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.

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

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.

FIRST STEPS

- New approaches to engage private sector in aid planning
- Sustainable business case studies
- Action plan for private sector engagement
- Senior DFAT Private Sector Advocates

Foreign Policy White Paper 2017
CONTEXT

- international rules based order
- stable and prosperous region
- strong Australian economy
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

"I see business as everyone's business." Secretary Adamson
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
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.
"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
Value proposition:
what DFAT offers
the private sector
Value proposition: what the private sector offers DFAT

- innovation
- business expertise
- networks
- new technologies
- 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
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...

**ADDOTIONALITY**

Public funds will not finance activities that a commercial enterprise or financer 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:

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

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

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

4. DFAT and the private sector engage with each other through a range of models and approaches.
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.
**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 |
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

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

Publish first set of private sector case studies in sustainable development
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**

- **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
- **September**
  - Private Sector Specialist recruited
- **October**
  - Secondment and mentoring opportunities established
- **November**
  - Hold panel event on responsible and sustainable business
- **December**
  - Launch new Business Partnerships Platform
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