MINISTERIAL STATEMENT ON ENGAGING THE PRIVATE SECTOR IN AID AND DEVELOPMENT

CREATING SHARED VALUE THROUGH PARTNERSHIP
“There is global consensus that a more engaged private sector is essential to driving sustainable economic growth and reducing poverty in developing countries.”

In June 2014 I launched Australia’s new aid policy which recognised the private sector as the primary source of economic growth, incomes and jobs in developing countries. For the first time Australia had an aid policy which clearly identified the private sector as an essential partner to achieving sustainable development outcomes in our region.

The response to the new policy has been extremely encouraging, from businesses, partner governments and our traditional development partners. This is evidenced by the diversity and quality of submissions to the Joint Standing Committee on Foreign Affairs, Defence and Trade on their inquiry into ‘The role of the private sector in promoting economic growth and reducing poverty in the Indo-Pacific region’. The Inquiry’s report, Partnering for the Greater Good, will help guide the Australian Government’s efforts to mainstream engagement with the private sector across the entire aid program.

This Statement outlines the Australian Government’s vision for engaging the private sector in aid and development. The Statement acknowledges that the private sector has the means and increasingly the motivation to contribute to development outcomes as part of their core business. It invites the private sector to collaborate with the aid program on implementing sustainable solutions that tackle development challenges whilst delivering commercial returns.

We look forward to bringing together the best of government, business and civil society from Australia and partner countries to drive sustainable economic growth and reduce poverty in our region.

Julie Bishop
Minister for Foreign Affairs
PURPOSE

This is the Australian Government’s invitation to the private sector to collaborate with us and build sustainable solutions that tackle development challenges in our region whilst delivering commercial returns.

With the private sector in developing countries providing on average 60 per cent of GDP, 80 per cent of capital flows and 90 per cent of jobs, we are looking to partner with the private sector to amplify the impact of Australia’s aid investments while generating business growth. We recognise that a strong and vibrant private sector is essential to help countries move from relationships based on aid to ones based on economic partnerships.
Despite some remarkable increases in prosperity and general living standards over the last two decades, poverty and disadvantage remain complex challenges in many parts of the world.

Government and non-government organisations (NGOs) cannot address these challenges in isolation. We must reimagine how we approach our development work and who we work with. At the core of this is the private sector.

Harnessing the power of business to drive prosperity and reduce poverty has never been more necessary or more possible than it is right now. Businesses are active in shaping the new global United Nations Sustainable Development Goals, and as a result we are witnessing the rapid emergence of sustainability as a global priority for business. The objectives, interests and values between aid and business have reached a landmark intersection.

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The concept of shared value forms the foundation of our vision — that business can deliver sustainable social impact in developing countries while achieving commercial returns.

The Australian Government’s desire to support the growing alignment between business and development is based on the recognition that the private sector will play an essential role in meeting the social and economic development challenges in our region.

The concept of shared value\(^1\) forms the foundation of our vision — that businesses can deliver sustainable social impact in developing countries while achieving commercial returns. Finding new and creative ways to increase collaboration and partnering between government, the private sector and NGOs will be critical to realising this vision.

Our deep knowledge of developing country contexts and emerging market opportunities effectively positions us to support businesses to realise the considerable shared value to be gained for all stakeholders from actively pursuing a social impact agenda. Creating commercially sustainable solutions to poverty will continue to be an essential component of a country’s successful transition from relationships based on aid to ones based on economic partnerships, and to the creation of lasting prosperity.

Australia’s development policy\(^2\) provides a clear framework with which to pursue this vision. Aid expenditure will become more innovative and catalytic, leveraging all the important drivers for economic and social development with a new and necessary focus on private sector engagement.

There is a specific requirement that *All new investments will explore innovative ways to promote private sector growth or engage the private sector in achieving development outcomes*.\(^3\) In practice this means:

- Increased engagement with the private sector across the full range of our work.
- Increased focus on growing the private sector in the countries we work in.

While acknowledging that this is a long-term vision, it is one to which we are committed.

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Increasing our private sector engagement is not so much about what we do (which is more the focus of our private sector development work) but how we do it. We know the private sector has a wealth of knowledge, ideas, capabilities and resources that can help improve the effectiveness of Australia’s aid program. Working together will enable us to leverage each other’s assets, connections, creativity and expertise to achieve mutually beneficial outcomes that satisfy Australia’s development objectives as well as business objectives. Experience demonstrates that NGOs, philanthropic foundations, social enterprises, industry peak bodies, universities, other government agencies, state-owned enterprises, international development banks, the United Nations and host country governments will all be key to our collaboration with the private sector. These partners often have resources and rich knowledge-assets not available in public or for-profit businesses, making them valuable partners. Globally, businesses are seeking to access the specific capabilities of these groups to support their social impact and sustainability work.

We define the private sector as including Australian, global and local commercial enterprises (businesses) ranging from those in the informal sector to large multinational corporations. We recognise that across the spectrum of private sector organisations (from small businesses to large multinationals) each will have different requirements and make different contributions to our level of engagement.

Working together will enable us to leverage each other’s assets, connections, creativity and expertise to achieve mutually beneficial outcomes that satisfy Australia’s development objectives as well as business objectives.

Private sector development is used to describe Australia’s aid investments that support the private sector in the countries in which we work to contribute to economic growth and poverty reduction.
The Australian Government has a network of around 100 overseas posts, along with Department of Foreign Affairs and Trade (DFAT) staff located in Canberra, state and territory offices, whose responsibilities include oversight of Australia’s aid program.

The aid program works to solve complex development challenges in the frontier and emerging markets of our region, promoting Australia’s national interests by contributing to sustainable economic growth and poverty reduction across the following investment priorities:

• Agriculture, fisheries and water
• Building resilience: humanitarian assistance, disaster risk reduction and social protection
• Education and health
• Effective governance: policies, institutions and functioning economies
• Gender equality and empowering women and girls, and
• Infrastructure, trade facilitation and international competitiveness.

We offer businesses:

The ability to convene, broker and influence
We have considerable convening power, credibility and extensive networks, which can assist businesses looking to increase their commercial returns while improving their social impact.

Deep knowledge of the business, political and regulatory environment in the developing countries where Australia’s aid program operates
Our knowledge of developing country contexts and emerging market opportunities can provide insights to business on accessing new markets or workforce opportunities; reducing or managing country-specific risks; developing or accessing new supply chain and distribution systems; and improving community relations.

Support in creating a more attractive business operating environment
Many of our policy reforms and investments are specifically related to improving the investment environment in the countries we work in. For example, investing in transport infrastructure, health, education, governance, access to finance and improving women’s economic empowerment directly helps to reduce business risk, complexity and regulatory uncertainty. Increased private sector engagement on the planning and delivery of these types of activities can help us provide more effective and relevant aid. It can also provide information on business and investments for better decision making.

Catalytic funding
In addition to our work on building a better business operating environment, we have the capability to provide catalytic funding to encourage and support businesses looking to increase commercial and social returns in line with our investment priorities.
OUR INVESTMENT PRIORITIES

WE OFFER BUSINESS

- The ability to convene, broker and influence
- Deep knowledge of the business, political and regulatory environment in developing countries
- Support in creating a more attractive business operating environment
- Catalytic funding

INVESTMENT PRIORITIES

The aid program invests across these priority areas:

- Agriculture, fisheries and water
- Building resilience: humanitarian assistance, disaster risk reduction and social protection
- Education and health
- Effective governance: policies, institutions and functioning economies
- Gender equality and empowering women and girls
- Infrastructure, trade facilitation and international competitiveness

BUSINESS OFFERS US

- Knowledge
- Ideas
- Capabilities
- Resources
The aid program is a core part of the foreign affairs and trade portfolio playing an essential role in economic development, including promoting and supporting Australian business investment in the region. The aid program is unique in the portfolio in that its focus is on growing the private sector in our partner countries. Australian business will be an important partner in these efforts, in addition to local and international businesses.

The aid program is integral to advancing Australia’s economic diplomacy agenda and is a key pillar of the portfolio’s work to liberalise trade, support global growth, promote investment and advance Australian business interests overseas.

The aid program is managed by DFAT, with growing links to other parts of the portfolio including Austrade, EFIC and ACIAR.

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**DEPARTMENT OF FOREIGN AFFAIRS AND TRADE (DFAT)**

Advances Australia’s national interest through managing its foreign, trade and investment interests, and delivering an effective aid program

**AUSTRALIAN TRADE COMMISSION (AUSTRADE)**

Advances Australia’s international trade, investment, education and tourism interests by providing information, advice and services

**EXPORT FINANCE & INSURANCE CORPORATION (EFIC)**

An export credit agency partnering with banks to provide financial solutions for Australian businesses

**AUSTRALIAN CENTRE FOR INTERNATIONAL AGRICULTURAL RESEARCH (ACIAR)**

Commissions research that leads to more productive and sustainable agriculture through collaborative projects involving Australia and developing country partners

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HOW WE CAN WORK TOGETHER

WE EMPLOY TWO MAIN MODES OF ENGAGING WITH THE PRIVATE SECTOR: COLLABORATING AND PARTNERING.

COLLABORATING
Collaborating is a way for us to actively explore opportunities to address development challenges and achieve corporate aspirations together. Much of what we offer — convening, brokering, influencing — involves collaboration with governments, NGOs and businesses both globally and locally. This includes: through global platforms such as the United Nations system, G20, APEC and various trading initiatives; engaging with NGOs through peak bodies both in-country and in Australia, such as the Australian Council for International Development; and collaborating with businesses through various business councils and with respective chambers of commerce in-country.

There are many ways we can collaborate with business on ideas, areas of mutual interest, opportunities and networks — from exploratory conversations to regular meetings. Collaborating is characterised by lower levels of formality, obligation and risk.

Current examples of how we collaborate with the private sector include:

- Through our support to the Global Compact Network Australia (GCNA) to help promote its mandate and grow its Australian membership base. This brings more businesses into a network of organisations with shared beliefs that align with our interest in reducing poverty in the region. The GCNA is the Australian, business-led network of the United Nations Global Compact, the world’s largest corporate sustainability initiative, through which businesses commit to ten universal principles in the areas of human rights, labour rights, environmental standards and corruption prevention, and to support societal goals such as sustainable development.

- Through our support to the Business Coalition for Women (BCFW) which represents a group of companies and corporate leaders who are working together to drive positive change for women and businesses in Papua New Guinea. BCFW
is enabling 50 like-minded PNG businesses to:

improve opportunities for women to move into senior
management positions and onto company boards
through leadership training and mentoring programs;
better equip company workplaces to deal with the
consequences of family and sexual violence; promote
gender-smart workplaces; and develop opportunities
for women entrepreneurs in their supply and distribution
networks. BCFW includes: Westpac, Oil Search,
ExxonMobil, National Catering Services, Deloitte,
PricewaterhouseCoopers, Digicel, Steamships Trading
Company, South Pacific Brewery, and Nationwide
Microbank.

PARTNERING
We have a long history of partnering with NGOs, other
governments and multilateral organisations. We are now
extending this partnering capability to include the private
sector.

Partnering is characterised by a more formal relationship
between the parties and generally includes higher
levels of structure and obligation. There is a range of
existing ways to partner with us and additional partnering
mechanisms are under consideration. Current partnering
methods include memorandums of understanding,
funding (or co-funding) facilities, or cost and risk-sharing
arrangements. We work with business to determine the
most appropriate approach in each case.

Current examples of how we partner with the private
sector include:

• The Westpac Corporate Partnership, which aims to
improve the livelihoods of men and women in the Pacific.
The partnership aims to increase economic activity in
Papua New Guinea and Fiji by increasing access to
finance and supporting private sector development.
A key element of the partnership is to deliver greater
economic opportunities for women through the rollout
of financial services (mobile phone and branchless
banking), and through women's economic empowerment
including improving access to loans for small and
medium enterprises owned by women.

• Product Development Partnerships (PDPs) with
Medicines for Malaria Venture, Foundation for
Innovative New Diagnostics and the Global Alliance
for TB Drug Development. PDPs are innovative public-
private partnerships co-investing in the development of
new drugs and diagnostic tests for use in developing
countries. A pooled funding mechanism enables
Australia to co-invest with other donors, global health
organisations, private philanthropic organisations and
pharmaceutical companies to help bring to market
diagnostic tools and medicines for tuberculosis and
malaria.

• The Market Development Facility (MDF) stimulates
investment, business innovation and regulatory reform
to create jobs and increase incomes for people in
our region. In Fiji, for example, one MDF intervention
involved the supply of agricultural lime to reduce farm
soil acidity. By diversifying into supplying agricultural
lime, a local concrete mining company reduced the
cost of lime to smallholders across the country, as well
as creating new business opportunities in Fiji.

Partnerships are subject to due diligence, however we also
recognise the need to be practical, responsive and agile
when engaging with the private sector. To achieve this
we continually review our processes to ensure they are
pragmatic and outcomes focused.

KEYS TO SUCCESS
While collaborating and partnering are not necessarily
sequential, experience suggests that partnerships often
develop from earlier collaborations. Collaborations enable
mutual sharing of objectives, priorities and capabilities,
which can provide the foundations for a strong
partnership. This is why we are aiming to increase our
collaborative work as a priority.
ENGAGEMENT PRINCIPLES

Our engagement with the private sector will be underpinned by the following core principles:

**COMPLEMENTARY PRIORITIES**
Engagement will be built on complementary priorities. For us, that means our engagements will focus on advancing our aid investment priorities (at a country, regional or global level).

**BUILDING VALUE**
Engagement will deliver greater results than would otherwise be achieved without the collaboration.

**RETURN ON INVESTMENT**
Our joint efforts need to deliver outcomes greater or proportional to the time and resources invested.

**OPEN AND TRANSPARENT**
Engagement will be conducted in an open and transparent manner.⁶

**COMMITMENT TO RESPONSIBLE BUSINESS**
All parties should have a demonstrated commitment to responsible business⁷ and have a clear social impact agenda as part of core business.

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⁶ As a commonwealth agency, DFAT complies with the Commonwealth Procurement Rules.
⁷ **Responsible business** is a commitment to behave ethically and contribute to sustainable economic, social and environmental outcomes. Our commitment to gender equality and women’s economic empowerment underpins all aid investments, including those with the private sector.
INTERESTED IN WORKING WITH US?

EVALUATING OUR IMPACT

Evaluating and measuring the impact of our investments is an important part of ensuring we are achieving our joint objectives.

Measuring social impact is important to many businesses. We will avoid duplication and look to leverage your existing impact reporting. We strongly endorse the Global Reporting Initiative and the United Nations Global Compact and would consider reporting to either entity as a robust contribution to our due diligence. If there are gaps, we will work with you to develop and agree on the right reporting measures specific to our partnerships.

HOW TO CONTACT US

To find out if your business interests align with our investment priorities, we suggest you start by reviewing where we give aid and our development priorities. If there is an alignment of interest, the next step is to contact the relevant Embassy or High Commission if you are outside of Australia, or DFAT’s state and territory offices within Australia.

For further information contact our Private Sector Development Team at privatesectordevelopment@dfat.gov.au

The private sector will play an essential role in meeting the social and economic development challenges in our region.
**HEALTH AND EDUCATION — HINDUSTAN UNILEVER LIMITED**

Hindustan Unilever (HU) has created a direct-to-home distribution system run by underprivileged female entrepreneurs in Indian villages of fewer than 2,000 people. This project (‘Project Shakti’) is the result of a collaborative effort between Unilever, the Indian government and a network of microfinance NGOs to educate and empower women to run their own businesses.

Unilever provides microcredit and training for entrepreneurs to stock and resell Unilever products that have been specifically adapted for this market. There are now more than 45,000 entrepreneurs covering approximately 100,000 villages across 15 Indian states.

Benefits to the communities include giving rural female entrepreneurs business skills as well as the opportunity to substantially increase their household income while reducing the spread of communicable diseases through increased access to hygiene products.

Project Shakti now accounts for 5 per cent of Unilever’s total revenue in India. It has extended the company’s business into rural areas previously considered unreachable, resulting in significant economic value for the company.

http://www.hul.co.in/sustainable-living-2014/casestudies/Casecategory/Project-Shakti.aspx

**SUPPLY CHAIN IMPROVEMENT AND PRODUCT SECURITY — OLAM INTERNATIONAL**

Olam International is a leading agribusiness operating from ‘seed to shelf’ in 65 countries across the world. It began cotton operations in Ivory Coast in 2008 following the acquisition of a local ginnery. National cotton production volumes had dropped due to the civil war and Africa lagged behind other cotton growing regions through a combination of outdated seed varieties, low quality inputs and poor farming skills.

Olam recognised that improving the productivity and traceability of Ivory Coast’s cotton market would stimulate commercial growth and increase farmers’ incomes. Achieving this would rely on integrating Olam’s ginning operations into cotton farming activities in surrounding communities and thereby managing the entire supply chain from seed distribution to collection of seed cotton.

A strategy was developed to address all touchpoints in farming communities that affected productivity.

Since inception, Olam has increased its smallholder network from 3,000 to 16,000 farmers. By the season 2011/2012 yields had nearly doubled to 1,126kg/ha and farmer annual revenues had also risen from US$200 to US$1,200 per family. Olam was also able to secure its cotton supply, increase product quality and strengthen its supply chain.

**KEY DEFINITIONS**

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<thead>
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<th>Term</th>
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<td>Developing countries</td>
<td>For the purpose of this statement, developing countries refer to countries in the scope of Australia’s aid program. See the DFAT website ‘Where we give aid’.</td>
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<td>Informal sector</td>
<td>The informal sector refers to businesses in developing countries that operate outside of the regulatory environment.</td>
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<td>Economic Diplomacy</td>
<td>Economic diplomacy uses our international diplomatic assets to advance Australia’s prosperity and global prosperity.</td>
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<td>Mutually beneficial outcomes</td>
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<td>Responsible business</td>
<td>The commitment to behave ethically and contribute to achieving sustainable economic, social and environmental outcomes.</td>
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<td>Shared value</td>
<td>Policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates.</td>
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<td>Sustainable impact</td>
<td>The creation of lasting impact (including social and environmental impact) that endures within the community.</td>
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**KEY WEBSITES AND REFERENCES**

- Australia’s Development Policy — *Australian aid: promoting prosperity, reducing poverty, enhancing stability*  

- Making Performance Count: Enhancing the accountability and effectiveness of Australian aid  

- Where We Give Aid (Country Listing)  

- Australia’s development priorities  

- Australia’s Economic Diplomacy  

- DFAT Trade and Investment  

- Australian Trade Commission (Austrade)  

- Export Finance & Insurance Corporation (EFIC)  

- Australian Centre for International Agricultural Research  

- Commonwealth Procurement Rules  

- B Corporation Australia  

- ‘Creating Shared Value’ by Michael Porter and Mark R. Kramer  
  https://hbr.org/2011/01/the-big-idea-creating-shared-value

- Global Compact Network Australia  

- Global Reporting Initiative  
  https://www.globalreporting.org/Pages/default.aspx

- Partnering for the Greater Good report  

- Shared Value Initiative  
  http://sharedvalue.org/

- Shared Value Project  
  http://sharedvalue.org.au/

- United Nations Sustainable Development Goals  
  https://sustainabledevelopment.un.org/topics/sustainabledevelopmentgoals

- United Nations Global Compact (UNGC)  
  https://www.unglobalcompact.org

- Women’s Empowerment Principles (UN Women & UNGC)  
  http://weprinciples.org/