



Committee Secretary
Joint Standing Committee on Foreign Affairs, Defence and Trade
PO Box 6021
Parliament House
Canberra ACT 2600

6 May 2014

To whom it may concern,

Re: The role of the private sector in promoting economic growth and reducing poverty in the Indo-Pacific region

ChildFund Australia welcomes the Committee Inquiry, and the opportunity for ChildFund Australia to contribute to this important policy discussion. The following points are recommended for the Committee's consideration.

Economic growth as the driver of poverty reduction

In many countries around the world, there is strong evidence that economic growth is resulting in poverty reduction. Economic growth creates jobs, raises living standards and opens new opportunities for poor families. At a micro-economic level, ChildFund Australia, as a child-focused international development agency, implements numerous projects to improve family incomes and encourage greater business activity for local communities. ChildFund's experience confirms that economic activity is an essential part of reducing child poverty and improving living standards in the regions in which we work.

However, we question the assumption that economic growth *automatically* results in significant inroads to poverty reduction. Papua New Guinea acts as a pertinent reminder of how significant resources and consistent economic growth do not necessarily result in a generalised improvement to living standards.

PNG is currently benefitting from its longest ever period of uninterrupted economic growth, according to the World Bank, and has several large scale extractive projects underway including the LNG pipeline. Yet despite this influx of foreign investment, PNG is ranked at 156 of a total of 187 countries in terms of its human development and many of PNG's Millennium Development Goal targets will not be met. With significantly high child and maternal mortality rates, low school enrolments and a shortage of basic infrastructure including water and sanitation services, only a



ACFID
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small segment of the population appears to be benefiting from the strong growth in GDP over the past decade.

ChildFund also cautions against expecting economic growth to automatically deliver poverty reduction for all. In Vietnam, often referred to as a development success story, World Bank figures show per capita income increasing from less than \$100 in 1986 to \$1,130 in 2010. Yet while this economic growth has been widespread, there still remain significant pockets of the population which are yet to benefit. Extreme poverty is still present in many districts of Vietnam that geographically or demographically fall outside the economic growth areas.

ChildFund is currently implementing child-focused development programs in northern Vietnam. Here, the majority of people are from ethnic minority groups and reside in remote and difficult to access mountainous areas. Both these factors contribute to the high rates of poverty. Communities here are among the most vulnerable and marginalised people in Vietnam, with widespread problems of child malnutrition, illiteracy and inadequate health care.

Economic growth has to be responsible and equitable if it is to be regarded as successful in reducing poverty. As a member of the Australian Council for International Development (ACFID), ChildFund encourages the Government to adopt ACFID's recommendation for a benchmark on inclusive growth¹: "Aid targeting the poorest 40 per cent of people in middle and low income countries. Creating opportunities for all including women's empowerment, disability inclusion and other vulnerable and marginalised groups."

This industry standard supports the World Bank position that economic growth must be focused on fostering income growth and opportunities for the poorest 40 per cent of people in developing countries, as well as those who live just above the threshold and are vulnerable to back-sliding into poverty².

Encouraging private sector engagement

ChildFund Australia welcomes the government's interest in encouraging more engagement from the private sector in aid delivery and implementation. The private sector is already playing a significant role and there is great potential for an increased contribution.

However the private sector's chief contribution to poverty reduction will be through responsible economic investment and job creation. In addition, the private sector's contribution of a fair share of tax is fundamental to poverty alleviation as developing country governments struggle to provide basic services.

While encouraging new forms of involvement by the private sector, it is important that traditional forms of contribution be maintained and encouraged. These are carried out often through corporate and social responsibility operations and include grants, contributions, volunteering, gifts-in-kind and pro bono expertise. More corporates are also now establishing payroll giving schemes which allow

¹ Benchmarks for an Effective and Accountable Australian Aid Program, ACFID, 2014.

² End Extreme Poverty and Promote Shared Prosperity, World Bank, 2013.





their employees to easily support overseas aid organisations of their choice. Such assistance has been of great benefit to NGOs such as ChildFund and has extended and improved development programs in developing countries.

It is important that further consideration be given to how to develop and implement these and other partnership models, and further incentives should be provided by government for these conventional forms of support.

Providing incentives to the private sector

We believe the Australian government has an important role to play in incentivising the private sector engagement in developing countries. However, we emphasise that any development and resulting economic growth can only be deemed as truly successful where it is both equitable and widespread.

In a joint research project undertaken in 2011³, ChildFund and other organisations examined the impact that the LNG project is having at a community level in the Hela Region of Papua New Guinea. One of the most significant extractive projects to take place in recent years, the project offers a variety of potential benefits to local communities, including royalty payments, small business start-up grants and increased employment prospects. However, there are also significant challenges—many communities had to be resettled, a failure to conduct proper land ownership identification resulted in strained community relations, and cash windfalls were often quickly spent with no apparent long-term benefit to families.

In contrast, organisations such as Oilsearch have in recent years made great strides in their corporate social responsibility activities, and in increasing the transparency with which they operate. The government can play a valuable role in creating a regulatory environment which makes it mandatory for Australian private sectors companies to work according to the same set of best practice standards that govern their work at home.

By upholding the highest levels of public accountability and transparency, the government can ensure that responsible and equitable economic growth takes place in developing countries in our region.

New forms of private sector collaboration

ChildFund Australia welcomes new forms of collaboration with the private sector and in particular is keen to see the Government explore the use of new financial instruments such as development impact bonds. As a partnership contract, development bonds, or social benefits bonds as they are referred to in Australia, may provide an excellent new framework for private sector involvement in overseas development assistance.

³ The Community Good: Examining the Influence of the PNG/LNG project in the Hela Region of Papua New Guinea, 2012.





The need for micro-economic stimulus

As private sector organisations become more involved in aid delivery projects, it is vital that they play an important role in stimulating micro-enterprises in the regions in which they work, in the same way as they generate increased middle and large scale enterprise.

Most of the world's poorest families are dependent on small scale business enterprises, such as street vending, small scale agriculture and livestock management. It is vital that these small businesses are given the opportunity to grow, gain access to assets, achieve access to markets, are provided with safe environments to operate, receive support and incentives. If attention is not given to the micro-economies in poor countries, impoverished communities risk being left out of the economic growth cycle altogether.

The role of women in a thriving private sector

Although female farmers produce more than half of the world's food, and work two-thirds of the world's working hours, women receive less than 10% of the world's income and continue to be denied access to land and resources⁴.

Barriers to women's economic opportunities in the Indian Ocean Asia-Pacific include: unequal gender relations manifested at the household level in relation to family decision making; community norms which prioritise boys' education and vocational training over girls'; unequal control of family income. ChildFund Australia works to create economic opportunities for women through a variety of livelihoods programs. These include vocational training, business start-up support and micro finance savings and loan schemes.

The promotion of women and girls' human rights has widespread implications for economic and social development. For example, investment in girls' education has proven to increase the number of female wage earners in society, increase productivity for employers, and reduce the incidence of child marriage and HIV rates. Economic growth can only be sustained when children's education is addressed and a skilled, educated, healthy workforce is in place.

Thank you for the opportunity to contribute to the Inquiry. We look forward to Committee's findings and recommendations. If you require further information please do not hesitate to contact me or ChildFund Australia Communications Manager, Larissa Tuohy.

Yours sincerely


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ChildFund Australia

⁴ Gender Equality, Oxfam Australia, 2014.

