



Australian Government

Department of Foreign Affairs and Trade

Australia's Aid Program: Engaging the Private Sector



Australia's Aid Policy and the Private Sector

Australia's development policy framework now recognises the private sector as:

- the source of economic growth, incomes and jobs; and
- as a partner with whom we can work to achieve faster and more sustainable development outcomes.
- There is now a requirement that all new aid investments “*explore innovative ways to promote private sector growth or engage the private sector in achieving development outcomes*”.
- In practice, this means two things:
 - **Increased engagement with the private sector** across the full range of our work; and
 - **Increased focus on developing the private sector** in the countries in which we work.



1. Engaging the Private Sector

- Not so much about *what* we do but *how* we do our business
- Underpinned by the concept of ‘shared value’
- What do we mean by ‘the private sector’
- What is DFAT’s value proposition?
 1. The ability to convene, broker and influence
 2. Deep knowledge of the business, political and regulatory environment in the developing countries where Australia’s aid program operates
 3. Support in creating a more attractive business operating environment
 4. Catalytic funding
- What will the private sector bring?



Engagement Principles

In partnering with the private sector, the following engagement principles will apply

1. Complementary priorities: “Problem first – partner second”
2. Building value
3. Return on investment
4. Open and transparent
5. Commitment to Responsible Business

Other factors to consider in more formal partnerships include:

6. Additionality
7. Neutrality
8. Sustainability
9. Safeguards



How we will work with the private sector

We employ two main modes of engaging with the private sector:

Collaborating

- Collaborating is a way for us to actively explore opportunities to address development challenges and achieve corporate aspirations together
- characterised by low levels of formality, obligation and risk.

Partnering

- Partnering is characterised by a more formal relationship between the parties and generally includes higher levels of structure and obligation.
- Partner due diligence, commensurate with the level of commitment and the maturity of the relationship, will be conducted



2. Private Sector Development

- Elevated alongside human development as one the two pillars of Australia's development policy.
- Investing in PSD is central to promoting prosperity, reducing poverty and enhancing stability.
 - This includes investment in robust analysis of constraints to private investment, the political economy, and what would be the key interventions to unlock this private investment
- PSD approaches are across three separate but related objectives:
 - I. Building better business and investment environments;
 - II. Addressing constraints to private sector growth in specific markets; and
 - III. Maximising the development impact of individual businesses.



I. Building Better Business and Investment Environments

- Improving the business and investment environment in developing countries pays dividends for all businesses - big, small, domestic and foreign.
- For example, reform of business registration, contracting laws, customs and trade regulation, access to finance and supporting the provision of essential hard and soft infrastructure
- Successful interventions in the enabling environment generally represent good value for money, as input costs are relatively low and impacts are spread across the full scope of the private and public sectors.
- However, it requires long-term public sector engagement, which can be challenging in some developing country contexts.
- Majority of DFAT PSD initiatives



II. Supporting Growth in Specific Markets

- Support sectors in which the country/region has an established or emerging comparative advantage by helping address market failures that are holding back growth.
 - For example: facilitating new business opportunities and removing barriers to efficient market operation, creating market incentives, improving the functioning of value and supply chains, supporting provision of key economic infrastructure through technical expertise and risk management, providing anchor funding for market builders.
- Will need to be especially vigilant to ensure our support does not distort the proper functioning of markets,



III. Maximising the Development Impact of Businesses

- For example, partnering with businesses to implement business models that serve the poor as consumers, producers or employees.
- This can take many forms, from the development of products designed to meet the needs of the poor through to using private sector distribution networks or bringing the poor into larger supply chains.
- A decision to work directly with a business must be able to demonstrate a clear positive contribution to Australia's development objectives
- It is vital that business partnerships are underpinned by a clear understanding of the policy environment and constraints to business growth prior to partnering.



Examples of current Private Sector Initiatives:

Cambodia Agriculture and Value Chain (CAVAC I)

Who: seed, fertiliser, pesticide, media and milling companies

How/What: grant funds, commonly used to improve the frequency and quality of interactions and relationships between companies and farmers, with a view to better farming practices being applied.

Why: ability to reach and influence small farmers - a market development or value chain program approach; improve yields, productivity, income.

Business Coalition for Women

Who: over 50 like minded PNG Businesses

How/What: improve opportunities for women to move into senior management positions through leadership training and mentoring programs; promote gender-smart workplaces; and develop opportunities for women entrepreneurs in their supply and distribution networks

Why: increase the participation and enhance the status of women in workplaces and improve economic opportunities for women.



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