-fuels, in order to realize its potential, to complement energy efficiency as a policy tool, and to contribute to economic growth and prosperity.

#### Promoting cross-border investment to our mutual benefit including the encouragement of responsible business conduct

Recognising that cross-border investment is among the major drivers of economic growth and can contribute to social, as well as environmental, development, the dialogue partners note that the promotion of favourable investment conditions should be beneficial to all parties involved, including from a developmental perspective, provided the right institutions and policies are in place.

The dialogue partners agree to work together to strengthen open and transparent investment regimes and to fight against tendencies to restrict them, while acknowledging that each country has primary responsibility for its own economic and social development and for protecting legitimate national security interests.

Against this backdrop, the dialogue will continue to focus on existing and future win-win situations for investors and recipient countries. In the context of maximising mutual benefits in the area of investment, the dialogue partners will also discuss and evaluate existing barriers to cross-border investment in our countries and the role of appropriate institutional and regulatory frameworks.

A considerable number of emerging economies have benefited from inward FDI while acting increasingly as countries of origin of FDI. The dialogue will therefore focus on conditions for open investment environments respecting the different legal and institutional settings in partner countries. The partners will discuss the necessity for more favourable investment conditions for their companies investing internationally.

In addition dialogue partners agree to discuss responsible business conduct in order to foster corporate, social and environmental sustainability in the business sector.

In particular, we and the working group on investment will work together on the following items when preparing for the Italian Summit:

- **Promoting, protecting and facilitating international investment**: The dialogue should focus on enhancing common understanding on investment principles, including the relationship between investment agreements and the need for governments to regulate in the public interest and promote economic and social development, on promoting open investment conditions and freedom of investment, and on resisting protectionist tendencies concerning investment.
- **Improving investment conditions**: The dialogue should work on identifying obstacles to FDI and examining best practices to secure the benefits of FDI, in order to promote an open and efficient investment environment that supports economic growth and

consequently the creation of jobs in order to enhance standards of living and promote development.

- **Responsible business conduct:** The dialogue should discuss responsible business conduct and corporate social responsibility, not only because these instruments strengthen consumers by providing more transparency but also because enterprises are increasingly cherishing the value of these instruments as they contribute to corporate, social and environmental sustainability. It is understood that these instruments are not, nevertheless, substitutes for adequate regulatory and supervisory action by governments.

#### Promoting research and innovation including IPR

Science, research and innovation form the basis of economic growth and prosperity. Strategies to encourage and support research and innovation, as well as their effective diffusion and dissemination, are key elements for future sustainable development. The dialogue should concentrate on the further build-up of knowledge-based economies and the promotion of an innovation-friendly policy and business environment. Innovation is indispensable to cope successfully with key global challenges. The quality of human capital and education plays a crucial role in the innovation process.

The nature of innovation is undergoing significant changes globally and the dialogue could add value to innovation policies in our countries. The joint effort of dialogue partners is directed at bringing forward an international economic and political environment which is supportive in this regard to mutual benefit.

Promoting and protecting innovation has an important place in national policies and legislation. In addition, the dialogue partners acknowledge that fostering innovation necessitates a well-functioning and balanced system of intellectual property rights and agree in this respect that we all have increasingly common interests. The dialogue partners value the Heiligendamm Process as an instrument for fostering a positive exchange on the role and economic value of intellectual property as a tool for growth and development, including objectives such as environmental protection and public health.

In particular, the dialogue on innovation/IPR should work on the following items in preparation for the Italian Summit in 2009:

- **Promoting innovation:** The dialogue will focus on the role of education and skills and the promotion of market and fiscal incentives to promote and facilitate the innovation process, taking into account new developments, like networks in collaborative R&D efforts, and the challenge of technology transfer.
- **Protecting innovation:** The dialogue will exchange views on the protection of innovation, in particular on the international IP system and its socio-economic impact on developed and developing countries, in order to further develop a common understanding on crucial issues. In this context, dialogue partners expressed their intention to deepen the exchange of views on issues such as counterfeiting and piracy (including of drugs and spare parts), incentives for implementation of intellectual property rights, traditional knowledge and genetic resources, the linkages between competition policy, IPR protection and innovation, and the involvement of the private sector.