



Australian Government

Department of Foreign Affairs and Trade

AUSTRALIA'S AID PROGRAM AND WORKING WITH THE PRIVATE SECTOR:

A RECAP AND WHERE TO NEXT



SUMMARY OF PRESENTATION

- How DFAT has been partnering the private sector
- Our recent stocktake of Private Sector Engagement (PSE)
- Examples of indirectly working with the private sector;
 - Market Systems Development programs
 - Multi-stakeholder partnerships
- How DFAT is taking its PSE agenda forward

WHY DFAT PARTNERS WITH THE PRIVATE SECTOR

The 2030 Agenda for Sustainable Development identifies the private sector as the primary source of economic growth, incomes and jobs in developing countries.

Private sector engagement is critical to ensuring Australia's aid program promotes sustainable economic growth, increases incomes and creates jobs. The private sector brings a wealth of knowledge, innovative ideas, capabilities and resources that can help improve the effectiveness of the aid program.

In practice, that means:

- **Increased focus on growing the private sector** in developing countries in the region
- **Increased engagement with the private sector** across the full range of Australia's aid priorities



EXAMPLES OF PRIVATE SECTOR ENGAGEMENT

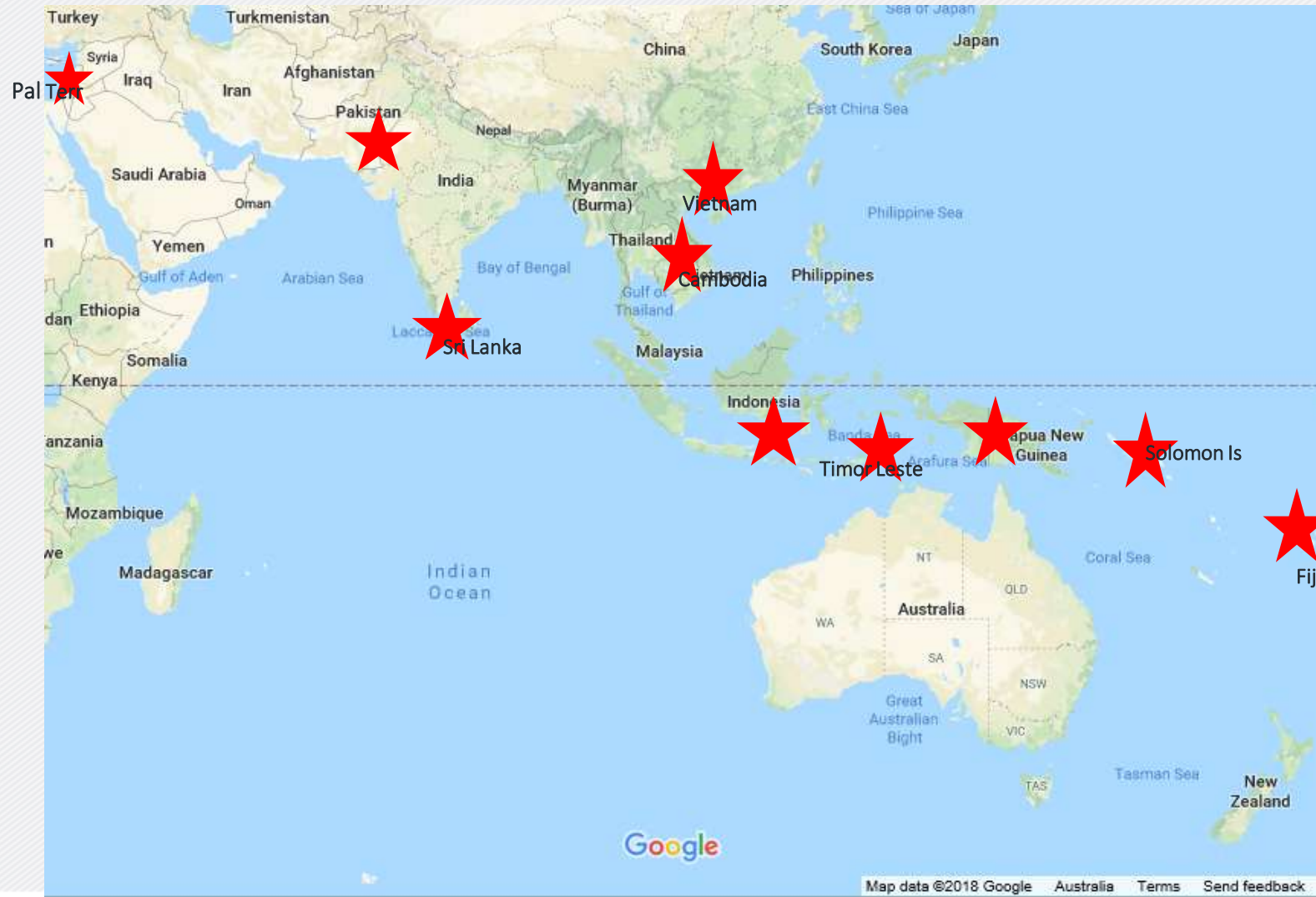
Nineteen partnerships created with business through the **Business Partnerships Platform** (BPP), leveraging \$14.3 million in additional finance, with \$7.6 million invested from the aid program.

- The **Pacific Readiness for Investment in Social Enterprise** program is connecting investors to social enterprises, with the aim of securing investment deals and attracting \$5 million private capital into the Pacific.
- Through **LAUNCH Food**, DFAT is investing up to \$6 million in 16 food- related innovations to improve nutrition outcomes throughout the Indo-Pacific.
- Strategic partnerships with 'business facing' platforms, such as the [Global Compact Network Australia](#) and [Shared Value Project](#), have increased our reach with business, and highlighted opportunities for engagement.

PSE ONE-STEP REMOVED: MARKET SYSTEMS DEVELOPMENT PROGRAMS



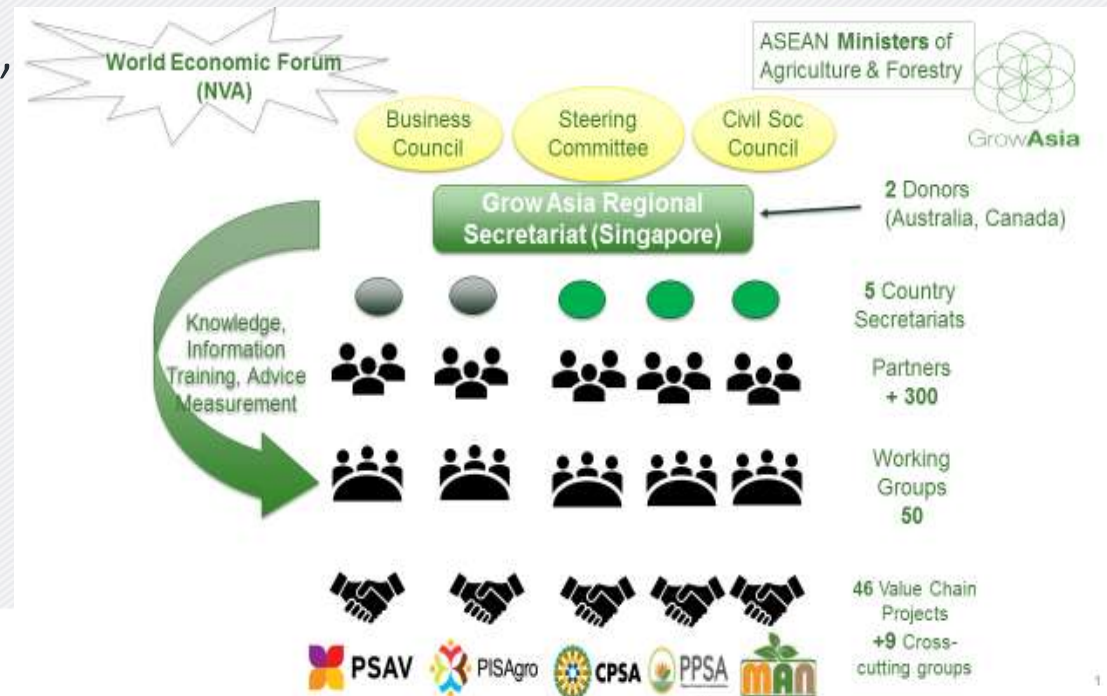
CURRENT AUSTRALIAN MSD INITIATIVES



PSE AT ARMS LENGTH: MULTI-STAKEHOLDER PARTNERSHIPS

Grow Asia:

- Catalysed by World Economic Forum's New Vision for Agriculture
- Endorsed by ASEAN Ministers of Agriculture
- Australia & Canada as founding donors for Regional Secretariat
- Country Platforms in Vietnam, Indonesia, Myanmar, Philippines, Cambodia
- 50 multi-stakeholder working groups
 - 46 collaborative value chain projects



PSE STOCKTAKE – A SNAPSHOT

- In 2015-2016, approximately 75% of investments undertaking an annual quality check reported engagement with the private sector
 - however, the majority of these were through intermediaries
- The majority of interactions were with small business in the formal sector
- The majority of engagement was connected to private sector development initiatives
- Engagement has developed more readily in some sectors than others – infrastructure, trade facilitation and international competitiveness (aid for trade sectors)

KEY STOCKTAKE FINDINGS

- Posts are undertaking more strategic engagement with private sector partners, and developing strategies that integrate economic diplomacy and development objectives.
- Staff in policy areas are exploring ways for DFAT to support innovative financing mechanisms to encourage private sector investment for development.
- The **Business Partnership Platform** is being delivered in line with its design and is likely to achieve its development goals and objectives.
- There is now a general awareness that working with the private sector is important, but understanding of this policy agenda is highly variable.
- There is evidence that existing programs have adapted to respond to this agenda. There is also evidence that DFAT is engaging with private sector partners in new ways.

IMPORTANT CONSTRAINTS:

- Wide ranging views and levels of understanding of private sector engagement in DFAT.
- Lack of a departmental wide view and cohesive approach
- Factors undermining incentives for enhanced engagement: broad leadership, accountability, risk, capacity and the absence of an operational framework.
- Reputational risks, such as the appearance of conflict of interest and DFAT being potentially implicated with scandals involving private companies, were perceived to be significant.
- Difficulty turning policy into practice in a consistent manner and with a common understanding of objectives.
- Reporting and performance frameworks not well established for PSE.

OVERARCHING RECOMMENDATIONS

- Define **objectives for private sector engagement**
 - which clarify how this engagement serves DFAT's overarching development, trade and foreign policy agendas, taking into account the release of the Foreign Policy White Paper.
- Develop an **operational framework for private sector engagement**.
 - providing clear guidance on how formal and informal collaboration and partnership mechanisms might be used to achieve objectives and include tools for monitoring, managing and reporting.



WHERE TO FROM HERE

Operational Framework is needed which will address how DFAT might:

- better **identify** and **manage opportunities** to engage the private sector;
- **choose** and **engage** with private sector partners to best leverage influence, expertise, and resources to strengthen development outcomes; and
- **measure** the **success** and **impact** of private sector partnerships, and share these learnings.



... AND PROGRAM REVIEWS:

Market Systems Development:

- Planned synthesis review of Australia's experience to date.
- Exploring options for 'hybrid' MSD (eg Nepal)

Multi-stakeholder partnerships:

- Grow Asia Mid-Term Review

Thank you – any questions?



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