



Inquiry into the strategic effectiveness and outcomes of Australia's aid program in the Indo-Pacific and its role in supporting Australia's regional interests

Submission by Business for Development to the Joint Standing Committee on Foreign Affairs, Defence and Trade

INTRODUCTION

Since the introduction of the 2014 Australian aid policy, the Australian Government has implemented a series of innovative approaches to business partnerships within the aid program. In doing so, the government has demonstrated efficacy in delivering against the aid policy's second strategic target – “Engaging the private sector”

Underlying this commitment has been a recognition that the private sector is a key driver of economic growth, poverty reduction and promoting prosperity for all. Through greater engagement with the private sector, the government has sought to significantly enhance its development impact in a way that is both scalable and sustainable.

Within this context this submission by [Business for Development](#) will specifically focus on the Joint Standing Committee on Foreign Affairs, Defence and Trade's interest in understanding the role, implementation, efficacy, impact, outcomes and/or evaluation of:

- business partnerships, social enterprise and community investment in delivering development outcomes, with a focus on local entities;

The submission will highlight some of the cutting edge approaches towards business partnerships that have been utilised by the Department of Foreign Affairs and Trade (DFAT), the innovationXchange and the Australian Centre for International Agricultural Research (ACIAR). It will draw attention to a series of recommendations that can be adopted by the aid program to leverage and grow the impact of its private sector strategy. Such an approach, as recommended in the submission, will be critical to the government building on the successes it has achieved to date, while also being able to position itself to engage a far broader cluster of companies that are willing to partner with the aid program.

INCLUSIVE BUSINESS AND THE AUSTRALIAN AID PROGRAM

One of the keys ways that the government has sought to partner with the private sector is through fostering the development of inclusive business models using a shared value approach.

Inclusive business models are one of the multiple ways in which the private sector can contribute to the sustainable development of emerging economies – benefiting both business and society. Beyond traditional philanthropic models, inclusive business is a business approach that generates, and brings to scale, innovative solutions to major challenges faced by low-income communities. These commercially viable business models enable underserved communities to improve livelihood opportunities by integrating them into companies' value chains as customers, producers, suppliers, employees or distributors.

For companies, the business case and commercial motivations for utilising inclusive business models include generating profits, developing new markets, driving innovation, expanding the labour pool, strengthening value chains, enhancing brand and reputation, increasing productivity, and building and enhancing social license to operate.

Inclusive business contributes to the objectives of Australia's aid program by driving positive social and development impact for the base of the economic pyramid, while simultaneously providing new avenues of growth, innovation and competitive advantage for the private sector¹.

Importantly, the application of inclusive business models directly aligns with the priority of the Australian aid program to involve the private sector as a core partner in delivering support to the Indo-Pacific region. It is a practical application of the Ministerial Statement on engaging the private sector in aid and development – “Creating shared value through partnership” – delivered by the Minister for Foreign Affairs on 31 August 2015. At its core inclusive business embraces shared-value principles championed by the government through aligning business values with social impact.

Table 1. Australian government initiatives promoting inclusive business as a means of achieving the objectives of the Australian aid program

Australian Government Department	Initiative/Strategy	Description
DFAT	Business Partnerships Platform (BPP)	BPP contributes directly to accelerating Australia's collaboration with business, to address development challenges in our region through co-funding.
DFAT	PRISMA	Promotes the increase of rural incomes in Indonesia through supporting the development of new business models with the private sector.
ACIAR	Market Linkages	Fosters more inclusive agri-food and forestry market chains, engaging the private sector where possible
InnovationXChange	Frontier Innovators	Support for innovative businesses in the Asia-Pacific that are delivering impact through their work that supports the Sustainable Development Goals.

INCLUSIVE AGRIBUSINESS AND ENHANCED DEVELOPMENT OUTCOMES

The Australian aid program has identified six investment priorities². Included in this list is a commitment to invest in Agriculture, Fisheries, and Water. The emphasis on agriculture is of paramount importance to the strategic effectiveness of the aid program as smallholder subsistence farmers³ make up to three quarters of the world's poor with women comprising about 43 percent of the agricultural labour force⁴. This occurrence of agriculture as the predominate source of livelihoods for the world's poor is especially reflected in the key regions and countries of focus of the aid program:

¹ Delivering on the Sustainable Development Goals, World Business Council for Sustainable Development, page 3

² Department of Foreign Affairs and Trade. Aid Topics, Investment Priorities, <http://dfat.gov.au/aid/topics/investment-priorities/Pages/investment-priorities.aspx>

³ Smallholder farmers by definition are subsistence farmers that have one to two hectares of farming land available. Source: Food and Agriculture Organizations of the United Nations

⁴ The role of women in agriculture, ESA Working Paper No. 11-02, The Food and Agriculture Organization of the United Nations

- The Asia Pacific region is home to 361 million⁵ smallholder farmers, with agriculture providing 40.3 percent of employment in South-East Asia and the Pacific⁶.
- Papua New Guinea (PNG) is Australia's largest recipient of ODA, and more than 80 percent of the population earn a living from subsistence agriculture⁷.
- In Africa, small-scale farming supports the livelihoods of up to 80 percent or half a billion people⁸ and yet in sub-Saharan Africa its benefits are not being fully realised with more than 300 million rural poor and 62 percent of those living on less than USD1.25 a day.

Continued and increased investments in agriculture is one of the most meaningful ways for the Australian aid program to reduce poverty, tackle the empowerment of women and ensuring that the investments and performance of the aid program count. Highlighting this reality, the International Fund for Agricultural Development affirms that business growth generated by agriculture is up to four times more effective in reducing poverty than growth in other sectors. In PNG alone, every USD \$1 in direct income generated in agriculture can trigger 30 to 80 cents in second income gains elsewhere in the PNG economy.

Support for and the application of inclusive agribusiness models must be a key component of the aid program's focus on agriculture, as many barriers that smallholder farmers face can be addressed sustainably by partnering with the private sector – for example, access to better tools, access to finance, inputs and training and links to markets.

Women potentially have the most to gain through this approach with them often being viewed as the backbone of smallholder agriculture. Providing women opportunity to be economically empowered also drives opportunities to shift cultural perceptions of the role in women in a community. Thanks to being linked to commercial market opportunities woman can add to the household income which means the family can move from subsistence farming. With greater income household spending can also be directed to improving the standard of living via investing in food security, education and healthcare.

For the Australian Government, stimulating inclusive agribusiness can result in leveraged impact as companies take inclusive business initiatives to scale. Though not limited to agriculture, DFAT has already realised this type of gain through the BPP. In its first two rounds, BPP has leveraged \$14.32 million in private sector funding, with the private sector contributing \$1.87 for every \$1 that the Australian Government contributes.

⁵ Dalberg Global Development Advisors (2012) *Catalysing Smallholder Agricultural Finance*

⁶ International Labour Office (2014), *Global Employment Trends*, http://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms_233953.pdf

⁷ Bourke, RM, Harwood, T, *Food and Agriculture in Papua New Guinea*, ANU Press, 2009

⁸ Department of Foreign Affairs and Trade. *Africa and the Middle East*, Africa region brief, accessed 22 August 2017, <http://dfat.gov.au/geo/africa-middle-east/Pages/africa-region-brief.aspx>

Table 2. Examples within the Australian aid program of initiatives supporting inclusive agribusiness as a means to achieve sustainable development outcomes

Australian Government Department	Initiative/Strategy	Activity
DFAT	Business Partnerships Platform (BPP)	47% of BPP initiatives funded focus on supporting the development of inclusive agribusiness activity.
DFAT	Grow Asia	DFAT is a core funding partner of Grow Asia a multi-stakeholder partnership platform that catalyses action on inclusive and sustainable development in South East Asia. Established by the World Economic Forum and the ASEAN Secretariat Grow Asia has a goal to reach 10 million smallholder farmers by 2020.
InnovationXChange	Frontier Innovators	Nine of the 32 finalists selected for the Frontier Innovators program focus on developing agribusiness initiatives that contribute to the SDGs

RECOMMENDATIONS FOR GOVERNMENT

The Australian aid program has achieved a track record of success in promoting the opportunity for the private sector to undertake inclusive business, as reflected in the number of companies engaged in DFAT's private sector-led initiatives. This success has resulted in a range of small, medium and large Australian and international companies partnering with the government to drive sustainable development outcomes.

To expand the Australian aid programs' reach and impact, the Australian Government has the opportunity to engage a greater number of large Australian and multinational companies that have an existing footprint in aid recipient countries. To do so the aid program will need to inspire a new generation of companies that are willing to co-invest with the Government towards the 2030 Agenda.

We recommend that the aid program:

1. Articulates the business case for companies to invest in the development of inclusive business models that contribute to the SDGs. This should include commercially oriented profit drivers including return on investment, as well as social development aspects reflected in shared value theory.
2. Utilise and promote its existing inclusive business investments and partnerships with multinational companies and multi-stakeholder platforms as a leverage point to engage more companies in the aid program as well as driving capital contributions from social and mainstream investors. The development of flagship initiatives and case study materials could be appropriate mechanisms to achieve this end.
3. Intensify its efforts in calling companies to action through a targeted approach that sees closer engagement with key sectors and companies that have the greatest alignment with the Australian aid program and the 2030 Agenda.

4. Enhance the targeting of food and agribusiness industry as key partners in the aid program and to increase its funding of agriculture and food security initiatives that will significantly contribute to the achievement of SDG 1 No Poverty, SDG 2 Zero Hunger and SDG 5 Gender Equality.
5. Work closely with Austrade to promote the opportunity for Australian companies operating abroad to utilise inclusive business, and build the capacity of these companies that have little experience in developing these business models.
6. Continue to build the capacity of its staff at post to identify, initiate and develop inclusive business partnership opportunities that contribute to the SDG priorities of ODA recipient countries.
7. Appoint sector liaisons to lead engagement and initiate partnerships with targeted companies that have greatest potential to contribute to the objectives of the aid program.

ABOUT BUSINESS FOR DEVELOPMENT

At Business for Development we believe one of the key drivers to solving extreme poverty is through inclusive economic growth, working in partnership with business.

As a leading NGO that works with the private sector, we have developed numerous inclusive business partnerships – in countries like Papua New Guinea, Kenya and Laos – using a model which enables us to harness the power of the markets and connect smallholder farmers to commercial opportunities. Inclusion is about opportunity. And through including farmers and their families in the value chain they are given the tools, choice and ability to break the cycle of poverty.

- END -

Please direct any enquiries to:

[REDACTED]

[REDACTED]