

A shared value? The role of the private sector in international development

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Last week, Foreign Minister Julie Bishop released the government's long-anticipated strategy on private sector engagement for development. It arrived in the form of a Ministerial statement entitled [Creating Shared Value through Partnership](#) [pdf] and is effectively an invitation to the private sector to work with the Australian Government to deliver aid and development outcomes. At the same time, the Australian Council for International Development (ACFID) released new research into the way Australian NGOs are already partnering with the private sector, and the extent to which these partnerships reflect the shared value model. This research shows that Australian companies are lagging behind the rest of the world when it comes to shared value partnerships.

The government's private sector strategy echoes the [aid policy and performance framework](#), which places emphasis on the involvement of the private sector in Australia's aid program. Engaging the private sector is now one of the [ten performance benchmarks](#) for the aid program, and all new aid investments must consider ways to engage the private sector before they can be approved for implementation.

The new strategy builds on this by encouraging the private sector to work with NGOs and other partners to develop projects that build shared value. These are projects that deliver 'sustainable social impact in developing countries while achieving commercial returns.'

The Australian Government's focus on private sector engagement within the aid program is not unique. Other donors, including New Zealand and the United Kingdom, have taken similar approaches with varying success, while the US has long encouraged private sector organisations to contribute to aid and development efforts.

These policy shifts reflect a broader recognition across the international development community that the activities of the global private sector have a significant and multifaceted effect on developing countries. The [Addis Ababa Action Agenda](#) [pdf], the global financing agreement that will effectively fund the Sustainable Development Goals, emphasises the importance of engaging the private sector as critical development actors. The concept of shared value is interwoven throughout the Agenda. Private sector organisations are urged to play a greater role across many aspects of development, from adopting sustainable development practices, facilitating technological transfer and contributing to gender equality by ensuring equal pay and decent work for women.

To better understand the role of the private sector in development, ACFID surveyed its membership to map existing partnerships between ACFID members and Australian and international private sector organisations. The results of the survey, contained in ACFID's new report, [Partnering for Development: How Australian NGOs partner with private sector organisations in international development](#) [pdf], shows that Australian aid and development NGOs are already actively engaging with the private sector to achieve development outcomes. In fact, two-thirds of ACFID members reported that they partner with private sector organisations, and of those organisations that do not currently partner, more than half indicated that they intend to in the future.

While the survey results show that engagement between NGOs and private sector organisations takes many forms, the most common form of partnership identified was the traditional corporate giving model, where NGOs leverage the funds and resources of their private sector partners. Only 24 per cent of all private sector partnerships identified were focused on improving the core business activities of private sector organisations to achieve development outcomes. These include partnerships to build shared value projects or shift existing business practices to mitigate harm or generate positive development outcomes for developing communities.

Just 12 per cent of Australian companies that partnered with NGOs did so on projects that build shared value or shift business practices to improve development outcomes. By comparison, around 40 per cent of partnerships with international private sector organisations were shared value partnerships.

This hesitance to invest in shared value projects extends to the Australian domestic context. A [recent report](#) by the Shared Value Project and Social Ventures Australia found that 'shared value is still in its infancy in Australia' with few Australian companies partnering with domestic NGOs to develop projects that both make economic sense and generate social returns for the Australian community.

Supporting Australian private sector organisations to engage in the shared value space is an important opportunity for Australia's aid and development efforts. [According to the OECD](#) [pdf], embedding development considerations as part of core business strategies can be a far more effective and lasting approach to development than funding arrangements through corporate social responsibility arms.

Encouraging private sector organisations to partner with experienced NGOs can ensure that private sector engagement generates good development outcomes for developing communities. Moreover, private sector partners benefit from the networks, local knowledge and expertise of their NGO partners, lowering the business risk of entering new markets. NGOs, for their part, can benefit from the expertise and skills of the private sector, particularly to improve project design and implementation.

ACFID's survey also shows that there is significant potential to capitalise on synergies between key development areas and the expertise of private sector partners. For example, while financial services firms are common private sector partners, they largely engage by providing financial resources to NGOs. The impact on development outcomes could be compounded if these firms also contributed their financial expertise to build shared value projects that increase access to financial services in developing countries.

Given the potential benefits, why then are Australian companies lagging behind the rest of the world in building shared value? Much of this could stem from a lack of awareness and understanding of international development. Over 20 per cent of ACFID members who did not engage with the private sector reported that private sector organisations were simply not interested in partnering for development projects. NGOs too can often be hesitant to engage with the private sector, for fear that corporate interests will conflict with development outcomes.

Yet, addressing development challenges requires positive and concerted action by all sectors. The government's strategy may be an important step to help more Australian firms recognise that embedding development considerations in their core business strategy can generate profits, while contributing to broader prosperity and poverty reduction.

ACFID's research report, 'Partnering for Development: How Australian NGOs partner with private sector organisations in international development' can be found [here](#) [pdf].

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