

# Submission to inform Australia's new International Development Policy

by the Donor Committee for Enterprise Development (DCED), 30 Nov. 2022

The terms of reference for Australia's new International Development Policy set out a range of challenges that are unlikely to be entirely addressed through public policy and funding alone. They probably also require effective partnerships with and systematic contributions from the private sector. Private sector actors, from farmers and micro, small and medium enterprises to large and multinational enterprises, contribute to poverty reduction and economic development in many ways (World Bank, 2005; House of Commons, Canada, 2012). In particular, they:

- Invest in innovative ideas and facilities that strengthen the foundation of economic growth and prosperity
- Provide more than 90 percent of jobs worldwide, creating opportunities for people to improve their livelihoods
- Deliver goods and services that underpin modern societies and improve living standards (potentially including areas such as basic services and education, where government capacity is weak)
- Offer skills development and training opportunities
- Represent the main source of tax revenues, contributing to public funding for health, education and other services

When accompanied by effective public policies, these contributions can combine to foster inclusive growth. In addition, some private sector firms design their core business operations specifically in ways that involve the poor in their value chain – as employees, suppliers, distributors or consumers. Such firms are sometimes referred to as 'inclusive businesses', although precise definitions vary (DCED, 2017).

Beyond the essential role the private sector plays for inclusive economic development, many development agencies now agree that government budgets and capabilities are not sufficient to achieve the SDGs. Many donors increasingly engage with the private sector in a more strategic and systematic manner (e.g. GAC, 2021; OECD, 2017). Private sector engagement (PSE) is about an 'agency-wide call to action, and a mandate to work hand-in-hand with the private sector' to design and deliver development programs 'across all sectors' (USAID, 2019). The DCED's [synthesis note](#) on PSE (2022) sets out definitions, institutional implications, risks, and evidence on results and good practice.

COVID-19 has shone a light on a range of economic and development challenges that require joint actions with the private sector. For example, the pandemic exposed structural weaknesses in global supply chains which created heightened vulnerability in many producer countries and supply shortages for many essential industries. This has highlighted the need for policy makers and businesses to work together for greater supply chain resilience, including by promoting Responsible Business Conduct to reduce and remedy human rights and environmental impacts in producer countries (DCED, 2022). The COVID-19 emergency also highlighted the structural vulnerabilities faced by many women in the economy –

whether as employees, entrepreneurs or unpaid carers. Addressing these will require effective policy responses and partnerships with the private sector (IFC, 2020).

The private sector also has a vital role to play in helping societies chart greener growth paths. This should stimulate new job creation and accelerate the structural changes required to achieve both the Paris Agreement and Agenda 2030 Sustainable Development Goals. The push for green growth is also increasingly in line with the needs and aspirations of leading companies committed to greater sustainability as part of their own drive to create more resilient supply chains (DCED, 2020). Finally, there is growing understanding of how private sector development can help with integrating refugees and internally-displaced people into host economies in ways that strengthen local market systems and offer those who have fled conflict or natural disaster a dignified fresh start (DCED, 2022).

DFAT has been an important advocate for strengthening the contribution of private sector development (PSD) to poverty reduction and economic development. PSD incorporates a range of strategies that aim to establish markets that function vibrantly and fairly, providing economic opportunities of quality to poor people at scale. There is a choice of strategic entry points for DFAT to further build on its significant experience with PSD, in particular:

- Creating the enabling conditions for growth
- Addressing constraints within markets
- Engaging with business to tackle development opportunities and challenges together

Significant evidence and experience from a wide range of development agencies can be found on the DCED's website (in particular the [Evidence Framework](#) for PSD) and the [BEAM Exchange](#) (for market systems development). The DCED site also has extensive good practice resources on specific PSD approaches, e.g. [Business Environment Reform](#), [Women's Economic Empowerment](#) and [PSD in fragile and conflict-affected areas](#).

We trust that these inputs are useful; for more information, please contact: [tanburn@enterprise-development.org](mailto:tanburn@enterprise-development.org)

## **References**

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