



Australia's International Development Contractors Community

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Nicholas Moore  
Special Envoy for Southeast Asia  
Department of Foreign Affairs and Trade

Dear Nicholas Moore,

The International Development Contractors' Community (IDCC) welcomes your appointment as Australia's first Special Envoy for Southeast Asia. We thank you for the opportunity to contribute insights and experience into the preparation of the Australian Government's *Southeast Asia Economic Strategy to 2040*.

The IDCC represents international development contractors and consultants engaged in the design, delivery and evaluation of Australia's international development programs. IDCC members have excellent in-country understanding of the opportunities and challenges involved in furthering Southeast Asia's development and experience in building partnerships between Australia and countries in the region. The IDCC offers the following insights in response to the questions posed in your letter.

**Where are the greatest opportunities for economic partnerships between Australia and Southeast Asia to contribute to poverty reduction, resilience and inclusion?**

Southeast Asia is a diverse region so Australia's partnerships should seek to support locally-led development as expressed in the economic policy documents of Southeast Asian countries, regional alliances, and enterprises. Australia should maintain the capability to undertake economic, political-economy and drivers of change analyses in the region to underpin its engagements. Partnership opportunities could lie in both assisting countries avoid the "middle-income trap" and targeting poverty reduction, increased resilience, and inclusion. Australia should support regional, bilateral, and people-to-people partnerships.

Specific opportunities include:

- Economic governance partnerships that facilitate the implementation of Free Trade Agreements, the passing of effective legislation and the design of investment approaches that enable innovative and inclusive public and private sector development. DFAT can build on the development program's experience in governance, public financial management, private sector engagement and development, anti-corruption, and institutional partnerships, at national and sub-national government levels.

- Climate and infrastructure investment: Development and support for the at scale utilisation of: renewable energy, climate change adaptation, resilience and disaster preparedness technologies and practices; green transport solutions for the transport of goods and people; energy security; effective logistics systems; and waste management.
- Target industries: Partnerships that target enhanced private sector linkages and foreign direct investment in key industries, for example electric vehicles and telehealth.
- Developing human resources and promoting productivity: developing micro, small and medium enterprises (MSMEs), harnessing the digital sector, developing health and social protection systems, enhancing education and training in areas that address mismatches of jobs and skills and those that address emerging skill requirements (e.g., IT and data focused). There will continue to be a strong demand for Australian degrees and certifications that are globally recognised.
- Closing gender gaps in workforce participation, by addressing gaps in labour market recovery and supporting care work, womens' leadership (especially in male dominated sectors and emerging sectors like social enterprises), wealth accumulation, and mental health.
- Health and wellbeing: Further investment into expanding access to potable water, and improved sanitation and hygiene, and investment into preventive, diagnostic and curative health services.
- Investing in young people and enabling those in remote communities to complete secondary and tertiary education and provide entrepreneurship and digital skills to bridge inequalities.
- Enable greater economic participation amongst vulnerable and disadvantaged populations as many countries lack social protection systems and laws to safeguard against discrimination in access to services and opportunities.
- Supporting regional organisations, including formal regional government organisations (ASEAN and APEC) and quasi government organisations (those promoting research or specific actions) can help organisational effectiveness and enhance broader alliances.

### **What obstacles prevent Australian businesses from contributing to poverty reduction, resilience and inclusion in Southeast Asia**

- Trade policies: Protectionist trade policies and gaps in trade regulation.
- Sectors that are 'closed shops', often enabled by legislation, with key economic players and government collaborating to reap substantial economic benefits.
- Australian lack of understanding of business-related government regulations and their enforcement in dynamic political economy environments, with complex value chains, and challenging contracting, procurement, and employment laws.
- Australian lack of awareness of opportunities in geographies such as Indonesia, and limited business-to-business linkages with companies in Southeast Asia.
- Insufficient emphasis upon de-risking investments that have significant social and development benefits.

- Lack of familiarity in Australia with the nuances and complexities required to successfully operate in the region, including limited language skills, cross-cultural competencies, and the willingness to invest time and funds into relationship formation and maintenance.
- A lack of direct flights to locations in Southeast Asia outside of capital cities. Easier access would further the potential for partnership.
- The benefits of addressing gender equality, social inclusion and disability are not high enough on the agenda of Asian businesses. The good work of UN Women and DFAT's own Investing in Women needs to be recognised, promoted, and expanded.
- Differential experiences of Australian, regional, and local businesses with the penalties and risks attached to engaging in corruption.
- Uncertainty relating to COVID-19 and possible future health crises is undermining travel and investor confidence.

### **What do you see as the main trends and drivers of change affecting economic development in the region to 2040?**

Overall, the region faces both opportunities and challenges from renewed global attention and investment and local contextual realities. External trends and drivers of change include increasingly polarised global and regional politics, climate change and security.

Domestically, many governments will be challenged by their tight fiscal positions, often compounded by the effects of COVID-19. As debt increases and government spending becomes potentially constrained, governments may try to mobilise private funding through approaches creating higher risks.

- Workforce changes - we observe significant changes in the workforce:
  - o Mobility of labour within the region – greater mobility is making it easier for people with skills to be utilised where they are most effective or of value, but with potential negative consequences for areas of significant out-migration.
  - o Coupled with workforce transition - significant job losses due to automation, leading to requirements for reskilling and upskilling.
  - o Impacts of climate change on workforce such as reduced physical and mental wellbeing and forced mobility as people move from rural to urban occupations to avoid environmental degradation. Impacts can include increased risk of injury, illness, reduced quality of life, disability, social isolation and increased psychological harm.
- Growth in ASEAN region's internet economy is outstripping previous forecasts, creating huge economic opportunities in digital business that will need to be backed by strong telecommunications and regulatory infrastructure to maximise data flows and equitable access between the countries of the region.
- The greater use of digital platforms and e-commerce, raising the importance of digital literacy, digital regulation, and stable, affordable, and inclusive internet connectivity and additional cyber security challenges.

- Climate change and its impacts on social and economic development, for example on the availability of food and energy, and the need for investment in climate resilience across all sectors, especially infrastructure.
- Increasing numbers of trade agreements (including RCEP and AANZFTA) and higher levels of foreign direct investment which have the potential to both benefit and disadvantage women.
- MSME Business development: More small businesses and entrepreneurship, largely youth driven – business ecosystem needs to support micro, small and medium enterprises with funding for innovation.
- Availability of public institutions able to step up delivery of a widening array of public goods, services, and fiscal policy for transformation
- Issues of transnational organised crime – especially drug and smuggling trades that continue to undermine economic prosperity.

**What is the reputation of Australia as an economic partner in the region? Where are we doing well? Where are we not? What do other partners do better than us?**

Doing well

- Australia is recognised for playing a supportive role to help Southeast Asian partner Governments deliver high level partnerships, for example ASEAN meetings and key bilateral and regional dialogues through the provision of advice and networks.
- Australia has specialist skills in key industries that can be of use to the region (e.g., sustainable infrastructure, water and sanitation, skills training, education and extractives).
- Australia has a strong private sector with good networks in some locations (e.g., China, Vietnam) and less good in others (e.g., Indonesia).
- Australia is recognised as a regional leader in gender equality, disability, and social inclusion.

Not Doing Well

- Other countries are understood to be ahead of Australia on climate adaptation, mitigation and understanding the linkages between climate change and economic trends e.g., renewable energy. Australia's reputation on climate is improving, which should have flow on effects in countries with ambitious sustainability/climate goals.
- Australia needs to do better at building brand recognition, especially for products and services, including through increasing scale and diversification.

Other partners

- Australia does not directly compete with other countries in terms of the size of its international development assistance budget, its domestic market size, nor is it a global

superpower. Nonetheless Australia can carve out a niche, with close partnerships built on deep contextual understanding and long-term relationships.

- In infrastructure, Australian can either provide complementary services to or collaborate with Japanese, Chinese and South Korean or others/firms that have earlier entrant and scale advantages in the market.
  - Leverage Australia's comparative advantages including in building human capital, planning for clean energy transitions, and supporting digital trade.
  - Provide support to build safeguarding in supply chains, based on demonstrated Australian expertise in ESG and corporate sustainability.
- For these reasons, Australia benefits from using international development program finance to pursue long term goals and trusted partnerships, rather than shorter term diplomatic expediency.

### **Case study**

The IDCC wishes to share the following case study written by colleagues delivering the Prospera program in Indonesia. Prospera is a A\$259 million, eight-year partnership in Indonesia that delivers support to the government, contributing to strong, sustainable and inclusive growth, recognizing that a prosperous Indonesia has flow on benefits to Australia. If appropriate, I would be grateful if you could confirm your intention to use the case study prior to publication so that program colleagues can review material for accuracy.

Thank you again for the opportunity to contribute to this important initiative.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Jane Haycock', with a long horizontal line extending to the right.

Jane Haycock

Chief Executive Officer  
International Development Contractors' Community

cc. Joanne Choe, Chair IDCC Board  
Senator Hon Penny Wong, Minister for Foreign Affairs and trade  
Senator Hon Don Farrell, Minister for Trade and Tourism, Special Minister of State.

## Case study on PROSPERA/KATALIS

### Where are the opportunities for economic partnerships between Australia and Southeast Asia to contribute to poverty reduction, resilience and inclusion?

[Prospera](#) is a A\$259 million, eight-year partnership building on two decades of Australia's steadfast support for economic governance in Indonesia in the wake of the devastating Asian financial crisis. Prospera delivers support to the Indonesian government through a combination of expert advisers and 15 Australian agency partnerships. Prospera's goal is to contribute to strong, sustainable and inclusive growth in Indonesia - a prosperous Indonesia that has flow on benefits to Australia.

Key results over the past year include:

- **New finance sector law** passed that takes strategic steps in generating finance for development, preparing to deal with financial crisis, and breaking ground in new issues such as digital banks and carbon markets. Prospera contributed substantially to most areas.
- **G20 Indonesia presidency** supported by Australian Treasury and advisers through Prospera including policies regarding macroeconomic outlook, recovery, taxation, food and energy security.
- **Open investment stance** maintained through support for executing Indonesia's Job Creation Law, including benchmarking peer countries and increasing the economic evidence base for open investment.
- **Disability concessions** pilot and regulatory steps initiated by the Ministry of Finance to enable greater participation of people with disability, with pivotal Prospera policy and research support.

### What obstacles prevent Australian businesses from contributing to poverty reduction, resilience and inclusion in Southeast Asia?

Under the umbrella of Prospera, [IA-CEPA ECP Katalis](#) demonstrates how ODA can be deployed to increase two-way trade and investment with the following parameters in mind:

- Katalis is designed to be complementary to other Australian economic engagement directly through DFAT, Austrade, Export Finance Australia and others.
- Katalis' unique value proposition to business is to offer the backing of two governments (Indonesia and Australia), to invest in scalable business transactions with development outcomes.

The Katalis model is to de-risk investments with technical support, expert know-how and joint government endorsement.

Katalis-supported initiatives include:

- **Sansusa Medika** - a joint venture between Aspen Medical and Docta Pty Ltd from Australia—and a West Javan SOE, PT Jasa Sarana, aimed at investing over AUD 1 billion in health services in West Java over a 13-year time horizon. [Katalis](#) has produced Banking Feasibility Studies in collaboration with Sanusa Medika for the first two hospitals in two districts in West Java. If successful, Sanusa Medika plans to expand its network and add 21 hospitals in various districts in West Java (as well as 650 smaller health care clinics).
- **Privy** - an Indonesian company offering digital identity and signature solutions that will test Australia as a market, as part of its global expansion strategy. [Katalis](#) will support a market entry strategy covering the regulatory and commercial landscape and a go-to market strategy.

## What are the main trends and drivers of change affecting economic development in the region to 2024?

Prospera sees the following themes shaping resilience in the next few years for Indonesia and the wider region:

- **Climate, food and energy:** Adaptation, mitigation and prevention in a world affected by significant environmental change.
- **People, skills and health:** Dynamic lifelong skills systems enhanced by high quality health systems and inclusive basic education for all.
- **Digital resilience, trust and inclusion:** Digitally literate society ensuring access for all and regulatory system boosting trust.
- **Jobs, trade and investment:** Innovative private sector that is responsive to emerging opportunities created by economic transformation.
- **Finance and risk:** Funding for transition, innovation and risk while addressing stability threats from climate and digitalisation.
- **Public institutions:** Public institutions step up delivering an increasing array of public goods and fiscal policy for transformation.

Indonesia and Southeast Asian nations are crafting economic and social policy in a period of global upheaval – climate change, a digital revolution, food insecurity, the Covid-19 pandemic, geopolitical stress and a fragmenting global trade system standout. Economies will change and policy and institutions will make a decisive difference about whether the direction of travel is positive one.

## What is the reputation of Australia as an economic partner in the region? What is Australia doing well? What is Australia not doing well? What do other partners do better?

In international economic cooperation, Australia was seen as a constructive and supportive partner to Indonesia's G20 Presidency in 2022. Australia can build on that relationship throughout Indonesia's Chair of ASEAN in 2023 and other key bilateral economic dialogues with Indonesia such as the Economic, Investment and Trade Ministerial Meeting, first initiated in 2020.

In terms of development assistance, Australia offers agility with grant-based programs that can be deployed more flexibly compared to loans. A grant model enabled Prospera to quickly pivot during the early onset of the Covid-19 pandemic in Indonesia:

*"The positive signal for Indonesia's economic growth... is a result of cooperation between governments, stakeholders and local governments and also the support of the Australian government cooperation through Prospera whom the Coordinating Ministry for Economic Affairs can rely on to help formulate policies and also to mitigate the negative impact of the Covid-19 pandemic."*

Minister Airlangga Hartanto, Coordinating Minister for the Economy, December 2020

Other countries offer more transactional partnerships structured around the delivery of infrastructure for example, with clear business linkages back to the donor country. Notably Australia cannot 'compete' in terms of the scale of the development budget, domestic-market size, nor is it a global superpower. Nonetheless Australia can carve out a niche, with close partnerships through the development program. Prospera and Katalis are examples of this approach.