Australian Government

Department of Foreign Affairs and Trade

Strategy for Australia's aid investments in private sector development

October 2015

Contents

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Summary

Private sector development lies at the heart of the aid program's objective to increase sustainable economic growth and reduce poverty[1] and is central to Australia's economic diplomacy agenda. This strategy provides guidance on how our programs can most effectively *improve the growth and inclusiveness of the private sector* in the countries in which we work.

Context

The private sector is the engine of economic growth, particularly in developing economies. Successful businesses drive growth through the creation of jobs and payment of taxes that finance key public services. Businesses' employment practices, alongside the products and services they deliver, determine to a large extent the pace and quality of a country's social development, particularly on issues such as gender equality.

Private companies also provide an ever increasing share of essential services and products that directly reduce poverty, such as access to finance, telecommunications, health, education, and innovative new products which increase productivity in fields such as agriculture. A vibrant private sector is a prerequisite for sustained economic and social development.

But starting or growing a business involves considerable risk, even more so in a developing country. Unfavourable business conditions create powerful disincentives for private sector investment, both domestic and foreign. Improving the investment climate, or reducing the risks the private sector faces in doing business, is key to unlocking private investment and its potential to reduce poverty and increase prosperity.

Strategic objectives

The goal of private sector development is to grow the size and inclusiveness of the private sector in our partner countries. To achieve this goal we will focus on:

- building better business and investment environments;
- supporting growth in specific markets; and
- maximising the development impact of individual businesses.

Determining which interventions will have the greatest impact on poverty will require investment in new analytical capacity and active engagement with the private sector itself. All of our Aid Investment Plans and Investment Concepts will incorporate robust analysis of the constraints to private investment, which private sector investments have the highest impact on poverty and human development and how the government's human and financial resources can be most effectively deployed to encourage commercially sustainable solutions to the development challenge.

[1] Australia's development policy launched on 18 June 2014 by the Minister for Foreign Affairs included two pillars of the aid program - Private Sector Development; and Human Development.

Purpose

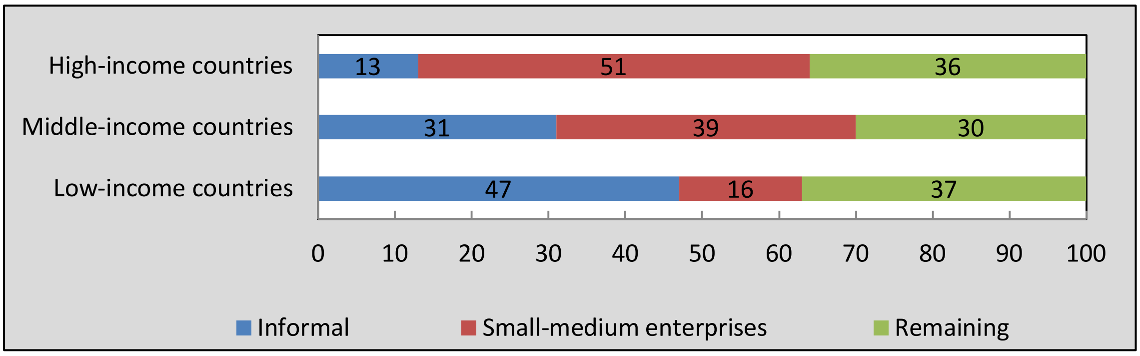
Private sector development is one of two pillars of Australia's development policy, *Australian aid: promoting prosperity, reducing poverty, enhancing stability.* Strategic Target 2 of Australia's Aid Policy Framework requires all new aid investments to explore innovative ways to promote private sector growth or engage the private sector in achieving development outcomes. This strategy provides the rationale, principles and approaches for how our investments can improve the growth and inclusiveness of the private sector in the countries in which we work.

This strategy applies to aid investments managed by the Department of Foreign Affairs and Trade (DFAT) and other Australian government agencies delivering Official Development Assistance (ODA). This document should be read in conjunction with the ***Ministerial statement on engaging the private sector in aid and development*** which outlines why and how we work *with* the private sector across the aid program. Specific sector and thematic strategies should also be consulted to provide more detailed guidance on private sector development relevant to that sector.

Defining the private sector

The private sector is made up of commercial enterprises (businesses) ranging from small informal businesses to large multinational corporations. The composition of the private sector differs from developed to developing countries, with almost half of private sector activity in developing countries taking place in the informal sector. The majority of women headed businesses in developing countries operate in the informal sector.

Type of private sector activity as a percentage of GDP[2]



A key focus of our private sector development effort is to support the transition from informal to formal business, as the formal sector generally offers better conditions for workers, greater access to finance (and the growth potential it provides) and easier access to key services such as electricity. Formalisation also makes it easier and more cost effective for government to collect revenues from business and for those businesses to transact with other businesses through contracts and other legally enforceable transactions.

[2] *Source: Ayyagari, Beck, Demmirguc-Kunt in Unleashing Entrepreneurship (United Nations 2004)*

Context

Economic growth and poverty reduction

When economies grow, people move out of poverty. Between 1981 and 2010, 700 million people were lifted out of poverty because of access to new opportunities in growing economies.[3] Countries that made the most significant development gains were those with sustained high growth rates.[4]

Some 60 per cent of the world's poor now live in middle-income countries and 40 per cent of these live in only five countries: China, India, Pakistan, Nigeria and Indonesia.[5] While high economic growth has helped hundreds of millions out of poverty, many remain trapped in a cycle of poverty.

People in rural areas, urban and peri urban slums, minority ethnic or religious groups and women and children are the most likely to remain in poverty.[6] High inequality, in particular gender inequality, is often linked with poor governance and undermines civic and social life. In extreme cases, this leads to conflict, in its more benign forms it impedes economic growth, depresses private investment, exacerbates the impact of disasters and humanitarian emergencies, and makes growth more fragile.[7]

In this context, inclusive growth has emerged as a policy priority for the public and private sectors. Rapid growth is necessary for macro level poverty reduction, but to be sustained it needs to be inclusive of the majority of a country's potential labour force. A striking example of this is how narrowing the gender gap in employment alone could boost income per capita in emerging markets by up to 14% by 2020.[8]

Inequality of income, opportunities, assets, and access to services hinder the ability of the poor to benefit from and contribute to economic growth. More deliberate choices on the part of government and the private sector is needed to ensure higher participation of the poor in mainstream economic activity.

[3] World Bank 2014, *PovCalNet*, viewed 10 April 2014.
[4] Commission on Growth and Development 2008, *Strategies for sustained growth and inclusive development*, World Bank, viewed 26 April 2014.
[5] A Sumner2012, *Where do the world's poor live? A new update*, Institute of Development Studies, working paper no. 393,viewed 16 April 2014.
[6] United Nations Development Programme 2014, *Humanity divided; confronting inequality in developing countries*, viewed 16 April 2014.
[7] N Birdsall,2007 *Income Distribution: Effects on growth and development*, Center for Global Development working paper no. 118,viewed 17 April 2014.
[8] World Bank 2012, World Development Report: Gender Equality and Development: 49

The role of the private sector in poverty reduction

The engine of growth, in developed and developing countries, is the private sector. This is why the concept of shared value[9] underpins our engagement with the private sector. This approach recognises that through increased collaboration and partnering, business can deliver sustainable social impact in developing countries while delivering commercial returns. The private sector drives productivity and participation which in turn creates economic growth. In developing countries, the private sector:

- generates 90 per cent of jobs;
- funds more than 60 per cent of investment[10];
- contributes more than 80 per cent of government revenue in low and middle-income countries through company taxes, resource rents and income tax on employees[11];
- provides an ever increasing share of essential services such as banking, telecommunications, health and education;
- designs and produces most of the goods and services used by the poor; and
- dominates production of exports in almost every economy.

The practices of the private sector help shape the overall quality of a country's economic growth and the resulting social impacts. They will influence this by:

- creating opportunities for all people, regardless of gender, ethnicity or disability to start and grow businesses on equal terms;
- generating extra jobs and creating demand for employment that can be accessed by all people.
- influencing the level of women and disabled peoples' incomes by increasing demand and/or eliminating pay discrimination; and
- addressing the structure and performance of value chains for women and disabled people, by investing to correct gender imbalances in value chains.

What constrains private sector growth?

The private sector is critical to economic growth and poverty reduction but it does not act alone. The choices governments make are critical to encouraging or discouraging private investment in an economy. In some cases, policy settings exacerbate under-investment by the private sector in poorer or underserved areas, especially when public investment undermines competition or crowds out private sector investment.[12] This can stifle entrepreneurial activity, job creation and market development, limiting the growth and poverty reduction potential in an economy.

The public sector commonly plays a key role in providing services (such as health, education, infrastructure, and law and justice), social and economic safety nets, transfer programs and environmental stewardship. Its policy and legislative decisions influence the scale and quality of economic growth and the private sector's role in it. When government and the private sector work

[9] Porter, M .and M. R. Kramer *Creating Shared Value* Harvard Business Review January 2011
[10] World Bank 2014, *World Development Indicators,* viewed 10 April 2014.
[11] World Bank 2014, *World Development Indicators,* viewed 10 April 2014.
[12] 'Crowds-out': where increased public sector spending replaces, or drives down, private sector spending.

together to promote ethical and sustainable business approaches, an essential complementarity can evolve. The public sector can support the private sector through appropriate market regulation, rule of law, institutions, public investment, security, and implementing strategies to mitigate disaster risks, while the private sector focusses on generating innovation, wealth and taxes, and providing additional services that can help the public sector better fulfil its mission.[13] A vibrant, dynamic and inclusive private sector creates commercially sustainable solutions to poverty.

Gender equality: Good for Business

Increasing women's economic empowerment through measures such as improving formal labour force employment, opening up non-traditional sectors for women's employment, and reducing barriers to women entrepreneurs can make a significant contribution to economic growth. Addressing these barriers involves working not only with the private sector directly but also legislators and financial institutions to ensure financial services, credit and capital are available for women to grow and expand their businesses. Recognising that gender inequality represents a market failure, it is important that developing countries are supported to close gender gaps in workforce participation to avoid being left further behind. The need to act on supporting developing countries to do this is recognised by developed country partners, with G20 governments committed to reducing the gap between women and men's workforce participation rates by 25 per cent by 2025.

While the constraints to doing business can differ significantly country to country, access to finance, property and land rights, competition policy, access to energy, and corporate and broader governance issues are common to most (see **Annex A**). Removing these constraints will not always be sufficient. The small island states of the Pacific provide a powerful example of this as they cannot change their geographic isolation, small and dispersed landmasses, small populations or vulnerability to natural disasters.[14] These factors contribute to a perception of high risk and low return for investors, particularly when compared to more connected, larger markets and more sophisticated economies in Southeast Asia.

International investors are not the only source of private investment. Many countries are looking beyond Foreign Direct Investment to more creative options to unlock domestic and sub-regional

13 International Finance Corporation 2011, *International Finance Institutions and development through the private sector*, viewed 15 April 2014

14 International Federation of Red Cross and Red Crescent Societies 2011, *World Disasters Report 2011 – Focus on hunger and malnutrition,* viewed 17 April 2014.

investment.[15] In many cases unlocking growth in domestic investment is likely to lead to more immediate and sustained impact.

Irrespective of the environment, effective collaboration among governments, the private sector and civil society is essential to address these issues and unlock private sector potential. Today's global development issues will require far more capital investment to solve than is currently available from public sources. It is estimated that total investment needs in developing countries in key Sustainable Development Goal (SDG) sectors will be between USD$3.3 to $4.5 trillion per year over the proposed SDG delivery period (2015-2030). With current investment in these sectors around $1.4 trillion, there is an annual investment shortfall of between $1.9 and $3.1 trillion.[16] To overcome the investment shortfall and accelerate progress, the private sector will need to work closely with the public sector to ensure economic and social progress is sustainable and inclusive.

Aid for Trade

Trade is a key driver of economic growth, but many developing countries face significant internal and supply side constraints to participating in global trade. Australia's aid for trade investments aim to help developing countries address these constraints and improve their international competitiveness. This can be achieved through a wide range of interventions such as training customs officials, investing in roads and storage facilities, connecting farmers to overseas buyers, and helping women entrepreneurs to export.

Investments in aid for trade make it easier and cheaper to do business, for example by lowering the costs of establishing a new business or the cost of shipping goods across borders. Aid for trade also provides the private sector with new opportunities to expand markets as governments liberalise trade barriers or harmonise regulations to become more internationally competitive. With the private sector as a partner, aid for trade initiatives have a greater reach, achieve outcomes sooner and have more lasting impact. We will work with Austrade and counterpart trade promotion organisations to seek opportunities to advance our aid for trade objectives.

Unlocking private financing for development

Grants are a unique and powerful form of financial support, whether used alone or in combination with other forms of finance. They can be used flexibly to address urgent needs or to purchase public goods that would otherwise not attract the attention of commercial investors.

While grant funding is invaluable in helping to catalyse growth and investment, it is not always a sustainable solution to financing economic growth and poverty reduction. More importantly, grant funding will not always be the appropriate instrument, particularly when a commercial benefit is likely to accrue as a result of DFAT's intervention.

Australia is actively exploring how best to use different financial mechanisms to achieve our objectives. This will include new ways to use grant funding to crowd in or leverage private finance or to use grants more creatively in collaboration with others in blended-finance approaches.[17]

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[15] World Bank 2014, *Hardship and Vulnerability in the Pacific Island Countries,* viewed 10 April 2015.
[16] World Investment Report, UNCTAD, 2014.
[17] 'Crowd in': an economic concept where the activities of donors brings in private investors to markets that would otherwise have been deemed too risky. Donors may do this by acting as an early mover and demonstrating the profitability of a sector or region.

Strategic objectives

The purpose of Australia's aid program is 'to promote Australia's national interests by contributing to sustainable economic growth and poverty reduction'.[18] The aid program pursues this by focussing on two mutually reinforcing development outcomes: private sector development and human development (see **Annex B**).

The goal of private sector development is to *grow the size and inclusiveness of the private sector in our partner countries to drive economic growth and reduce poverty*. To achieve this goal we will focus our efforts on the following three priority objectives:

- **Building better business and investment environments:** For example, reform of business registration processes, contracting laws, customs and trade regulation, enabling access to finance, and supporting the provision of essential hard and soft infrastructure.
- **Supporting growth in specific markets:** For example, facilitating new business opportunities and removing barriers to efficient market operation, creating market incentives, improving the functioning of value and supply chains, supporting provision of key economic infrastructure through technical expertise and risk management, and providing anchor funding for market builders.
- **Maximising the development impact of businesses**: For example, partnering with businesses to implement business models that serve the poor as consumers, producers or employees.

Understanding which objective(s) will have the greatest impact on poverty and growth will require access to robust analytical products. **Annex C** provides a list of some of the publicly available analysis that can help inform the private sector analysis incorporated in our Aid Investment Plans and Investment Concepts. Close collaboration and joint development of analytical products with existing partners such as the development banks, OECD and UN will be supplemented by use of commercial products as needed. Political economy and gender analysis will be a key element of all of our analytical work.

Objective 1. Building better business and investment environments

Working with governments to improve the business and investment environment in developing countries pays dividends for all businesses – big and small, domestic and foreign. It has the highest public good return, provides returns over the long term and is where the advantage of ODA is unquestionable. It is, however, harder to attribute the impacts of this work on poverty reduction and it requires long-term public sector engagement, which can be challenging in some developing country contexts.

Enabling environment constraints differ from country to country. Making sure we tackle the most critical constraints to inclusive private sector growth requires a comprehensive understanding of economy-wide constraints and impacts on private sector investment decisions. Much of this understanding can be gained by engaging directly with the business and investment community and seeking their insights into the factors that influence commercial decision making.

Investment for most countries remains a domestic concern, although foreign direct investment is of increasing importance to many. While the factors impacting domestic and foreign investors are largely the same, investment from outside the country often faces additional barriers such as licensing,

[18] Australian aid: promoting prosperity, reducing poverty, enhancing stability, DFAT, June 2014.

screening and ownership limitations. Given the range of factors at play, it is imperative that rigorous assessments of investment constraints are conducted as part of Investment Concepts to determine which interventions are the most appropriate, which hold the best prospect for impact and who it will be necessary to collaborate and partner with.

Central to the effectiveness of DFAT's programs on the enabling environment is the ability to understand the impact of state institutions on economic growth performance, the political economy of improving the investment environment and the factors that drive economic policy making. Successful interventions in the enabling environment generally represent good value for money, as input costs are relatively low and impacts are spread across the full scope of the private and public sectors.

Objective 2. Supporting growth in specific markets

Analysis and investment at the broader economy level will often help identify specific markets or sectors which have a greater potential to reduce poverty and increase incomes of the poor. We will work with partner governments to support sectors in which the country/region has an established or emerging comparative advantage by helping address market failures that are limiting growth.

We will need to be especially vigilant to ensure our support does not distort the proper functioning of markets, or in some cases entire economies. An initiative focused on boosting investment in agriculture in Indonesia, for example, is unlikely to cause market distortions in the sector or specific commodity markets given the size of the Indonesian economy compared to our aid. A similar initiative in Tonga could have a significant impact. Sectoral investments will be based on a comprehensive understanding of which sectors have the potential for growth, and where opportunities exist to expand markets that include the poor.

Successfully addressing market failures will require a multi-disciplinary approach that responds to the complex, inter-related issues that typically constrain market growth, including infrastructure, access to finance, human resources and government policy. The most successful market interventions utilise a 'whole of sector' response, clustering capabilities and actively engaging with government, business and civil society organisations to improve the broader enabling environment.

Government resistance to private sector participation, limit in local skills and capability, and widespread gender inequality are other common constraints to private sector growth. Aid investments can play a powerful role in addressing these constraints.

Objective 3. Maximising the development impact of businesses

Partnerships with businesses have the potential to directly and demonstrably reduce poverty, although they may be time and resource intensive for both parties to develop. Business partnerships do not necessarily include an agreement to co-finance an activity, although from time to time this will be desirable. More commonly, collaboration with business will involve information and knowledge sharing, joint advocacy and the sharing of existing skills and capability.

DFAT's partnerships with business are guided by our ***Ministerial statement on engaging the private sector in aid and development*** and look to promote business activities that bring the poor into the market as producers, consumers and employees. This can take many forms, from the development of products designed to meet the needs of the poor through to using private sector distribution networks or bringing the poor into larger supply chains. A decision to work directly with a business must be able to demonstrate a clear positive contribution to Australia's development objectives.

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

- *Complementary Priorities:* Engagement should focus on advancing Australia's aid investment priorities (at a country, regional or global level).
- *Adding Value:* Working with business should achieve greater results than would otherwise be achieved without collaborating.
- *Return on Investment:* Outcomes will be greater or proportional to the time and resources invested.
- *Open and Transparent:* Engagement will be conducted in an open and transparent manner.
- *Commitment to Responsible Business:* All parties should have a demonstrated commitment to being a responsible business[19] and have a clear social impact agenda.

When a proposed engagement with a business seeks to become more formal, there are other issues that should be considered, including:

- *Additionality:* Public funds will not finance activities that a business or commercial financer would have financed without intervention.[20]
- *Neutrality:* Collaboration with DFAT will not provide one business with an unfair advantage over its competitors.
- *Sustainability:* Collaboration should have lasting development impacts, ideally through long-term commercial viability for the business.
- *Safeguards:* Partnerships will be subject to the same safeguards that apply to all DFAT aid investments.

It is vital that business partnerships are underpinned by a clear understanding of the policy environment and constraints to business growth prior to partnering. The ***Ministerial statement on engaging the private sector in aid and development*** outlines further details on how the aid program can work with business to better understand the constraints to growth and target Australia's investments accordingly.

Specific interventions to support private sector development across our three priority objectives are documented in Annex D.

Collaboration and partnering: Who we will work with

Australia's aid policy framework requires all new aid investments to consider innovative ways of engaging with the private sector. We will add value by working with governments to support public sector reforms that enable businesses to thrive and create the jobs, increase incomes and provide the goods and services necessary to reduce poverty.

[19] '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.

[20] Further information on measuring additionality across a variety of investments can be found in the DCED report *Demonstrating Additionality in Private Sector Development Initiatives - A Practical Exploration of Good Practice for Challenge Funds and Other Cost-Sharing Mechanisms*

Business is also looking to access the unique capabilities of DFAT and our traditional partners (including non-government organisations). DFAT can play an invaluable role in supporting and creating space for a wide range of new and innovative partnerships to grow.

A wide range of commonwealth agencies and state governments are investing in initiatives that aim to increase the private sector's social impact in Australia. This includes a number in the DFAT portfolio, namely the Export Finance and Insurance Corporation (Efic), Austrade, and the Australian Centre for International Agricultural Research (ACIAR). We will increase our engagement with these bodies and draw on their skills, knowledge and networks to support development of our aid investments.

Australian businesses are major investors in the Asia Pacific region and have a wealth of expertise, experience and interests of direct relevance to our private sector development objectives. Many Australian businesses have value chains and commercial operations in the countries in which we work and can provide critical insights, capacity and investment in direct support of our objectives. Commonwealth and state business and investment agencies and industry peak bodies are also invaluable sources of information and advice and we will look to actively engage them.

Finally, support for private sector development is recognised by the international development community as an imperative for poverty reduction and gender equality. Business and investors are becoming more engaged with global development policy, from the G20/B20 through to the SDGs and principles on women's economic empowerment.[21] We will play an active role in the development of global policy and practice on private sector development, including participation in platforms such as the United Nations Global Compact, the Global Reporting Initiative, the World Economic Forum and in emerging practice on issues such as shared value and social impact investing.

Coherence with key sector priorities

Our private sector development efforts will occur primarily through country, regional and global programs consistent with the objectives for that program. Sector/issue strategies, such as for agriculture, provide detailed guidance on the rationale and approach to private sector development for the sector in question. Investment managers will need to refer to the relevant sector strategy for further information on how these issues intersect and contribute to Australia's private sector development objectives. Given its relevance to private sector development, especially for the informal private sector, a more detailed overview of financial inclusion/access to finance is provided in Annex E.

Performance

Australia's performance against Strategic Target 2 of the aid policy framework relating to private sector development will be reviewed annually and reported on in the Performance of Australian Aid report. To inform this assessment, we will collect and analyse information from a number of sources including:

- Aggregate Development Results (ADRs) to deliver a high-level quantitative analysis across significant aid investments.
- Reporting from sector/issue strategies on private sector development activity.

[21] http://weprinciples.org/

- Aid Quality Checks (AQCs) of country and regional aid investments to understand progress, achievements and trends across the portfolio. Annual Program Performance Reports (APPRs) to assess country and regional program support for private sector development.
- Data on private sector performance indicators collected through aid investment-level monitoring and evaluation frameworks, and through external, independent assessments.
- Data on funding of private sector development investments and how and where this is being spent, including from case studies on good practice in private sector development and reviews of pilots and innovative investment approaches.

Australia endorses the internationally recognised Standard for Results Measurement, developed in 2008 under the auspices of the *Donor Committee for Enterprise Development (DCED)*[22]. Whilst, the Standard focuses on *how* results are measured, DCED members have recently been focussing on *what* to measure; examples of indicators that may be measured across portfolios of investments are included in **Annex E.** We will aim to combine quantitative and qualitative data and disaggregate data wherever practical, including by gender, disability and age.

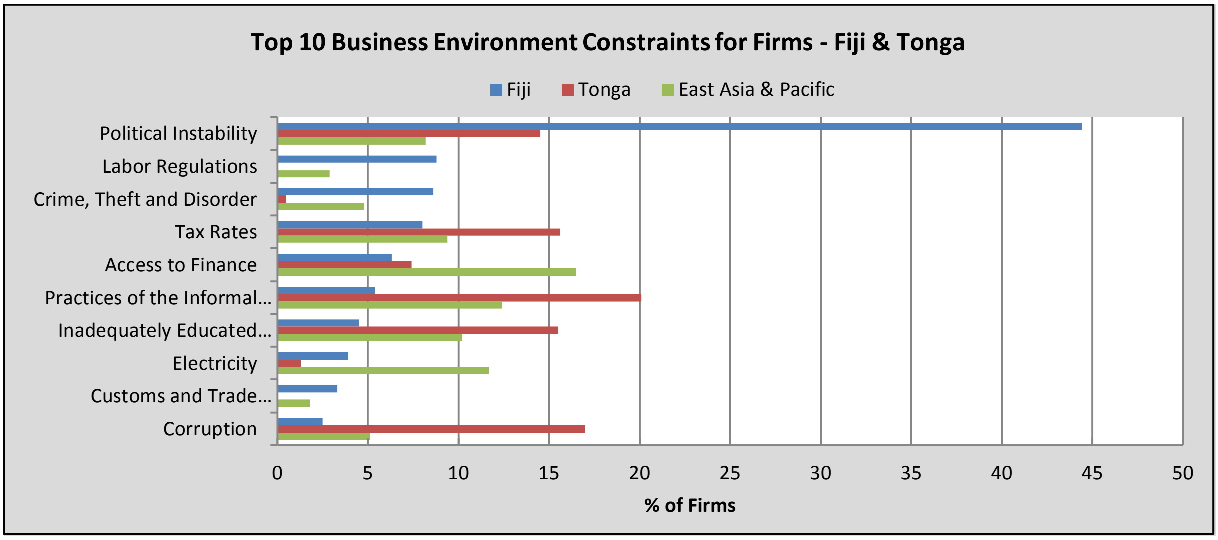
Resources

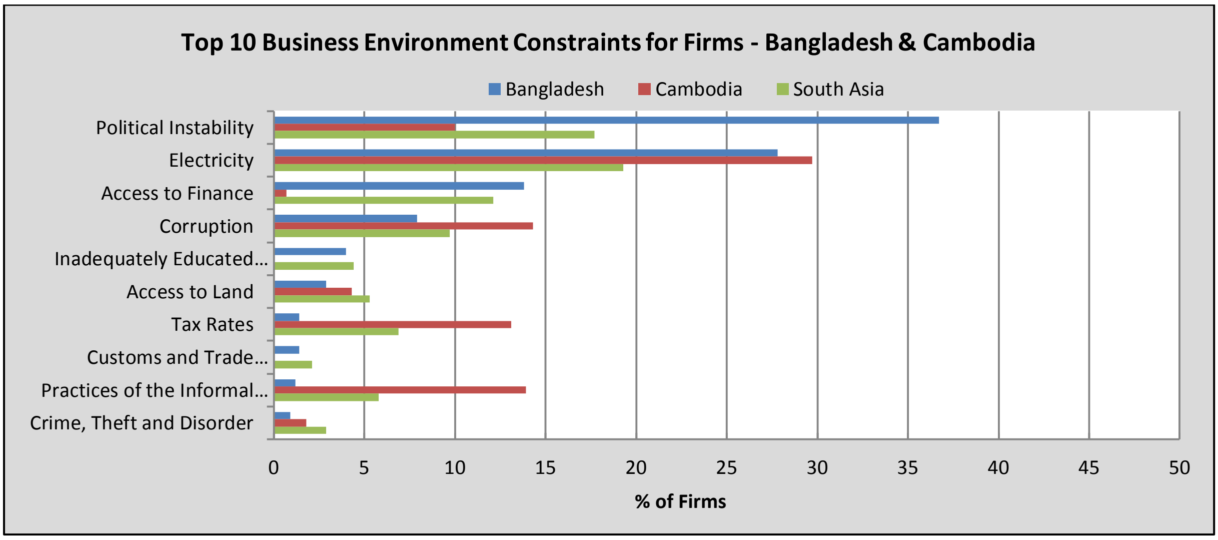
Resourcing of Private Sector Development activities is primarily through bilateral investments with further support provided by regional and global investments. These investments span a broad range of OECD Development Assistance Committee (OECD DAC) reporting codes including training, governance, social infrastructure, transport, communication, energy, financial services, agriculture, forestry, fisheries, industry, mining and trade. Since 2005, this measure of Australia's aid expenditure on private sector development has averaged approximately twenty per cent of the aid budget. This figure is indicative as currently there is no statistical definition within the OECD DAC for private sector development.

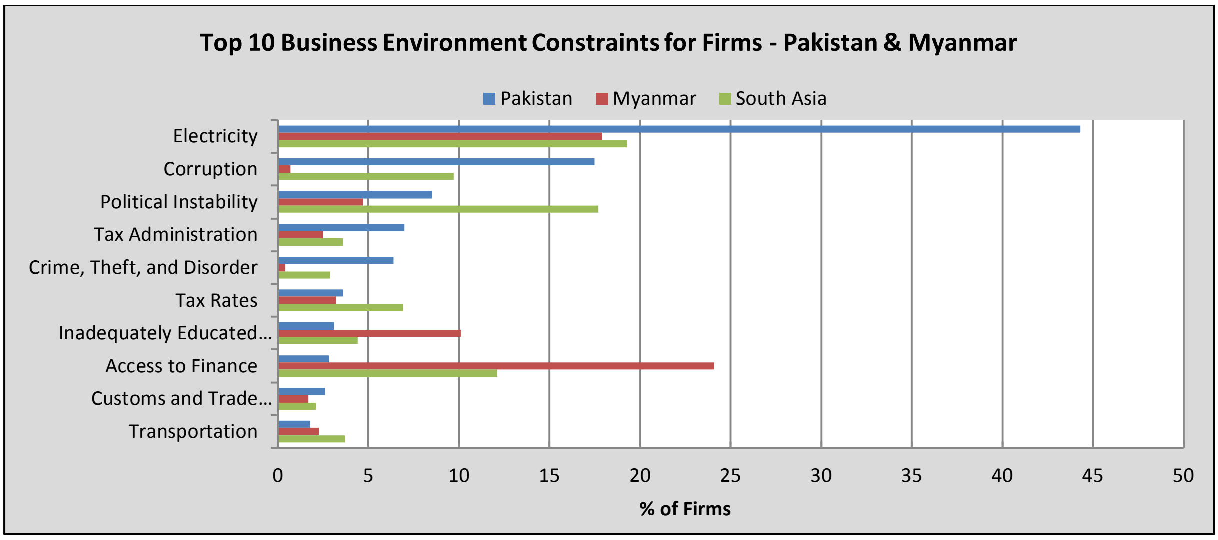
The majority of our expenditure on private sector development is on the business enabling environment, primarily governance and infrastructure. As a result, many private sector development investments also contribute directly to achieving the government's target for twenty per cent of our development assistance to be aid for trade by 2020. Examples of current DFAT investments in private sector development can be found in **Annex F**

[22] http://www.enterprise-development.org/page/measuring-and-reporting-results

Annex A – Varying Regional Constraints to PSD

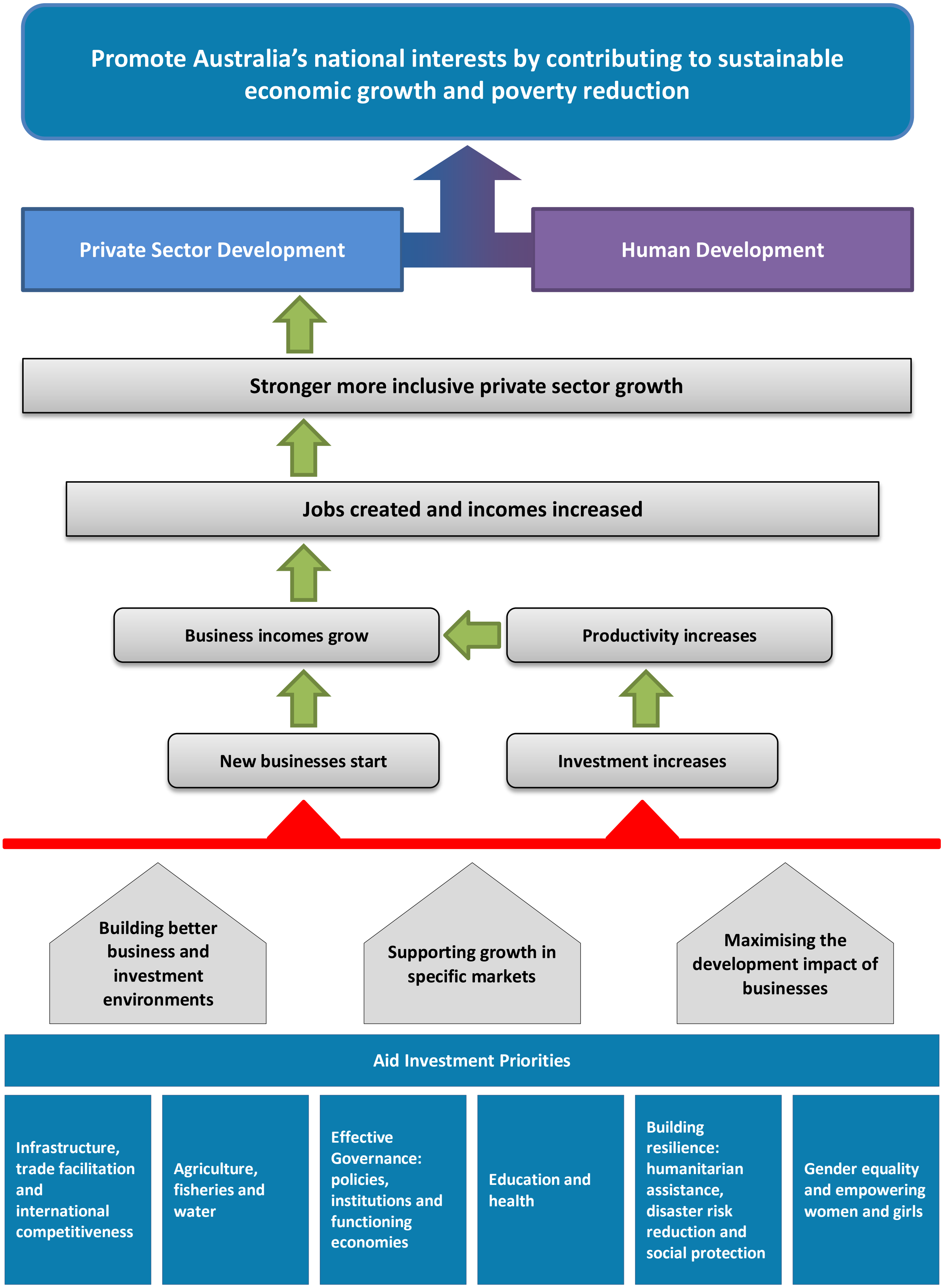






Source: World Bank Enterprise Surveys – www.enterprisesurveys.org, World Bank, retrieved 20 April 2015

Annex B – DFAT PSD Program Logic



Annex C – Constraints Analysis Data Sources

- Asian Development Bank Private Sector Assessments: http://www.adb.org/search?keywords=Private+sector+assessments&=Apply
- Austrade Export Market Profiles: https://www.austrade.gov.au/Export/Export-Markets/Countries
- Economist Intelligence Unit Business Environment Survey: http://www.eiu.com/Handlers/WhitepaperHandler.ashx?fi=BER_final_2014.pdf&mode=wp&campaignid=bizenviro2014
- Export Finance and Insurance Corporation Country Profiles: http://www.efic.gov.au/education-and-tools/country-profiles/
- International Institute for Management Development World Competitiveness Survey: http://www.eiu.com/Handlers/WhitepaperHandler.ashx?fi=BER_final_2014.pdf&mode=wp&campaignid=bizenviro2014
- UNCTAD World Investment Report: http://unctad.org/en/Pages/DIAE/World%20Investment%20Report/Country-Fact-Sheets.aspx
- World Bank Business Environment Snapshots: http://rru.worldbank.org/BESnapshots/
- World Bank – Ease of Doing Business: http://www.doingbusiness.org/
- World Bank Investment Climate Assessments: http://documents.worldbank.org/curated/en/docsearch/document-type/904594
- World Bank Enterprise Surveys: http://www.enterprisesurveys.org/
- World Economic Forum Global Competitiveness Report 2014-15 http://www.weforum.org/reports/global-competitiveness-report-2014-2015

Annex D – PSD Outcomes and Indicative Interventions

Impact Pathway	Desired Outcomes	Indicative Interventions	Who Does What
Building better business and investment environments.	• Increased investment • Increased employment • Reduced business costs • Reduced investment risk • Increased competitive pressures • Reduced informal economy	• Analysis of business and investment constraints • Governance reform to simplify business creation • Business - Government dialogue • Governance frameworks for inclusive business models • Improving competition policy • Improving regulatory frameworks for product quality and standards • Reform and enforcement of contract law • Building the capacity of public and private stakeholders to manage reforms to support economic development • Tertiary and vocational training programs and accreditation to address skills shortages • Collection and publication of statistical information • Gender-specific programs to create equitable opportunities for women • Sub-national business reform programs • Finance and investment guarantee programs • Land reform and property rights programs • Infrastructure for market access	**DFAT** • Private sector mapping, investment profiling/data analytics • Project finance • Procurement • Information facilitation • Advocate for policy change • Stakeholder convening **Partner Governments** • Implement business friendly policies • Provide staff and funds • Participate in dialog and policy change **Private Sector** • Participate in policy dialogue
Supporting growth in specific markets	• Increased quality of goods or services • Greater access to international markets and expertise • Improved environmental sustainability • Improved livelihoods for producers • Supply chains function better	• Sector-specific enabling environment programs (see above) • Market systems approaches/Making Markets Work for the Poor (M4P) • Capacity building/technical assistance for industrial policy • Capacity building/technical assistance for investment promotion agencies • Value chain/production linkages programs • Sector-specific business development services • Catalyse private sector engagement and investment	**DFAT** • Project finance • Procurement • Stakeholder convening **Partner Governments** • Implement business friendly policies **Private Sector** • Project finance • Procurement
Maximising the development impact of businesses.	• Increased investment by partner businesses in pro poor activities • Increased access to markets for partner businesses • Greater inclusion of the poor in the value chain (as suppliers/customers/ employees) • Increased delivery of pro-poor goods and services • Improved employment standards	• Co-funding commercially viable development activities with business • Enterprise challenge funds • Project preparation facilities • Government participation in a transaction e.g. provision of a guarantee • Business matchmaking facilities • Business advisory services • Technical assistance • Business mentoring or volunteer programs	**DFAT** • Partnership broker • Information provider • Co-Financier **Private Sector** • Financier of projects • Provider of skills and expertise

Annex E – Private Sector Development Indicators

The Donor Committee for Enterprise Development (DCED) is developing a set of indicative reporting definitions for private sector development. These indicators, outlined below, are intended to promote consistent reporting by DCED's bilateral donor and multilateral agency members.

Impact Level Indicators

- Change in income of beneficiaries
- Change in availability of basic foodstuffs
- Additional jobs created
- Change in natural resource use
- Number of firms that use sustainability practices
- Additional jobs for women
- Increase in gender equity at target firms
- Change in income of firms or individuals after access to financial services
- Change in number of beneficiaries receiving financial services
- Additional jobs created
- Savings from reduction in regulatory compliance costs
- Number of new firms established
- Change in value of trade
- Increase in volume of trade
- Change in productivity of beneficiaries

Outcome Level Indicators

- Number of beneficiaries impacted by a jobs program
- Number of new businesses launched
- Number of reforms passed out of number proposed
- Number of beneficiaries trained in sustainability practices
- Change in average value of collateral required of a borrower for a loan
- Change in number of financial institutions participating in credit reporting systems
- Number of financial services products
- Value of financial services products
- Number of beneficiaries impacted by improved services
- Amount of investment mobilized
- Change in availability of business services/infrastructure
- Number of firms that benefit from improved business environment
- Change in cost of establishing and running a business
- Change in number of beneficiaries involved in value chain
- Change in number of beneficiaries meeting standards
- New or improved products from value chain

Annex F – Examples of Current PSE & PSD Investments Aligned to DFAT Aid Investment Priorities

	Global / Region / Bilateral	Private Sector Engagement		Private Sector Development		
		Collaboration	*Partnering*	*Enabling Environment*	*Market Support*	*Business Partnership*
Infrastructure/trade/competitiveness						
Global Compact Network Australia (GCNA)	Global	X				
Kumul GameChangers	PNG	X		X		
Strongim Gavman Program	PNG			X		
Agriculture/Fisheries/Water						
Market Development Facility (MDF) (Fiji, Timor-Leste, Pakistan)	Multi-country			X	X	X
CAVAC	Cambodia		X	X	X	
Indigenous scoping study of PNG Agriculture	PNG		X		X	
AgResults	Global	X			X	
PHAMA	Pac Reg.			X	X	
Africa Enterprise Challenge Fund	Africa		X		X	
Effective Governance						
Solomon Islands Economic and Public Sector Governance Program	Solomon Is			X		
Governance for Growth	Vanuatu			X		
Pacific Enterprises Partnership	Pac Reg.			X	X	X
Business Enabling Environment	Indonesia			X		
Education & Health						
Australia-Pacific Technical College	Pac Reg.			X		x
PNG Industry Malaria Initiative (PIMI)	PNG	X				X
Primary Health Care Strengthening and Maternal and Newborn Health Program	Indonesia	X	X			X
Food Fortification Program	Solomon Is			X	X	X
Product Development Partnerships	Regional	X	X	X	X	X
Humanitarian/DRR/Social Protection						
Cambodia Emergency Flood Rehabilitation	Cambodia			X		
CARE International and Allianz Insurance	India		X			
World Vision and Procter and Gamble	Global		X			
Social Protection Program in Migrant Care	Indonesia		X	X		
Microfinance Expansion Project (MEP)	PNG			X		X
Gender / empowering women & girls						
Business Coalition for Women	PNG		X			X
Westpac Corporate Partnership	PNG & Fiji	X	X	X		X
ANZ Corporate Partnership	Pac Reg.	X	X	X		X
PNG-Australia Law and Justice Partnerships	PNG			X		X