



PRIVATE SECTOR ENGAGEMENT IN AUSTRALIA'S AID PROGRAM

OPERATIONAL FRAMEWORK

THE RATIONALE

Working more closely with the private sector helps promote economic growth, reduce poverty and transition from aid relationships to economic partnerships with developing countries. Business partnerships are critical to narrowing the annual US\$2.5 trillion investment gap to achieve the Sustainable Development Goals by 2030.

The Operational Framework for Private Sector Engagement will strengthen DFAT's capabilities, develop our culture and modernise our systems, embedding consistent approaches to partnership with business. It complements our existing engagements with governments and civil society and aligns with DFAT's Economic and Commercial Diplomacy Agenda, to amplify the impact of Australia's development assistance.

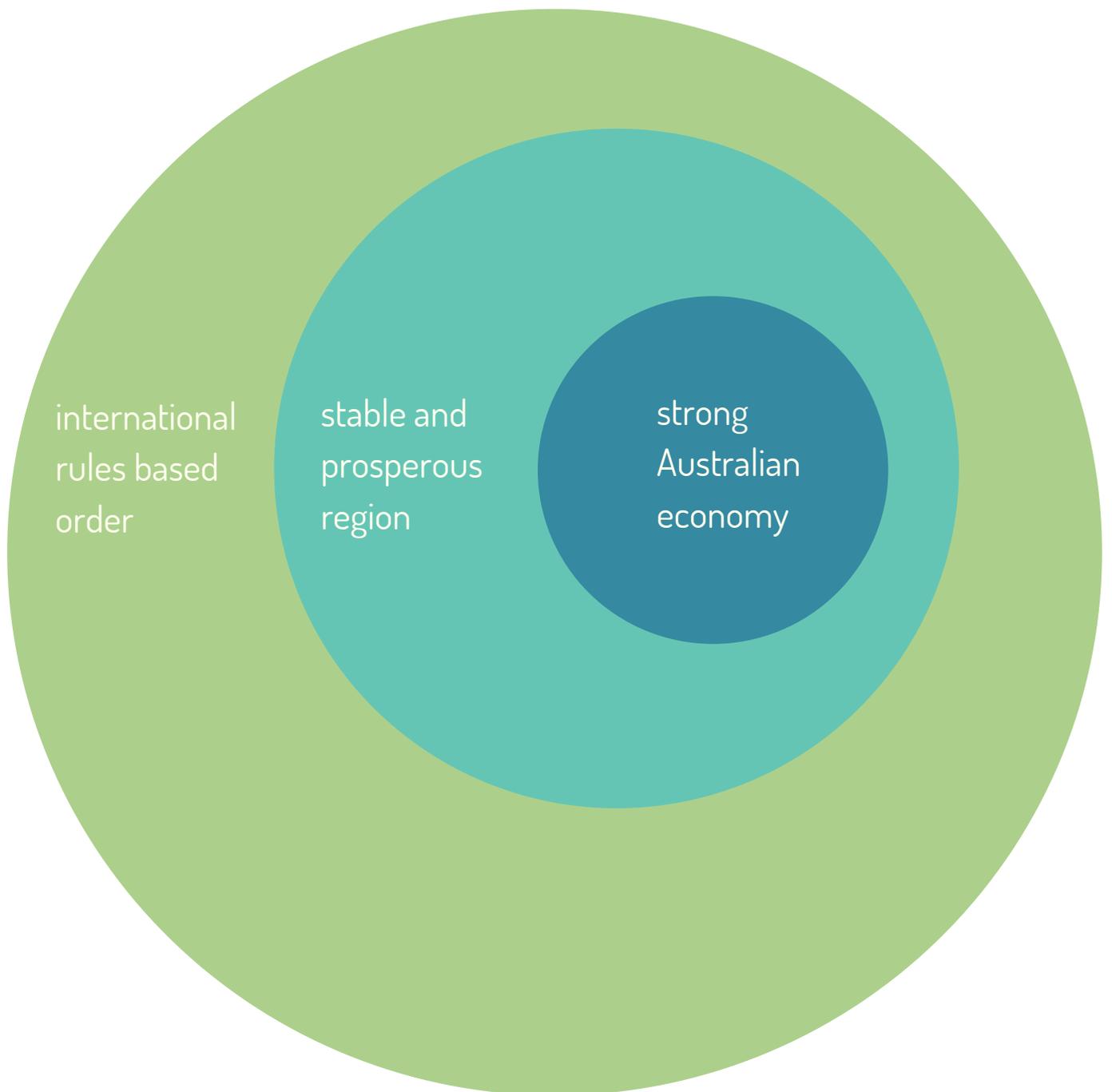
By sharing assets, networks and expertise with business we will increase the impact of Australia's development assistance.

**Foreign Policy
White Paper 2017**

FIRST STEPS



CONTEXT



OBJECTIVE

"I see business as everyone's business."
Secretary Adamson

The objective of engaging with the private sector is to deliver on shared interests – increased development impacts and sustainable commercial returns – critical for a stable and prosperous region

To achieve this, DFAT will work with the private sector in two ways

1

Embed the private sector as strategic partners in the aid program

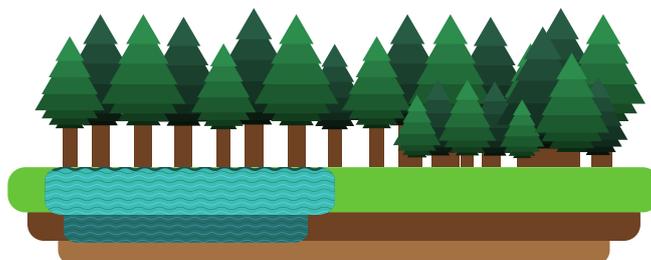
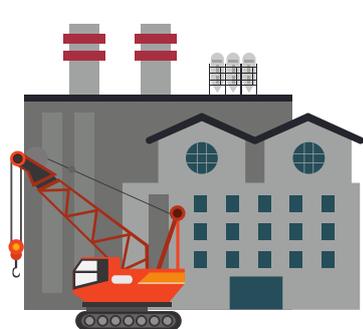
2

Enable the private sector to achieve outcomes that promote economic growth and reduce poverty

Private sector engagement

Private sector engagement means working with commercial enterprises, including informal sector micro-enterprises (like farmers and street traders), high-tech and other start-ups, small and medium-sized enterprises, large locally-owned companies, and multinational conglomerates. Social enterprises are also important private sector stakeholders.

The private sector has many faces



one-off
phonecall

introductory
meeting

catalytic
grants

collaboration

types of engagement

Engaging a diverse set of private sector actors helps unearth opportunities to share risks and resources to achieve improved development outcomes. The private sector and their networks are also powerful allies in efforts to advocate for improved corporate standards and better regulatory and business enabling environments. NGOs, academia, philanthropy and other not-for-profit institutions can also be conduits to private sector partners.

knowledge
sharing

co-creation

access to
networks
and peak
bodies

partnerships

co-investment

shared
resources

joint
advocacy

" DFAT's value add is that [you] are brokers in a wider network - [you] can bring a wide diversity of members together and broker engagement between them."

Dr Danielle Logue, UTS

"[We] co-create solutions with partners in the eco-system, all sides delivering and receiving value. Partnership is a relationship not a transaction."

Sally-Ann Williams, Google

"Co-funding is important but for more than just the money - it is the signal that it sends."

Mark Reading, Atlassian Foundation

"The best way to engage with the private sector is to provide a value proposition which is not just about asking the private sector to pay for things."

John Morrell, Centre for International Private Enterprise

46 ORGANISATIONS CONSULTED

Business has asked DFAT for...

1

DIRECTION

Clear direction on relevant partnership opportunities

2

ADVICE

Support for growth, including connections to markets through DFAT's extensive global networks

3

FLEXIBILITY

Flexible and less administratively burdensome partnership approaches

4

ENGAGEMENT

Regular engagement with DFAT decision makers, including clear advice on who and how to contact DFAT for information

5

OPPORTUNITIES

Opportunities to showcase their achievements and lessons learned

credibility

convening
power

knowledge of
in-country
environments

gender
lens

Value proposition: what DFAT offers the private sector

experience

influence

technical
capabilities

development
expertise

innovation

business
expertise

networks

new
technologies

**Value proposition:
what the private sector
offers DFAT**

market
insights

reputation

technical
capabilities

advocacy for
sustainable and
responsible
business

BUILD ON CURRENT KNOWLEDGE

DFAT will draw and build on existing private sector programs and experience. Examples of existing investments are:

Programs

Business Partnerships Platform
Scaling Frontier Innovation
Australian Development Accelerator
Market Development Facility
Investing in Women

Corporate transparency

DFAT supports the Global Reporting Initiative to provide training and advice to investors, stock exchanges and market regulators on how to assess company environmental and social impacts, contributing to a more transparent global investment environment

Market Systems

Since 2010, DFAT's Cambodia Agricultural Value Chain project has assisted fertiliser companies to develop farmer training and outreach programs, lifting fertiliser sales and increasing farmer yields

Investing in Women

Performance-based grants to four impact investing funds has attracted additional private investment, increasing the pool of capital available to women led SME's in Indonesia, Philippines and Vietnam

RISK

Risks to DFAT associated with engaging with the private sector - largely reputational and fiduciary in nature - are the same as those faced in engaging with public and civil society organisations, as outlined in DFAT's Risk Management Guide. But the opportunity cost of not engaging with the private sector outweighs the risks

To avoid market distortions three principles should be adhered to...

ADDITIONALITY

Public funds will not finance activities that a commercial enterprise or financier would have funded without intervention

FAIRNESS

Collaboration with DFAT will not provide one business with an unfair advantage over its competitors

TRANSPARENCY

Information shared with the private sector should be publicly available and funding opportunities shared with all relevant stakeholders. Transparent processes will guide all decisions to engage with the private sector

FUTURE STATE

The Operational Framework will achieve a vision where:



The private sector is a fundamental partner for DFAT in fulfilling our development objectives



Fit for purpose systems and processes enable DFAT to engage effectively with all partners to deliver development outcomes



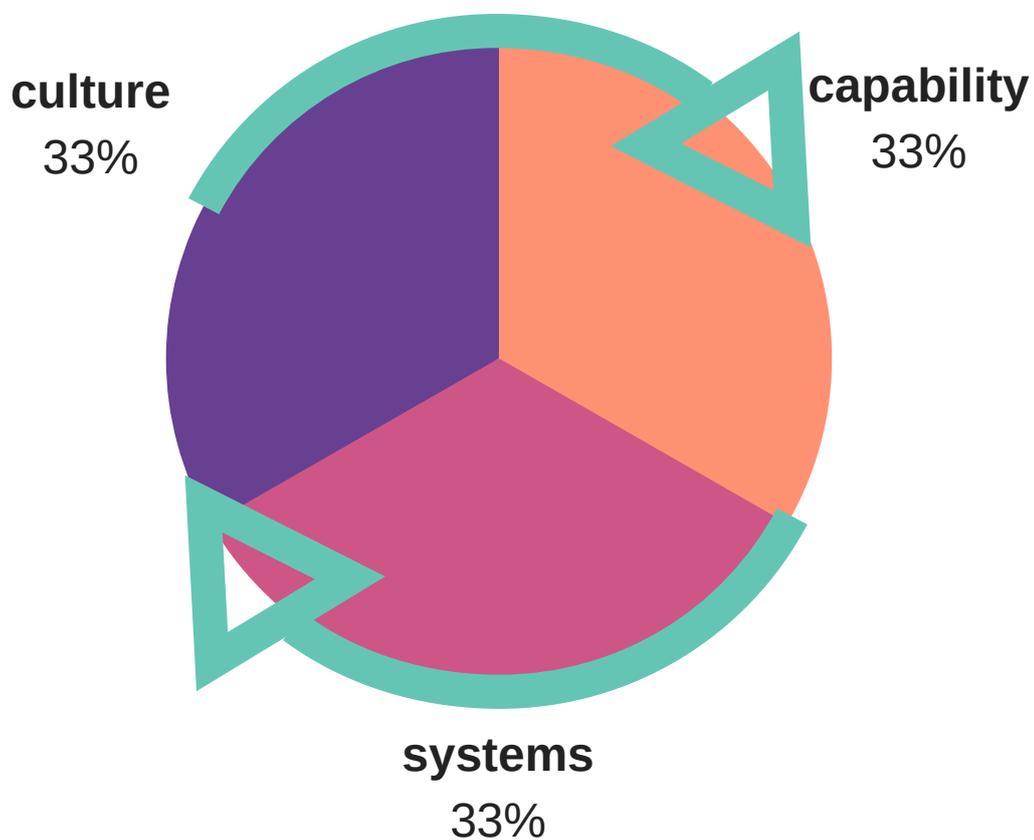
Private sector and DFAT share expertise, advice, collaboration and partnership to deliver on joint development objectives



DFAT and the private sector engage with each other through a range of models and approaches

MOVING FORWARD

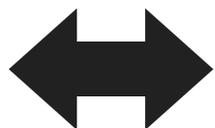
The commitments and actions under the Operational Framework will strengthen DFAT's capabilities, develop its culture and modernise its systems to engage with the private sector.



DFAT collectively owns the commitments and actions in this Operational Framework. Individual staff and work teams will take forward actions relevant to their responsibilities and aid program portfolios. The Private Sector Development section will coordinate key actions and report annually on progress.

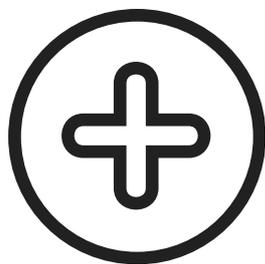
ACTION PLAN

Five approaches take forward the commitments and actions



engage

promote opportunities for collaboration and partnership with the private sector, including indigenous business.



equip

design and equip staff with tools to engage with the private sector in a development context



support

provide an internal enabling environment that delivers advice, systems and processes for private sector engagement



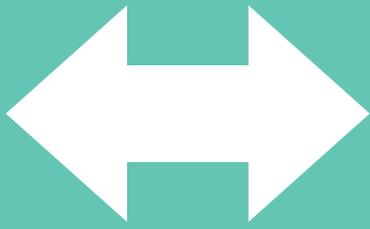
innovate

investigate and test alternative approaches to establish effective solutions to development challenges



incentivise

nuture and reward catalytic private sector engagement to amplify the reach and impact of development activities



engage

promote opportunities for collaboration and partnership with the private sector in the aid program, including indigenous business

Policy co-ordination

Internal channels of communication will be strengthened to enable better engagement and co-ordination between DFAT policy areas and other government departments

On-line business hub

An online business hub will serve as a one-stop shop for private sector efforts to engage with DFAT, channeling users to content on trade, the aid program, procurement and investment opportunities

Private sector network

A network serving as a community of practice will share information internally and externally on approaches, achievements and lessons learned. Regular newsletters and special events will promote learning and increase collaboration

Relationship managers

Relationship managers will be appointed to explore strategic partnerships with private sector organisations that have potential to assist in achieving large scale and/or strategic development results



equip

design and equip staff with tools to engage with the private sector in a development context

Guidance

Guidance will be developed to provide clarity on principles and approaches. This will enable effective and confident strategic engagement with, and consideration of, the private sector in aid program planning, design and implementation

Business Engagement Support Unit

Information including best practice engagement strategies and approaches, case studies, risk management approaches and lessons learned, will be developed and disseminated with support of a dedicated Business Engagement Support Unit

Learning and development

Training courses covering rationale for and approaches to private sector development will be developed. Specialised modules to include: responsible business practices and commercial interests; brokering partnerships and relationship management



support

provide and support an internal enabling environment that delivers advice, systems and processes for private sector engagement

Managing relationships

Systems and processes to promote more joined-up DFAT approaches to engaging the private sector will be developed and implemented, ensuring more coherent relationship management and partnership development

Reporting tools

Aid management and reporting tools refined to better capture private sector data

Simplified processes

Simplified, flexible contracting and due diligence arrangements

Private Sector Specialist and contact points

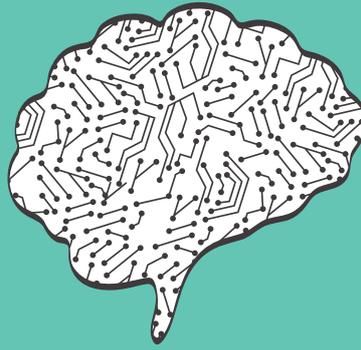
A Private Sector Specialist will extend institutional capabilities, including through strategic advocacy and technical advice, and DFAT private sector contact points established

Advisory services

Advisory services to provide assistance on program development and management

Risk

A Risk Statement outlining risks and management approaches will be developed, in line with DFAT's Enterprise Risk Statement



innovate

investigate and test alternative approaches to establish effective solutions to development challenges

Strategic analysis and planning

Pilot a strategic analysis and planning approach that captures private sector opportunities

Business Partnerships Platform

Trial and evaluate approaches to Private Sector Engagement through a dedicated business partnership program

Sustainable Business and Development Lab

New ways to work with business to develop joint activities, ideas and approaches will be explored



incentivise

nuture and reward catalytic private sector engagement to amplify the reach and impact of development activities

Private Sector Advocates

A group of senior level internal and external Advocates will be identified to encourage and drive organisational and cultural change in DFAT

Secondments and mentoring

Opportunities to second staff to private sector organisations, as well as to other government departments who routinely engage the commercial sector, will be considered, as will mentoring opportunities

Career recognition

Positive examples of private sector engagement at Canberra and Post will be recognised and rewarded through Australia Day Awards, citations and in performance development plans

Implementation: major milestones

First Quarter, 2019

Engage senior management to strengthen coordination of private sector engagement across DFAT's aid, trade and foreign policy portfolios

Develop a joint Action Plan for Private Sector Engagement together with relevant DFAT program and policy areas

Business Partnerships Platform Round 3: Partners finalised

Appoint first DFAT Private Sector Advocate

Publish first set of private sector case studies in sustainable development

Refined aid management and reporting tools to improve private sector data capture across the aid program

February

Aid Conference
presentation: donor
private sector
approaches

March

Launch Operational
Framework and
Private Sector
Network

April

Identify pilot country
programs
for strategic planning
approaches

May

Release first
private sector
guidance note

June

Launch integrated
aid, trade and
economic private
sector training

July

Review corporate
systems for more
joined-up private
sector engagement

August

Launch private
sector on-line
business hub

December

Launch new
Business
Partnerships
Platform

November

Hold panel event
on responsible and
sustainable
business

October

Secondment and
mentoring
opportunities
established

September

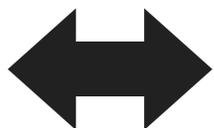
Private Sector
Specialist
recruited

These steps contribute to a longer journey to strengthen DFAT's capabilities, develop our culture and modernise our systems to enable more effective private sector engagement as part of our broader aid efforts

Implementation: major milestones

2019

SUMMARY ACTIONS



engage

- POLICY COORDINATION
- ON-LINE BUSINESS HUB
- PRIVATE SECTOR NETWORK
- RELATIONSHIP MANAGERS



equip

- GUIDANCE
- BUSINESS ENGAGEMENT SUPPORT UNIT
- LEARNING AND DEVELOPMENT



support

- MANAGING RELATIONSHIPS
- REPORTING TOOLS
- SIMPLIFIED PROCESSES
- PRIVATE SECTOR SPECIALIST
- ADVISORY SERVICES
- RISK MANAGEMENT



innovate

- STRATEGIC ANALYSIS AND PLANNING
- BUSINESS PARTNERSHIPS PLATFORM
- SUSTAINABLE BUSINESS AND DEVELOPMENT LAB



incentivise

- PRIVATE SECTOR ADVOCATES
- SECONDMENTS AND MENTORING
- CAREER RECOGNITION