

Submission on Australia's Southeast Asia Economic Strategy

The Australian Council for International Development (ACFID) appreciates the opportunity to provide this submission to the Department of Foreign Affairs and Trade to support its development of a Southeast Asia Economic Strategy to 2040.

Further information about ACFID and its members is provided at Appendix A.

Executive Summary

We welcome the Australian Government exploring emerging opportunities to engage economically with Southeast Asia, and in particular, ways that Australian businesses can support the region's energy transition and effectively respond to climate change. If Australia wants a region that is secure, peaceful, prosperous and one where the respect for rule of law is upheld, then Australia must lead by example. This means pursuing economic engagement that: supports broad-based and inclusive economic development growth; contributes to resilient institutions and good governance; is guided by environmental, social safeguarding, transparency and accountability standards and mechanisms. ACFID believes that achieving this would require scaling up development finance (including impact investing and blended finance), ensuring alignment between our economic and development engagement, and involving a broad range of actors (including NGOs and civil society) in economic engagement initiatives. The new Southeast Asia Economic Strategy (hereafter "the Strategy") offers an opportunity to articulate how Australian private sector engagement will align with the New Development Policy and see Australian businesses in the region contribute to shared and inclusive prosperity in Southeast Asia.

SUMMARY OF RECOMMENDATIONS

ACFID makes the following recommendations to the Department of Foreign Affairs and Trade as key components and considerations for Australia's new Southeast Asia Economic Strategy.

Recommendation 1: Ensure that the Southeast Asia Economic Strategy aligns with, and ideally advances, the principles and objectives of the New Development Policy.

Recommendation 2: Adopt a whole-of-sector 'do no harm' approach to Australia's economic engagement in Southeast Asia, which ensures private investment meets legal and human rights obligations.

Recommendation 3: Scale up the Australian Government's portfolio of non-sovereign development finance in Southeast Asia, including impact investing and blended finance, to support broad-based and inclusive economic growth that also achieves development objectives.

Recommendation 4: The Australian government should incorporate analysis of civic space and identify opportunities for civil society engagement in its creation of the Southeast Asia Economic Strategy, as well as annual investment plans and country strategies.

Recommendation 5: In implementing policy settings for the Southeast Asia Economic Strategy the Australian government should facilitate engagement and build networks between NGOs and the private sector.

Recommendation 6: Institute clear accountability, transparency and anti-corruption policy guidelines for private sector engagement with Southeast Asia.

Recommendation 7: Implement policy mechanisms and settings that support gender, disability and social inclusion in private sector engagement with Southeast Asia.

Recommendation 8: Along with Australia contributing its fair share to address the climate crisis which is considered to be \$12 billion per annum by 2030, Australia should actively employ private sector policy mechanisms that outline pathways for Australian businesses to assist in a clean energy transition in Southeast Asia. Australia should ensure that any business and private sector engagement with Southeast Asia supports local communities and governments in combatting climate change as outlined in the New Development Policy.

Harnessing the private sector towards development objectives

One of the greatest challenges to Australia's economic engagement in Southeast Asia will be operating within environments and contexts with greatly different institutional structures and governance models to Australia. The way in which decisions are made by, with and for the private sector offer challenges but also opportunities to uphold and support clear standards and commitments across a range of outcomes with development impacts.

While Australian economic engagement with Southeast Asia offers the benefits of emerging markets and new investment openings which will be mutually beneficial for both Australia and our Southeast Asian neighbours, it also offers an opportunity to support development objectives including promoting broad-based and inclusive economic growth, strengthening civil society and contributing to effective governance, advancing gender equality, reducing rates of gender-based violence, supporting climate resilience and promoting the rights and inclusion of people with disabilities.

Australia provides development assistance to a number of Southeast Asian countries through partnerships administered by the Department of Foreign Affairs and Trade (DFAT). These partnerships outline development aims and projects underway across a range of development areas including health, climate, governance, social protection and post-COVID economic recovery across Southeast Asia. The work undertaken by development organisations on the ground has seen significant progress made in Southeast Asia over the past decades.

It is essential that, at a minimum, further private investment, business and trade interactions between Australia and Southeast Asian countries do not undo the progress that has been made. This means ensuring private sector practices adhere to a 'do no harm approach,' be consistent with Australia's legal and human rights obligations and meet transparency and accountability requirements. Local partners should be consulted and engaged with in a meaningful and tangible way to ensure that local capability is not diminished in the process of standing up private business projects and operations across the region.

Moving beyond this baseline, **there is significant scope to utilise Australia's economic engagement to advance development objectives across Southeast Asia. This must be a key focus of the Strategy.**

Advancing development objectives can be achieved at a strategic level by creating alignment between the Strategy and the Government's New Development Policy. This must also be achieved at a programmatic level, by ensuring country strategies for development and economic engagement are designed holistically, with input from a broad range of partners.

Southeast Asia offers immense potential for the Australian Government to scale up its use of development finance (a stated objective of Ministers and reflected in the Government's Development Finance Review). In particular, Australia should expand its toolkit of non-sovereign development financing instruments and ensure there is flexibility in how these instruments can be used to meet development objectives based on the priorities and needs of our partners. In Southeast Asia, conditions are ripe for the use of blended finance (where there is public finance to leverage or catalyse private sector investment towards development objectives) and impact investing to pursue dual objectives of growth and development. Operationally, this could be achieved by expanding existing high performing programs (such as the Emerging Markets Impact Investment Fund and Investing in Women), increasing government efforts to harness philanthropic investment, consolidating development finance activities within DFAT to better harness expertise and resourcing; and improving the enabling environment through funding and regulatory reform to support actors in this space across government, the private sector and NGOs.

Recommendation 1: Ensure that the Southeast Asia Economic Strategy aligns with, and ideally advances, the principles and objectives of the New Development Policy.

Recommendation 2: Adopt a whole-of-sector 'do no harm' approach to Australia's economic engagement in Southeast Asia, which ensures private investment meets legal and human rights obligations.

Recommendation 3: Scale up the Australian Government's portfolio of non-sovereign development finance in Southeast Asia, including impact investing and blended finance, to support broad-based and inclusive economic growth that also achieves development objectives.

Governance, civil society and the private sector

Amidst a rise in authoritarianism, populism, and misinformation globally, including Southeast Asia, maintaining free and open civic space is essential to promoting inclusive governance, democratic values and transparent and resilient institutions. It is also vital to the capacity for Australia to engage economically with the region. **A lack of civic space is a risk to business, constrains government decision-making and creates a more hostile environment for private sector work.** Of the 11 countries that make up Southeast Asia, CIVICUS reports 3 as closed, 3 as obstructed and 5 repressed.ⁱ Even more concerning, there are no countries in Southeast Asia with an 'open' civic space rating. The pandemic and its ramifications have accelerated existing trends of rising illiberalism and democratic backsliding.

Human rights violations are increasing, and the ability of citizens to meet, debate, and collaborate has been severely restrained. Supporting civil society organisations and helping to safeguard civic space are practical ways to combat these concerning trends.

Countries in Southeast Asia also consistently score poorly on Transparency International's Perceptions Index, averaging 39.5/100, with 0 indicating a highly corrupt public sector and a score of 100 considered very clean.ⁱⁱ Corruption and poor governance erodes democracy and public institutions and enables authoritarian regimes to commit human rights abuses and maintain their grip on power.

The Strategy along with the New Development Policy should be central pillars in outlining how the Australian Government, NGOs and the private sector can work alongside civil society organisations to support good governance and transparency in decision-making in Southeast Asia and the region more broadly. Engaging in a sustained and strategic way with civil society, including through the private sector, will help Australia shape with our partners the kind of region we hope to live in. It is in Australia's interest to uphold and practice the values of transparency, accountability and human rights to ensure our region is stable and secure, provides economic opportunities, and upholds the rights of all people so that they can lead full, free and healthy lives. Australian business and investment practices in Southeast Asia must avoid contributing to shrinking civic space or undermining the progress made by local civil society actors in-country.

Moreover, engaging with NGOs can actively support and add value to economic activities led by government or the private sector. NGOs can add value to government and private sector financing efforts through their networks and connections to local institutions, organisations and communities. The Australian Government should engage with NGOs as knowledgeable experts in their respective fields and recognise the wide range of roles NGOs can play in supporting inclusive economic development. There is also the opportunity to engage NGOs in decision-making as intermediaries and brokers to enable investment and cultivate opportunities for the growth of local economies. This engagement can also help to bolster the work and legitimacy of NGOs on the ground, particularly in settings where civic space is under threat. If performed appropriately this engagement benefits foreign businesses seeking to gain local knowledge while also supporting the work of NGOs in their local communities.

Recommendation 4: The Australian government should incorporate analysis of civic space and identify opportunities for civil society engagement in its creation of the Southeast Asia Economic Strategy, as well as annual investment plans and country strategies.

Recommendation 5: In implementing policy settings for the Southeast Asia Economic Strategy the Australian Government should facilitate engagement and build networks between NGOs and the private sector.

Recommendation 6: Institute clear accountability, transparency and anti-corruption policy guidelines for private sector engagement with Southeast Asia.

Economic engagement to support inclusion and marginalised individuals and communities

The COVID-19 pandemic has exacerbated inequality – including gender inequality and other forms of intersectional marginalisation – around the world. As our region grapples with the ongoing impacts of the pandemic, we urgently need to protect and restore hard-won human rights gains for marginalised groups. Australian corporations and businesses have an important role to play in supporting inclusive business and corporate practices to break down systems of power and social norms that have upheld inequality and marginalisation. The Strategy should outline how Australian private sector actors in Southeast Asia can support Australia's strong legacy of leadership in inclusive practice.

While rapid economic expansion during the 1990s and 2000s lifted national incomes in economies across Southeast Asia, not all citizens have shared in this growth and COVID-19 reversed many gains. Around 690 million persons with disabilities live in Asia and the Pacific and continue to experience higher rates of unemployment and vulnerable employment than persons without disabilities in Southeast Asia.ⁱⁱⁱ People in rural areas, urban and peri urban slums, minority ethnic or religious groups and women and children are the most likely to remain in poverty and least likely to be able to participate in local economies.^{iv} High levels of inequality, in particular gender equality, can hinder economic growth, depress private investment and make the growth that has been achieved fragile.^v The private sector has an important role to play in addressing these disparities. Deliberate choices on the part of government and the private sector are needed to ensure marginalised groups and the poorest members of society can participate in and then contribute to economic growth. This can be done through formal and informal mechanisms, using community and non-governmental organisations.

Rates of intimate partner violence against women remain above the global average in Southeast Asia, with 33 per cent of partnered women aged 15-49 experiencing physical and/or sexual violence from a current or former partner at least once in their lifetime.^{vi} Women are also less likely to report sexual abuse due to fear of retaliation and stigmatisation. In restoring and protecting women's rights in an effort to reduce gender-based violence, the Australian Government should **mainstream a focus on women, people of diverse SOGIESC and people with disabilities when setting policy frameworks for private sector engagement within Southeast Asia.** This includes assessing how various groups will be impacted by policy actions, legislation and business operations.

Recommendation 7: Implement policy mechanisms and settings that support gender, disability and social inclusion in private sector engagement with Southeast Asia.

Climate change

The effects of climate change will continue to be felt acutely in Southeast Asia. With the fastest rising sea levels in the world and a coastal population of 450 million,^{vii} decisive action on climate change is imperative. ASEAN is the world's fourth-largest energy consumer and fossil fuels still comprise 83% of power generation.^{viii} A just energy transition in Southeast Asia is vital to Australia's economic and security interests.

It is crucial that Australia work with our Southeast Asian neighbours to build climate resilience, adaptation assistance and assist in the transition to clean energy. Australia's development program is the primary avenue to support climate action in Southeast Asia. The Strategy must align with the Government's New Development Policy and the Development Finance Review to ensure progress continues to be made on climate action across our region.

Recommendation 8: Along with Australia contributing its fair share to address the climate crisis which is considered to be \$12 billion per annum by 2030, Australia should actively employ private sector policy mechanisms that outline pathways for Australian businesses to assist in a clean energy transition in Southeast Asia. Australia should ensure that any business and private sector engagement with Southeast Asia supports local communities and governments in combatting climate change as outlined in the New Development Policy.

Endnotes

ⁱ CIVICUS Monitor, CIVICUS, 2023; <https://www.civicus.org/index.php/what-we-do/innovate/civicus-monitor>.

ⁱⁱ Corruption Perceptions Index, Transparency International, 2023; <https://www.transparency.org/en/cpi/2022>.

ⁱⁱⁱ Economic and Social Commission for Asia and the Pacific (ESCAP), *Disability at a Glance 2021: The Shaping of Disability-Inclusive Employment in Asia and the Pacific*, 2021, <https://www.unescap.org/kp/2021/disability-glance-2021-shaping-disability-inclusive-employment-asia-and-pacific>.

^{iv} United Nations Development Programme, *Humanity divided; confronting inequality in developing countries*, 2014.

^v A C Bertay, L Dordevic and C Sever, *Gender Inequality and Economic Growth: Evidence from Industry-Level Data*, IMF Working Paper no WP/20/119, 2020, <https://www.imf.org/en/Publications/WP/Issues/2020/07/03/Gender-Inequality-and-Economic-Growth-Evidence-from-Industry-Level-Data-49478>. See also: N Birdsall, *Income Distribution: Effects on growth and development*, Center for Global Development working paper no. 118, 2007.

^{vi} World Health Organisation, *Violence Against Women Prevalence Estimates*, 2018.

<https://www.who.int/publications/i/item/9789240022256>.

^{vii} <https://www.weforum.org/agenda/2021/08/southeast-asi-weather-extremes-global-warming-2030-ipcc-report/>

^{viii} H V Singh and R Bocca, *Why Southeast Asia will be critical to the energy transition*, World Economic Forum, 2023, <https://www.weforum.org/agenda/2023/01/why-southeast-asia-critical-energy-transition/>.

Appendix A: About ACFID

The Australian Council for International Development (ACFID) is the peak body for Australian non-government organisations involved in international development and humanitarian action.

OUR VISION

Our vision is Australia acting with compassion and fairness for a just, sustainable and equitable world.

OUR SHARED PURPOSE

Our purpose is to lead, unite and support international development and humanitarian organisations to realise our vision.

ABOUT ACFID

Founded in 1965, ACFID currently has 128 full members and 22 affiliate members operating in more than 65 developing countries. The total revenue raised by ACFID's membership from all sources amounts to \$1.83 billion (2020 - 21), \$721 million of which is raised from over 996,000 thousand Australians. ACFID's members range between large Australian multi-sectoral organisations that are linked to international federations of NGOs, to agencies with specialised thematic expertise, and smaller community-based groups, with a mix of secular and faith-based organisations.

ACFID members must comply with the ACFID Code of Conduct, a voluntary, self-regulatory sector code of good practice that aims to improve international development and humanitarian action outcomes and increase stakeholder trust by enhancing the transparency, accountability and effectiveness of signatory organisations. Covering 9 Quality Principles, 33 Commitments and 92 compliance indicators, the Code sets good standards for program effectiveness, fundraising, governance and financial reporting. Compliance includes annual reporting and checks. The Code has an independent complaint handling process.

ACFID'S VALUES

INTEGRITY

We act with honesty and are guided by ethical and moral principles in all that we do.

ACCOUNTABILITY

We take responsibility for our actions and are accountable to our stakeholders, and in particular primary stakeholders, for our performance and integrity.

TRANSPARENCY

We openly share information about our organisations and our work with all our stakeholders and the public.

RESPECT

We recognise the value and diversity of all people and are committed to treating others with due regard for their rights, dignity and integrity.

EFFECTIVENESS

We strive to deliver outcomes that bring about positive change in the lives of people living in poverty.

EQUITY

We are committed to overcoming prejudices and disadvantage and promoting fair and just access to resources and opportunities.

COOPERATION

We work with and alongside others in a spirit of mutuality, respecting diversity and difference in the pursuit of common goals.