

Partnering in the overseas aid program

6.1 In addition to the work done by Australian government agencies, Australia's aid program is delivered by a number of organisations including: private sector organisations; partner governments; multilateral organisations; non-government organisations (NGOs); and multi-stakeholder partnerships. In launching the new Australian development policy and associated performance framework the Foreign Minister stated:

The performance framework that I will announce today is agnostic about how aid is delivered, other than to ensure it is effective and efficient and we partner with the most effective organisations that have the capability to achieve the best possible results.¹

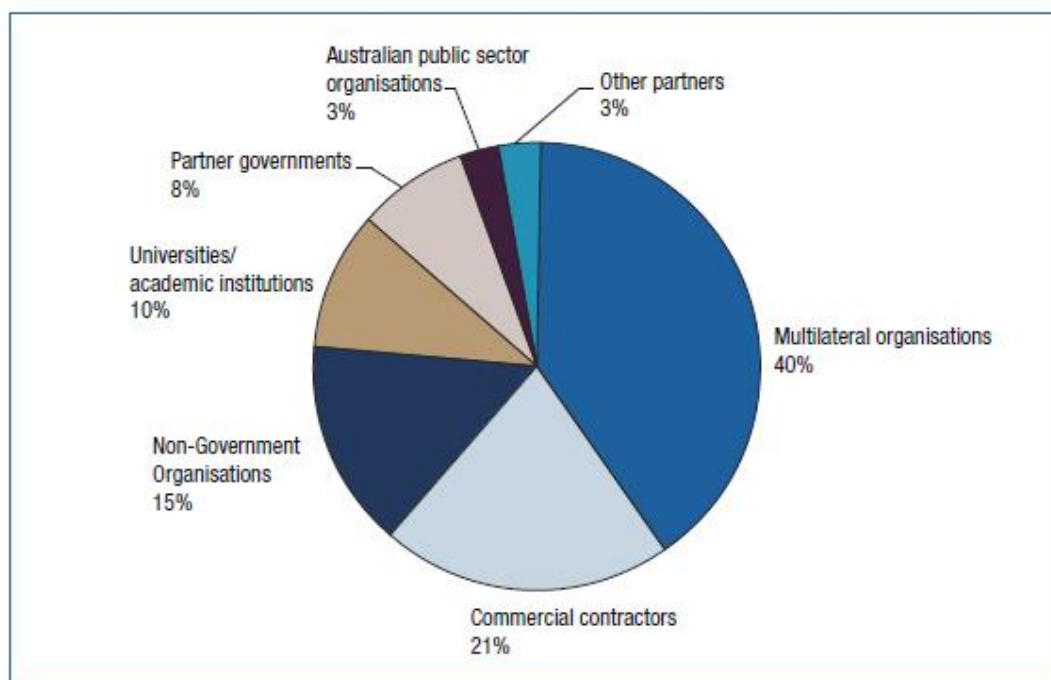
6.2 Many individuals and organisations have an interest in, or are impacted by, the aid program and its activities; and can work in conjunction with a delivery partner to ensure that the outcomes of an aid activity are achieved.

6.3 The figure below shows the proportion of overseas development assistance (ODA) funding managed on behalf of the Australian Government by different types of organisations.² As illustrated, in 2013-14 the three largest delivery partners were: multilateral organisations (40 per cent), commercial contractors (21 per cent), and non-government organisations (15 per cent).

1 The Hon Julie Bishop MP, Minister for Foreign Affairs, 'The New Aid Paradigm', *Speech*, delivered 18 June 2014.

2 Figure 6.1 excludes ODA appropriated to Australian government departments and agencies other than the Department of Foreign Affairs and Trade (DFAT).

Figure 6.1 DFAT administered ODA in 2013–14, by delivery partner type



Source DFAT, *Performance of Australian Aid 2013–14*, February 2015, p. 12.

Private sector partners and partnerships

- 6.4 The private sector can contribute to development in various ways: through core business activities; global foundations; and initiatives such as the promotion of a healthy workforce or philanthropy. It is made up of businesses of varying size and legal structure, and may be owned and/or operated by individuals located in developing countries, emerging countries, Australia or in other developed countries.³
- 6.5 Explaining why an explicit focus on partnering with the private sector is needed, GRM Futures Group stated:

We would venture that the private sector effort and intensity in the aid program has been underdone hitherto, and an effect of that has been to miss several significant potential opportunities that the private sector can provide to achieve results at scale that are sustained. We strongly feel that the private sector partnership – the whole idea of integrating the private sector – is not a panacea

3 DFAT, *Submission 21*, p. 11

for all aid but offers significant potential, particularly in terms of realising value for money in the aid program.⁴

- 6.6 This potential of scalability was also highlighted by the Rt Hon Stephen O'Brien MP (United Kingdom) and Global Advocate for the Roll Back Malaria Partnership:

In the end, whatever quantum you throw at development, it has now got to be done in partnerships. There is no way you can just look to the bottomless pit of your constituents' – and my constituents' – hard earned taxpayer money and keep throwing it out for public good. You need the efficiency of the private sector to help you view the greatest impact on delivery but, equally, you will never do it at sufficient scale unless the public sector is involved and there is political ownership.⁵

- 6.7 Abt JTA proposed a number of factors that may have limited private sector participation in the aid program to date:

- Historically there has been reluctance on the part of the Australian Aid Program to recognise the private sector as a legitimate partner in international development.
- There has been a lack of [a] clear framework that supports collaboration.
- There has been a lack of economic incentives for collaboration.
- There has been a lack of political commitment to collaboration.
- There has been no clear vision for how and where the private sector can engage in development.⁶

- 6.8 Australia's overseas development policy now includes a target on engaging with the private sector:

All new investments will explore innovative ways to promote private sector growth or engage the private sector in achieving development outcomes.⁷

- 6.9 The report recently released by the Department of Foreign Affairs and Trade (DFAT) – *Performance of Australian Aid 2013-14* – discussed the target and outlined the use of the term 'engaging with the private sector':

4 Dr Alwyn Chilver, Director Growth, Private Sector and Livelihoods, GRM Futures Group, *Committee Hansard*, Brisbane, 11 August 2014, p. 1.

5 Rt Hon Mr Stephen O'Brien MP (United Kingdom), Global Advocate for the Roll Back Malaria Partnership, *Committee Hansard*, Canberra, 3 June 2014, p. 1.

6 Abt JTA, *Submission 5*, p. 1.

7 DFAT, *Making Performance Count: enhancing the accountability and effectiveness of Australian aid*, June 2014, pp. 6-11 <www.dfat.gov.au/about-us/publications/Documents/framework-making-performance-count.pdf> viewed 6 March 2015.

This target will ensure that opportunities to engage with the private sector or promote private sector-led growth are explored in the design of all new aid investments, not only those with a focus on economic development. Engagement with the private sector may include consultation during the design of new investments, co-financing arrangements, public private partnerships and participation in governance arrangements and joint evaluation activities.⁸

- 6.10 The Development Policy Centre shared the view that private sector engagement ‘has the potential to serve development ends across any and all sectors’.⁹
- 6.11 While contracting private sector entities to provide services for program management and construction has been the ‘most common form of donor engagement with business’, the Overseas Development Institute suggested ‘donors can operate as much more than just a source of financial aid to companies and developing countries’.¹⁰
- 6.12 A number of submissions shared the view put forward by Oxfam Australia that the targeted outcome should determine the partner in aid delivery:
- In any context, Australian aid should be directed to partners that are best placed to achieve [aid] objectives. This may include private sector partners in various contexts and the private sector should be encouraged to think innovatively about ways in which it can profitably contribute to reducing poverty.¹¹
- 6.13 The World Bank Group contended:
- ...ending extreme poverty and boosting shared prosperity cannot be done without the jobs, services, and financial strength provided by the private sector.... They spur innovation, produce the goods and services people need to improve their lives, and generate most [of] the tax revenue that governments need to provide essential services for their citizens.¹²

8 DFAT, *Performance of Australian Aid 2013–14*, p. 7.

9 Development Policy Centre, *Submission 103*, p. 4.

10 Overseas Development Institute (ODI), *Submission 51*, p. 5.

11 Oxfam Australia, *Submission 72*, p. 31

12 World Bank Group, *Submission 75*, p. 5.

Multinationals and Australian company partnerships

- 6.14 As noted, over 20 per cent of Australian aid administered by DFAT is currently delivered by commercial contractors, many of whom are multinational or large Australian multiservice firms. The new policy aims to change the way the Australian Government partners with the private sector. Evidence reflected on this changing relationship, including public perception.
- 6.15 Ms Margaret Callan, Visiting Fellow at the Development Policy Centre, reflected on public perceptions of aid:
- ... there is actually quite a large risk for the Australian aid program to be perceived as providing funds to large, wealthy companies to operate in developing countries rather than going more directly to partners in those countries. There are a couple of aspects to this, but in general I think we should be working closely with the local private sector.¹³
- 6.16 Concern over working with big business was raised by AID/WATCH, who stated that 'to see the private sector, or more specifically, big business as the driver of equitable and sustainable development is a leap in logic without adequate evidence'. It further stated that 'aid should not focus on further incorporating the private sector as it pertains to big business'.¹⁴
- 6.17 The Overseas Development Institute recommended '[d]onors not adopt a generic, ideological view on what types of business are more developmentally beneficial.'¹⁵
- 6.18 In response to a question from the Committee on the effectiveness of private sector delivery, Dr Mark Dybul from the Global Fund to Fight AIDS, Tuberculosis and Malaria responded 'we do support private sector organisations where they are the best option for implementation'. He later noted that 'the nice thing about many public-private partnerships is that the private sector pays.'¹⁶
- 6.19 From an industry perspective, Policy Cures pointed out that working with large multinationals was critical to achieving certain outcomes:

13 Ms Margaret Callan, Visiting Fellow, Development Policy Centre, Australian National University, *Committee Hansard*, 29 August 2014, p. 27.

14 AID/WATCH, *Submission 44*, pp. 2, 9.

15 Overseas Development Institute, *Submission 51*, p. 7.

16 Dr Mark Dybul, Executive Director, The Global Fund to Fight Aids, Tuberculosis and Malaria, *Committee Hansard*, Canberra, 11 February 2015, pp. 2-3.

Only the pharmaceutical industry can convert promising academic discoveries into products that can drive down regional disease burdens, and drive up regional life-expectancy and productivity.¹⁷

Preferring partnerships with Australian businesses

6.20 The particular benefit of partnering with Australian companies was canvassed in evidence. The Development Policy Centre remarked:

Inclusive business partnerships and service delivery partnerships, in particular, are most sensibly pursued with firms headquartered in Australia or in our neighbouring countries. It would be difficult to engage in effective dialogue with more far-flung companies, and those in other donor countries are likely to be in dialogue with their own governments in any case.¹⁸

6.21 The skills and reputation of Australian companies was often highlighted as a competitive advantage. Coffey observed that 'Australian business practices and ethics are globally well regarded'.¹⁹ More specifically, the University of Queensland's Sustainable Minerals Institute suggested:

Australia has a competitive advantage and globally leading reputation in all aspects of exploration, mining and mining governance, as well as, to a certain degree, in minerals refinement and associated activities.²⁰

6.22 Austrade and the Department of Industry²¹ observed that a number of countries are seeking Australia's experience in skills development.²² TAFE Directors Australia noted that 37 TAFE institutes had partnerships in 32 countries, including in China.²³

6.23 The Embassy of Mongolia in Australia encouraged expanding development cooperation in the areas of common interest and those in which Australia has specific expertise:

Apart [from] mining and resource endowed economic development, Mongolia and Australia also share similarities

17 Policy Cures, *Submission 63*, p. 7.

18 Development Policy Centre, *Submission 103*, p. 30.

19 Coffey, *Submission 35*, p. 9. Also see Collabforaction, *Submission 80*, p. 7.

20 Professor Christopher Moran, Director Sustainable Minerals Institute, University of Queensland, *Committee Hansard*, Brisbane, 11 August 2014, p. 10.

21 Note: following Machinery of Government changes in December 2014, the Department is now called Department of Industry and Science.

22 DFAT, *Submission 21*, Attachment D – Annexure to DFAT Submission – Views from Austrade and Department of Industry, p. 71.

23 Mr Peter Holden, Director International Engagement, TAFE Directors Australia, *Committee Hansard*, 20 August 2014, Sydney, p. 52.

within other sectors such as agriculture, and infrastructure challenges related to large surface, services dedicated to disperse population.²⁴

- 6.24 Identifying which Australian companies encapsulate the expertise sought by our partner countries is one way in which the Australian Government could prioritise its private sector engagement. The Overseas Development Institute suggested:

DFAT develop an approach that plays to its strengths and geographical priorities to improve development outcomes by focusing on development interventions in areas such as mining, skills development and countering gender violence.²⁵

National interests, commercial interests and ODA

- 6.25 A range of evidence proposed that the primary purpose of partnering in the aid program should not be to promote Australia's commercial interests or otherwise benefit Australian companies.

- 6.26 AID/WATCH 'argued strongly against the use of aid to primarily service Australia's national and commercial interests'.²⁶ Oxfam Australia suggested:

[DFAT] should ensure that aid guidelines and funding agreements follow its stated position that aid will not be directed to advancing the commercial interests of Australian companies.²⁷

- 6.27 In February 2014, at a public hearing of the Senate Foreign Affairs, Defence and Trade Committee's inquiry into Australia's overseas aid and development assistance program, DFAT's Secretary clarified this saying 'when I talk about aid for trade I am not talking about using the aid program to advance the commercial interests of Australian companies'.²⁸

- 6.28 In order to address the perceived conflicts of the aid program working with Australian companies, the Australian Trade and Development Business Network (ATAB) and the Institute for International Trade (IIT) at the University of Adelaide suggested the need to:

24 Embassy of Mongolia in Australia, *Submission 53*, p.3.

25 Overseas Development Institute, *Submission 51*, p. 8.

26 AID/WATCH, *Submission 44*, p. 1.

27 Oxfam Australia, *Submission 72*, p. 32.

28 Mr Peter Varghese, Secretary, DFAT, *Senate Foreign Affairs Defence and Trade Committee Hansard*, Canberra, 21 February 2014, p. 66.

... strongly brand Australia's commercial objectives as complementary to our long held humanitarian ethics and commitment to global justice.²⁹

- 6.29 While acknowledging the concerns raised about perception and profit motives, the Committee is of the view that partnering with business, and other organisations operating in the private sector, allows the Australian Government to access their expertise and experience where it coincides with aid program priorities. It can and must be a win-win scenario.
- 6.30 In many cases, Australian and/or multinational businesses do not need or want financial support from the Australian Government in order to expand into a new market in a developing country. Private sector businesses provided the Committee with their own examples of investments that support a healthy and educated workforce, which benefits them and the country. The aid program must identify opportunities that maximise development outcomes from what may already be a long-established business activity.
- 6.31 In considering how to engage with the private for-profit sector to enhance development outcomes, the Committee received evidence that demonstrated there are few areas where the private sector could not be engaged, whether through its own employment strategies, corporate social responsibility initiatives, philanthropy or through multi-stakeholder partnerships.

Multi-stakeholder partnerships and the Australian Government

- 6.32 According to B4MD, development partners recognise that achieving sustainable and inclusive development requires involving the most effective development partner to achieve agreed outcomes.³⁰ However, this need not mean that only two organisations are involved in achievement of partnership objectives. DAI reflected on this point:
- ...it is worth remembering that just as development is about more than economic growth, so development assistance is about more than money: effective catalytic assistance complements funding with the technical knowledge, implementation expertise, and human capital built up over decades in the agencies, think tanks, NGOs, academic institutions, and development firms that make up the development community.³¹

29 The Australian Trade and Development Business Network and the Institute for International Trade at the University of Adelaide, *Submission 112*, p. 5.

30 Business for Millennium Development (B4MD), *Submission 93*, p. 5.

31 DAI, *Submission 110*, p. 3.

- 6.33 CSL suggested partnerships with the private sector include a number of organisations, maintaining ‘economic and social development in low-income countries is best achieved through multi-stakeholder collaborations’.³² Similarly, the UN Global Compact Network remarked:
- We consider that finding solutions to poverty and other global issues requires a multi-stakeholder approach that absolutely must include business as it is the primary source of economic activity.³³
- 6.34 The Australian Council for International Development (ACFID) suggested using NGO ‘convening and brokering power to facilitate new multi-stakeholder initiatives for development’.³⁴ Similarly, the Centre for Social Change argued for a strong role for NGOs, suggesting that they provide the local knowledge:
- ... the role of the private sector in promoting sustainable economic growth and alleviating poverty can be successful as long as there is a consultative and planning role for NGOs and practitioners with existing trust of and links with the communities, who can use genuinely participatory techniques at a grassroots level.³⁵
- 6.35 Chevron noted that in its experience successful projects ‘fully engage a network of local and international partners to leverage respective strengths’; and ‘activate project beneficiaries early in the analysis, planning and project development’.³⁶ Chevron reflected:
- We also have learned that economic growth - particularly in developing countries - is a shared agenda that requires equal commitment and participation from civil society, governments, business and NGOs.³⁷
- 6.36 In discussing the benefits of multi-stakeholder partnerships, Roll Back Malaria explained:
- ...although still hosted by the UN and the WHO, [the Roll Back Malaria Partnership] is a global public-private partnership to fight malaria. We have realised since the launch in 1989 that the best

32 CSL, *Submission 113*, p. 3.

33 Ms Alice Cope, Executive Manager, United Nations Global Compact Network Australia, *Committee Hansard*, 20 August 2014, p. 27.

34 Australian Council for International Development (ACFID), *Submission 52*, p. 6.

35 Ms Carly Stephan, Program Manager, Centre for Social Change, *Committee Hansard*, Canberra, 11 August 2014, p. 32.

36 Chevron Australia Pty Ltd, *Submission 39*, p. 4.

37 Chevron Australia Pty Ltd, *Submission 39*, p. 1.

way to achieve results is to take the strengths of every different partner around the table.³⁸

- 6.37 The North-South Institute noted that when establishing a multi-stakeholder partnership and bringing together partners who are often from different backgrounds, it is necessary to build trust and shared understanding.³⁹

Understanding partnering with the private sector

- 6.38 Evidence suggested that there is more to understanding the private sector than acknowledging it has a profit motive. Understanding the private sector, according to GHD, begins with acknowledging that it is not homogenous.⁴⁰
- 6.39 Business for Social Responsibility submitted that it is necessary to '[u]nderstand private sector assets and where they can add value or support scale', including:
- ...capital and human assets, technology and innovation capacities, community networks and investments, access to hard-to-reach populations as well as their networks and influence.⁴¹
- 6.40 Cardno stated that the change of approach outlined in the new development policy requires the Australian Government 'to really understand the private sector – how it works, what incentives it is driven by and how it assesses and values risk'.⁴²
- 6.41 In terms of incentives for partnering, DFAT noted market drivers are now aligning with development goals:
- ...larger companies are moving beyond traditional corporate social responsibility programs to creating shareholder returns as well as social returns for the communities with which they interact or the consumers who buy their products. These shifts are creating closer alignment between corporate and donor interests.⁴³
- 6.42 However, the Foundation for Development Cooperation cautions:

38 Mr Herve Verhoosel, Head of External Relations, Roll Back Malaria Partnership, *Committee Hansard*, Canberra 3 June 2014, p. 1.

39 The North-South Institute, *Exhibit 10*, 'Models for trade-related private sector partnerships for development', January 2013, p. x.

40 GHD, *Submission 117*, p. 3.

41 Business for Social Responsibility, *Submission 10*, p. 12.

42 Mr Mark Pruden, International Business Development Business Unit Manager (Asia Pacific), Cardno, *Committee Hansard*, 15 August 2014, p. 18.

43 DFAT, *Submission 21*, p. 24.

There is a view among aid ‘professionals’ that...because shareholder and even staff pressure is demanding that companies engage more deeply in greater corporate social responsibility, and that the aid community can find ways to assist the private sector in this way to alleviate its burdens of guilt or at least, of mercenariness. But once this position is adopted, the relationship between the two becomes an awkward and limited one and the focus on the person in the developing community is lost.⁴⁴

- 6.43 Professor Moran of the Sustainable Minerals Institute encouraged the Australian Government to recognise that partnering includes risks for the private sector:

One should not take the view that the companies are clamouring for involvement with government resources for partnerships. There are risks to companies that can be difficult for the companies to control, so they want a very clear outlook on where they are exposed as a result of such partnerships.⁴⁵

- 6.44 GRM International noted that ‘negotiating genuine, hard-nosed, long-term partnerships requires the necessary time’ to first build the relationship.⁴⁶ For partnerships or collaboration between the private sector and the Australian Government to then be successful ATAB and IIT suggested that it is necessary to share objectives and have a common understanding of how a partnership works, and ultimately have a strategic framework to guide the partnership.⁴⁷

- 6.45 Translating high level commitment into practical guidance is required to implement a partnership. Professor Stephen Howes from the Development Policy Centre commented:

There is a lot of lofty rhetoric about involving the private sector and, at the end of the day, the poor old bureaucrat can be left confused about what they are actually meant to do! So everyone needs really clear messages – not just at the high level but at the strategic level: ‘this is what you are meant to do’.⁴⁸

44 Foundation for Development Cooperation (FDC), *Submission 78*, p. 3.

45 Professor Moran, Director, Sustainable Minerals Institute, *Committee Hansard*, Canberra, 11 August 2014, p. 12.

46 GRM International, *Submission 57*, p. 6.

47 ATAB and IIT, *Submission 112*, p. 23; See also Accenture, *Submission 23*, p. 10, the North-South Institute, *Submission 85*, p. [3].

48 Professor Stephen Howes, Director, Development Policy Centre, Australian National University, *Committee Hansard*, Canberra, 29 August 2014, p. 29.

- 6.46 Abt JTA also commented on the need for a common understanding of the operations and terminology of the partnership:

Better understandings need to be developed of the management of the differences in private and public sector motivations, expectations and ways of 'doing business' and other 'people issues'. Definition of 'core partnering issues' and how to create an 'enabling partnering environment', for example in use of terminology and language, context and culture, equity, power within partner relationships, leadership, trust between partners and partner involvement in planning and evaluation.⁴⁹

- 6.47 Acknowledging the need to increase its understanding of business, DFAT indicated its work with businesses 'will initially focus on accelerating [its] understanding of the drivers and capacity for business to support its development effort.'⁵⁰

What the private sector brings to a partnership

- 6.48 Throughout the submissions the strengths of businesses were addressed in terms of what the private sector could bring to a partnership:

- provision of goods and services as its core function:

[RESULTS International Australia noted that] products and services that [it is] focusing on often do involve the private sector in the development and delivery of those services, such as the development of drugs and vaccines and the delivery of education services.⁵¹

- understanding of country context and needs:

[Australia Fiji Business Council noted its] members have long experience in-country and are deeply familiar with local conditions and challenges. Some of these businesses have been operating in Fiji for more than a century, and some of their owners and managers have decades, even life long, experience in the country.⁵²

49 Abt JTA, *Submission 5*, Attachment: Jane Thomason and M. Hancock, 'PNG Mineral Boom: Harnessing the extractive sector deliver better health outcomes', Development Policy Centre, Discussion Paper 2, p. 25.

50 DFAT, *Submission 21*, p. 4.

51 Mr Mark Rice, Global Health Campaigns, RESULTS International Australia, *Committee Hansard*, 20 August 2014, p. 79.

52 Australia Fiji Business Council, *Submission 92*, p. 2.

- having new ideas and approaches:

[Accenture suggested certain sectors are] particularly suited to transformation via digital, including Health Care, Education and Financial Services. These are seen as ‘digitally contested markets’ because ‘digital technology is opening up traditional industries to new levels of competition, often from entirely new industries’⁵³
- having skills and experience needed by developing countries and donors:

[Oil Search explained it contributes through] our logistics, our supply chain, our governance processes and our actual presence on the ground.⁵⁴
- being an advocate:

[World Food Programme advised that] Business can leverage their communication channels to raise awareness of its cause with consumers or employees.⁵⁵
- being a source of funding for development:

[According to DFAT] partnerships with the private sector enable governments to leverage private sector finance to bring proven development solutions to scale when public resources are not sufficient.⁵⁶

6.49 An additional strength of the private sector is its capacity for innovation and prompt adaptation. As aid is complex and ever-evolving, Cardno Emerging Markets and METIS Analytics stated:

Successful private sector entrepreneurialism is characterised by the need to: be outcome-focused; recognise there are multiple pathways to achieving successful outcomes, and what works in one place and time may fail in another; experiment and innovate, opening new more efficient/effective pathways to success; acknowledge failure as an acceptable condition of success, provided it is learned from; and to ensure learning occurs ‘real time’, allowing entrepreneurs to respond quickly and adapt.⁵⁷

53 Accenture, *Submission 23*, p. 6. Also see: Accenture, ‘Remaking Customer Markets – Unlocking growth with digital’, <www.accenture.com/us-en/landing-pages/customermarkets/Pages/home.aspx> viewed 28 April 2014.

54 Mr Peter Botten, CBE, Managing Director, Oil Search Ltd, *Committee Hansard*, 29 August 2014, p. 1.

55 World Food Programme, *Submission 90*, p. 3.

56 DFAT, *Submission 21*, p. 2.

57 Cardno Emerging Markets and METIS Analytics, *Submission 20*, p.1.

- 6.50 As highlighted by Chevron, for many organisations in the private sector, partnering is intrinsic to doing business:

Every year, we invest tens of billions of dollars in every corner of the world. We partner with governments, NGOs and community leaders to build lasting relationships, understand their needs and priorities, manage the impacts of our operations and make strategic social investments throughout the lifecycle of a project.⁵⁸

- 6.51 The Burnet Institute observed that Australian aid programs often operate in the same locations or are focused on the same populations as some businesses, and suggested:

... engaging the active participation of those enterprises may reap additional benefits at no extra cost to the Australian Government. In fact, our experience in PNG demonstrates that the management expertise of private sector companies may enhance the effectiveness and impact of the program. DFAT Posts could actively promote such engagement with Australian (and other donor) aid programs and at least insist on corporate responsibility to Do No Harm.⁵⁹

- 6.52 ACFID, Pacific Islands Trade and Invest and others reminded the Committee that businesses are made up of individuals and encouraged a greater focus on opportunities for building those people-to-people links.⁶⁰

Business councils and development support

- 6.53 Business councils called for greater recognition of how they can support development including by identifying partnership opportunities, providing the link between government and business, consultation and collaboration, and providing services such as information distribution.
- 6.54 Discussing how representative bodies and business networks can provide a conduit between business and government in Australia, the Burnet Institute suggested that:

Business networks and coalitions offer the Australian Government focal points to pursue dialogue about the role of the private sector in inclusive development and to collate examples and case studies of such experiences in the field.⁶¹

58 Chevron Australia Pty Ltd, *Submission 39*, p. 2.

59 Burnet Institute, *Submission 9*, p. 6.

60 ACFID, *Submission 52*, p. 6. See also Pacific Islands Trade and Invest (PT&I), *Submission 60*, p. 9.

61 Burnet Institute, *Submission 9*, p. 7.

- 6.55 Similarly, the Australia Pacific Islands Business Council suggested that business councils, both those in Australia and in developing countries, could provide invaluable knowledge and experience to Australian aid officials, but proposed this needed to be done through a formal mechanism on a regular basis.
- 6.56 The Council outlined a possible engagement framework to harness the expertise of both local and donor country private sectors:
- Annual Seminar – which could involve a range of interested stakeholders in each country including NGOs and which would canvass broad development issues and brief participants on various Australian aid activities.
 - High level Bilateral Business and Officials Council – to assist in identifying, structuring and delivering development projects to achieve the most effective and efficient outcomes. Such a Council might consist of two high level representatives each of the Australian Government, the relevant national Government, the Australia Pacific Islands Business Council and from the national Chamber of Commerce and Industry as the peak business body.⁶²
- 6.57 Abt JTA also suggested that business councils can support development outcomes by being a source of information beyond traditional business activities:
- Business associations, like the Australia PNG Business Council, can also play a role in health, for example malaria. By distributing good practice guidelines to firms and acting as an information resource, these associations can help firms that lack the resources to create malaria programmes themselves. They can also encourage manufacturers of drugs and insecticide treated nets to provide more comprehensive information about malaria to consumers and to combat the problem of counterfeit drug sales which is prevalent in many developing countries.⁶³
- 6.58 The Centre for Social Change submitted that social infrastructure, and specifically local chambers of commerce, could be used as a means of ‘developing an economic system that can support a diverse range of business activities’.⁶⁴

62 Australia Pacific Islands Business Council, *Submission 91*, p. 3.

63 Abt JTA, *Submission 5*, p. 4.

64 Centre for Social Change, *Submission 106*, p. [3].

What the Australian Government could bring to a partnership

- 6.59 As the Australian Government's representative when partnering for development, it is argued that DFAT could assist by:
- Strengthening the alignment between industry capacity needs and technical/vocational training.⁶⁵
 - Improving connections to governments and other donors, including through influencing and encouraging efforts to create a better enabling environment or improve the functioning of specific markets or sectors.⁶⁶
 - Understanding country context and being a useful source of information to the private sector given its' engagement with and access to partner governments'.⁶⁷
 - Leveraging its convening power to improve discussion between a government and its private sector, and identify investments that can 'most effectively catalyse improvements in the bilateral and global trading environment'.⁶⁸
 - Mitigating risk through financial partnerships, including 'when the government invests alongside the private sector or uses other financial instruments to enhance the development impact of private sector activities and investments'.⁶⁹

- 6.60 While DFAT identified its strengths, evidence suggested that there were some challenges faced by business in understanding DFAT's priorities, its role in-country and in finding entry points into the aid program. Accenture submitted:

The Aid program is often quite opaque and it is difficult to know who to talk to in DFAT and where decisions are made, let alone what the priorities of the program are. To be able to engage and find common ground with businesses, DFAT's priorities should be transparent and easily accessible.⁷⁰

Producing positive partnering outcomes

- 6.61 The Committee agrees with the ANZ that effective management and clear articulation by the Australian Government of what it sees as the role for

65 GRM international, *Submission 57*, p. 7.

66 DFAT, *Submission 21*, p. 23.

67 DFAT, *Submission 21*, p. 23.

68 DFAT, *Submission 21*, p. 17.

69 DFAT, *Submission 21*, pp. 1-2.

70 Accenture, *Submission 23*, p. 12.

the private sector is of particular importance.⁷¹ Articulating the clear purpose of aid and any projects being undertaken will help potential partners and the Australian public – notably taxpayers – understand the value propositions.

- 6.62 The benefits of multi-stakeholder partnerships have been clearly demonstrated by a number of large global partnerships, including the Gavi Vaccine Alliance and the Global Fund to Fight AIDS, Tuberculosis and Malaria, who are effectively leveraging private sector resources to achieve significant advances in health, education and the delivery of global public goods. Further, the Committee notes that when local in-country agents or entrepreneurs are included in the partnerships there can be significant gains.
- 6.63 In terms of what each partner can bring to a multi-stakeholder partnership, evidence suggested the private sector offers additional resources, efficiencies and the potential to integrate development activities into core business for increased sustainability; NGOs' are well known for their strong local knowledge and networks; and the Australian Government can play a convening and coordinating role, particularly in relation to host government negotiations.
- 6.64 The Committee took evidence that the Australian Government needs to more actively manage its badging and its partnerships to ensure all opportunities are realised and that they continue to produce positive outcomes for Australia's aid investment. DFAT should ensure that its staff, both in Australia and overseas, are able to identify potential partners and take action to convert contacts to contracts.
- 6.65 There also needs to be a mechanism for demonstrating the achievements. Austrade's key performance indicators in relation to developing international markets may provide a useful guide for DFAT in devising appropriate measures for private sector development business engagement activities.

71 ANZ, *Submission 48*, p. 1.

Recommendation 15

The Committee recommends that the Australian Government:

- continue to support multi-stakeholder global partnerships that have demonstrated their effectiveness in meeting Australia's aid objectives;
- encourage partnerships in the Indo-Pacific region, using Australia's overseas diplomatic missions more effectively at the local level to identify opportunities and support small businesses;
- require the Department of Foreign Affairs and Trade to:
 - ⇒ undertake routine systematic reviews of global partnerships to ensure that the impact of Australia's aid investments is both maximised and appropriately acknowledged; and
 - ⇒ monitor and report annually on business partnerships established as a result of Australian Government private sector development business engagement activities.

Current Australian Government support for private sector partnerships

6.66 The terms reference asked the Committee to consider current Australian Government support for private sector development through bilateral and multilateral investments. This section provides an overview of programs brought to the Committee's attention in the evidence.

Strengthening the private sector in developing countries

6.67 DFAT described partnerships with the private sector aimed at 'strengthening key markets and sectors':

These activities are intended to improve the function of particular markets, for example by enhancing connectivity between parts of the value chain (physical infrastructure or facilitating business to business connection), improving the information available to market players, or supporting the development of new products

or services to meet an unmet market. They benefit businesses and consumers within a particular market.⁷²

6.68 DFAT provided the following programs or activities as examples of strengthening key markets and sectors:

- Cambodia Agricultural Value Chain Program
- Microenterprise Development Program (Nepal)
- Pacific Financial Inclusion Program
- International Finance Corporation - Pacific Partnership
- Africa Enterprise Challenge Fund
- Pilot Livestock insurance program (Kenya)
- Pacific Infrastructure Development Group
- Global Partnership on Output-Based Aid.⁷³

6.69 DFAT also described partnerships aimed at ‘maximising the development impact of individual businesses’:

These activities partner with specific businesses. These businesses are usually chosen because of their large impact in a sector or economy and their ability to transform markets and create broader development benefits. These types of activities may include the use of finance instruments, such as co-finance, to encourage businesses to invest or undertake their operations in a particular way.⁷⁴

6.70 The following programs were highlighted as maximising the development impact of individual businesses:

- Market Development Facility⁷⁵
- Enterprise Challenge Fund for the Pacific and South-East Asia
- Carnival Cruise - DFAT Memorandum of Understanding (MOU)⁷⁶
- Pacific Business Fund/Pacific Business Investment Facility.⁷⁷

72 DFAT, *Submission 21*, p. 29.

73 DFAT, *Submission 21*, Attachment B.

74 DFAT, *Submission 21*, p. 29.

75 According to DFAT, the Market Development Facility (MDF) began in Fiji in July 2011 and has since expanded to Timor-Leste (in 2012) and Pakistan (in 2013). MDF is now expanding further to Papua New Guinea and Sri Lanka in 2015.

76 DFAT refers to this as a direct partnership which commits resources, networks and experience (DFAT, *Submission 21*, p. 32).

77 The Development Policy Centre noted that this was also known as the Pacific Business Investment Facility and was announced in December 2013, Development Policy Centre,

- 6.71 The Development Policy Centre provided a list of additional programs it considered to be ‘pure private sector development activities supported by the Australian aid program’:
- AgResults program, a plurilateral initiative launched under G20 auspices to trial the use of incentive payments to spur private sector innovation in agriculture;
 - agriculture ‘value chain’ programs in Indonesia.⁷⁸

Social outcomes—health and education

- 6.72 The Committee received evidence about partnerships funded by DFAT which were primarily aimed at improving social outcomes, especially those relating to gender equality.
- 6.73 The Development Policy Centre observed that DFAT undertakes programs that, while not directly supporting the private sector, provide a high level of interaction with the private sector to generate social outcomes. These included the Mining for Development Initiative, the Australia-Pacific Technical College and the Better Work Program in Asia.⁷⁹

Global multi-stakeholder partnerships

- 6.74 The Committee heard directly from a number of global multi-stakeholder partnerships which include private sector participation. Australia provides funding to some of these: the Global Fund to Fight Aids, Tuberculosis and Malaria; Gavi; and the Global Partnership for Education.⁸⁰
- 6.75 The Global Fund to Fight AIDS, Tuberculosis (TB) and Malaria, was established in 2002 and channels 82 per cent of the international financing against TB, 50 per cent against malaria, and 21 per cent against AIDS.⁸¹ The Global Fund described its work with the private sector as follows:

The Global Fund works with the private sector in all aspects of its work ranging from mobilization of resources support in program

Submission 103, p. 9. The ADB noted that it was partnering with Australia to establish a Pacific business investment facility (*Committee Hansard*, Canberra, 18 June 2014, p. 3).

⁷⁸ Development Policy Centre, *Submission 103*, pp. 9–10.

⁷⁹ Development Policy Centre, *Submission 103*, p. 10.

⁸⁰ DFAT, ‘Health, education and environment funds’ <www.dfat.gov.au/aid/who-we-work-with/multilateral-organisations/Pages/health-education-and-environment-funds.aspx> viewed 6 March 2014.

⁸¹ The Global Fund to Fight AIDS, Tuberculosis and Malaria, *Submission 142*, p. 1.

implementation, provision of commercial services, to public advocacy and good governance.⁸²

- 6.76 Gavi was established in 2000, and is 'dedicated to saving children's lives and protecting people's health by ensuring access to new and underused vaccines for children living in the world's poorest countries.'⁸³ Gavi stated that the private sector advances its mission:

... through shaping the vaccine market to reduce prices, ensuring predictable and flexible funding, sharing business expertise and advocating for the importance of immunisation.⁸⁴

- 6.77 The Global Alliance for Improved Nutrition (GAIN) was established in 2002 and has an exclusive focus on malnutrition. GAIN discussed the reasons for its focus on working with the private sector:

The recognition that a large burden of malnutrition sits with the moderately and chronically malnourished is leading to a new orientation from a unique focus on treatment, to one that includes prevention. This is opening opportunities for market-based approaches that benefit from private sector experience and distribution channels. Malnutrition will remain extremely difficult to address while the burden of effort falls on constrained aid budgets, and stretched national health services. These critical investments in public health need to be matched by sustainable reforms to food systems, led by governments but involving key economic actors from the private sector.⁸⁵

- 6.78 RESULTS International Australia alerted the Committee to the Global Partnership for Education (GPE), whose current board Chair is Australia's former Prime Minister Julia Gillard. According to the GPE's website:

Private sector corporations and private foundations are the newest members represented on the Global Partnership Board of Directors. Their commitment to advance our objectives include working with communities to advocate for education rights, monitoring education sector reform, and increasing awareness of gender equality issues or child labor. They participate with other GPE partners in the elaboration of education strategies in

82 The Global Fund to Fight AIDS, Tuberculosis and Malaria, *Submission 142*, p. 4.

83 Gavi the Vaccine Alliance, *Submission 143*, p. 21.

84 Gavi the Vaccine Alliance, *Submission 143*, p. 2.

85 Global Alliance for Improved Nutrition, *Submission 107*, p. 4.

developing country partners and help develop policies to overcome the worst barriers to quality education.⁸⁶

Product Development Partnerships

6.79 The Committee received a substantial body of evidence promoting Product Development Partnerships (PDPs) as an effective means of leveraging private sector investment and action on global health issues. Policy Cures provided the following summary of PDPs and their relationship with the pharmaceutical industry:

The pharmaceutical industry plays a key role in alleviating regional burdens of TB, malaria and HIV that are slowing economic growth and perpetuating poverty. However, to create the low-or-no profit new medicines that are wiping out these diseases, the industry requires a sympathetic policy environment, in particular greater support for public-private partnered R&D that reduces the cost and risk for both the public and private partners. The key partnered approach used by industry is Product Development Partnerships. PDPs leverage two additional private dollars for each public dollar invested and, working with industry, have created 70% of all new global health drugs and vaccines registered since 2000.⁸⁷

6.80 The Committee received submissions from the following PDPs:

- Foundation for Innovative New Diagnostics, which has delivered 11 new diagnostic tools for TB, malaria and sleeping sickness;⁸⁸
- Aeras, a PDP focusing on TB vaccines;⁸⁹
- Medicines for Malaria Venture;⁹⁰
- TB Alliance: Global Alliance for TB Drug Development;⁹¹
- Sabin Vaccine Institute Product Development Partnership;⁹² and,
- International AIDS Vaccine Initiative (IAVI).⁹³

86 Global Partnership for Education, 'Private Sector and Foundations' <www.globalpartnership.org/private-sector-and-foundations> viewed 6 March 2015.

87 Policy Cures, *Submission 63*, p. 1.

88 Foundation for Innovative New Diagnostics, *Submission 70*.

89 Aeras, *Submission 29*.

90 Medicines for Malaria Venture, *Submission 81*; and MMV and TB Alliance, *Submission 99*.

91 TB Alliance: Global Alliance for TB Drug Development, *Submission 59*.

92 Sabin Vaccine Institute, *Submission 13*.

93 International AIDS Vaccine Initiative, *Submission 16*.

- 6.81 In March 2015, the Minister for Foreign Affairs announced further support for PDPs, with an additional \$30 million investment over three years. The TB Alliance, the Foundation for Innovative New Diagnostics, and Medicines for Malaria Venture will receive \$10 million each.⁹⁴

Additional partnerships for social outcomes

- 6.82 Marie Stopes International suggested the Australian Government explore programs similar to those provided by other donors such as USAID's Strengthening Health Outcomes through the Private Sector (SHOPS) and the African Health Markets for Equity (AHME) program.⁹⁵
- 6.83 ACFID observed that Grand Challenges Canada is 'supporting bold ideas with big impact in global health' and suggested:
- ... the initiation of a 'grand challenges fund' within the Australian aid program to support innovative business models or projects with a potentially high pro-poor impact, including in the key areas of health, education and agricultural development.⁹⁶
- 6.84 Abt JTA also observed that a number of other 'global public goods' such as environmental issues and disease threats could be addressed through partnerships with the private sector.⁹⁷

Private sector partnering with other Australian Government agencies

- 6.85 The delivery of Australia's development aid programs is a whole-of-government effort, with many Australian government departments and agencies contributing specific experience, skills and knowledge. It is estimated that around eight per cent of total ODA, will be delivered by other government agencies over 2014-15.⁹⁸
- 6.86 DFAT highlighted the importance of greater use of portfolio partners, and particularly the Australian Centre for International Agriculture Research (ACIAR) and Austrade, in program design and delivery.⁹⁹ Austrade primarily provides information and advice to advance Australia's trade

94 Minister for Foreign Affairs, 'Tackling TB and Malaria in the Indo-Pacific', *Media release*, 23 March 2015

95 Marie Stopes International *Submission 33*, pp. 11-12.

96 ACFID, *Submission 52*, p. 13

97 Abt JTA, *Submission 5*, p. 2.

98 DFAT, 'Who We Work with: Whole of Government' <www.dfat.gov.au/aid/who-we-work-with/whole-of-government/Pages/whole-of-government.aspx>, viewed 6 March 2015.

99 DFAT, *Submission 21*, p. 3.

and investment.¹⁰⁰ ACIAR was established to ‘partner researchers from Australia with those in developing countries’.¹⁰¹

- 6.87 According to DFAT, one way Austrade is contributing to building partnerships that support development is through undertaking missions in the ASEAN region to assess skill needs and identify opportunities for Australian education and training providers:

Austrade is currently working with an Indian hospital enterprise that is seeking an Australian partner to deliver some of its training needs. A similar level of activity is being undertaken within the ASEAN region.¹⁰²

- 6.88 In addition to its work with partner countries, NGOs and education institutions, ACIAR submitted that ‘the private sector is emerging as a key research partner’, and described its role as broker ‘facilitating the link between public research and the private sector’:¹⁰³

...we are particularly focused on seeing the research make a difference, to seeing an impact in practice on the ground. That is where the private sector is so important. We recognise that aid funding and public funding are diminishing relative to other sources of capital – remittances, private capital flows – so we are changing and evolving the way we partner, the partnerships we form and the ways in which we work. Our work recognises that, in terms of poverty alleviation and the terms of reference for your inquiry, economic growth in agriculture is between two and four times more effective at lifting people out of poverty than economic growth in other parts of the economy.¹⁰⁴

- 6.89 The Department of Employment and Department of Industry provided information on the work they are doing to support regional development, including under the Seasonal Worker Program and through in-country skill development.¹⁰⁵

100 DFAT, *Submission 21*, Attachment D – Annexure to DFAT Submission – Views from Austrade and Department of Industry, p. 71.

101 Australian Centre for International Agriculture Research (ACIAR), *Submission 22*, p. [4]; and Dr Nick Austin, Chief Executive Officer, ACIAR, *Committee Hansard*, Canberra, 29 August 2014, p. 1.

102 DFAT, *Submission 21*, p. 69.

103 ACIAR, *Submission 22*, p. [10].

104 Dr Austin, ACIAR, *Committee Hansard*, Canberra, 29 August 2014, p. 1.

105 See Department of Industry and Department of Employment, *Committee Hansard*, Canberra, 29 August 2014, pp. 50–58; Department of Employment, *Submission 47*; and DFAT, *Submission 21*, Attachment D – Annexure to DFAT Submission – Views from Austrade and Department of Industry, p. 71.

6.90 The Australian Federal Police submitted that the private sector can be engaged in post-conflict reconstruction, noting that the engagement of youth can have 'a powerful role in mitigating the causes of conflict'.¹⁰⁶ At the public hearing, the AFP explained:

We also work with the private sector where we have joint interests – in particular in some of the regional locations where we will co-work with private agencies on a program where we think they will be more effective in how they deliver and develop capabilities...in the Solomon Islands we work with some of the organisations that deliver safety and care for women who have been sexually assaulted or that deal with domestic violence situations.¹⁰⁷

6.91 The Committee notes that across Australian Government agencies there are a vast range of programs that address similar areas to those the aid program is seeking to address overseas. Innovation does not need to come from international counterparts, it is entirely possible that programs underway or pockets of expertise, including but not limited to within the Departments of Health, Industry, and Education, and the Indigenous Affairs Group with the Department of the Prime Minister and Cabinet, could provide the foundation for development partnerships.

6.92 Smaller, agile agencies such as ACIAR, demonstrate the possibilities for public-private partnerships. ACIAR's support for research into improving sustainable agricultural production in developing countries is helping communities become self-sustaining and economies to grow. In addition, the Committee considers that ACIAR is an excellent example of an agency that has successfully promoted its work and expertise, gaining an international reputation for its achievements.

106 Australian Federal Police (AFP), *Submission 101*, p. 1.

107 Ms Mandy Newton, Assistant Commissioner, National Manager, International Deployment Group, AFP, *Committee Hansard*, Canberra, 22 September 2014, p. 2.

