

Strategic Priority 3: Deliver sustainable and inclusive growth

Recommendation 3.1: The White Paper should recognise that current growth patterns threaten long-term prosperity and should prioritise an explicit focus on *sustainable and inclusive growth* as the means of achieving prosperity in the decade ahead.

Why Australia should prioritise sustainable and inclusive growth

1. The current global economic system has relentlessly pursued growth as the means to prosperity without adequate attention to the distribution of growth's benefits or the impact of that growth on a set of finite resources. This narrow pursuit of a certain type of growth is no longer sufficient for Australia's interests in the medium to long term.
2. Following this track has led to social and environmental conditions that include levels of wealth inequality such as those that tipped countries into major crises in the past,¹ planetary boundaries that have been breached,² and a global economic system that lacks agility and incentives to correct these problems and put economic growth on a sustainable trajectory.
3. Through the White Paper process, Australia must consider that our ongoing prosperity will require a fairer distribution of growth's benefits and economic growth strategies driven more and more by new technology and non-resource-intensive processes. The SDGs, negotiated and agreed by Australia and all 192 of our peers at the United Nations in 2015, provide a robust framework for how we might achieve this.
4. Currently there are three major types of challenges to fostering an inclusive and sustainable growth and they fall into the categories of income inequality, social and environmental challenges.
5. As noted in the Strategic Priority 2 section of this submission we believe that the threats to security and prosperity are inter-related and that the challenges named below also pose concerns for global stability and peace.

What are the challenges to sustainable and inclusive growth?

Income inequality

6. In 2016, 62 richest people on earth owned the same amount of wealth as the poorest half of the world (3.6 billion people).³ By 2017, this number has shrunk to just eight men.⁴
7. In 2012 The World Economic Forum (WEF) asserted that rapidly entrenched inequality was the risk most likely to manifest in the next 10 years.⁵ ⁶ The report directly names the forces of protectionism, nationalism and populism as compounding factors to inequality that could prompt a rapid downward economic spiral.⁷ The growing support for grievance parties and populist sentiments within the political landscape of Europe, the USA and Australia points to a manifesting risk to global economic prosperity.
8. The International Monetary Fund (IMF) has also highlighted that the situation of persistent and growing inequality is bad for economic growth. They found that increasing the incomes of the bottom 20 per cent of the population led to higher growth, while increases for those in the top 20 per cent led to lower growth outcomes.⁸

Social

Women's economic and labour force participation

9. Currently we are failing to realise the full benefit of human resource capacity given the persistent under-representation of women in the labour force. In recognition of this, in 2014 the G20 committed to reducing the gap between male and female labour force participation by 25 per cent by 2025. Achieving this target would put an estimated additional 100 million women into the work force.
10. A McKinsey Institute report showed that approximately US\$12 trillion could be added to global GDP if women's equal representation in the workforce was comprehensively pursued.⁹ The report also noted that to boost progress towards this goal there are four major underlying areas that need to be addressed: education, financial and digital inclusion, legal protection, and unpaid care work.¹⁰

Intersectionality

11. Sexual orientation, gender identity, race, ethnicity, age, and disability compound the vulnerability to poverty/extreme poverty and further entrench structural inequality, discrimination and disadvantage.¹¹ Women and girls are more likely to live in poverty than men,¹² one in five of the poorest people has a disability,¹³ and a pilot World Bank study places the cost of LGBTI discrimination in India alone at staggering loss of \$32 billion a year in economic output.¹⁴
12. These factors both compound and reinforce, as, for example, people with a disability are more likely to live in poverty, and poverty is a predictor of one's lifetime risk of a disability. Similarly, women and girls have a higher instance of poverty; however, the social expectations of women and girls to take on unpaid and domestic care responsibilities poses significant limits on women's and girls' ability to engage in the formal workforce and raise economic input for their families.
13. Focusing on growth without ensuring that all can contribute to, and benefit from, such growth will only continue to reinforce and entrench the deep structural problems that are currently limiting growth prospects.

Environmental

Planetary boundaries

14. The natural systems that support life on Earth have been heavily eroded through global growth trajectories of the past which have been heavily resource-intensive and have failed to adequately consider the delicate and inter-related components of the natural environment.¹⁵
15. This is evident in the food supply chains of the world that are both vulnerable to, and major contributors of, environmental degradation. Food production currently uses 40 per cent of global land area, 70 per cent of the world's fresh water, 30 per cent of global energy and generates 20 per cent of greenhouse gases.¹⁶ With a projected population of more than nine billion by 2050, the world will need to produce at least 70 per cent more food than we do today.¹⁷
16. Ensuring sustainable prosperity will require commitment to preserving a level of natural resilience through new models of growth which do not degrade the natural environment

beyond its resilience limits, and which manage or avoid consumption of finite resources, including fisheries and marine stocks, land, water and greenhouse gas emissions.

Natural disasters

17. The economic costs of increasingly frequent and severe natural disasters are significant, both for affected people and affected States. In 2015, there were 346 reported disasters that affected 98.6 million people worldwide and cost US\$66.5 billion in economic damages. The Asia–Pacific region is particularly exposed and is noted to be the most disaster-prone region in the world, accounting for 47 per cent of all disasters in 2015.¹⁸ Asia experienced the highest level of fatalities from their disasters, accounting for 71.8 per cent of the total number of deaths from disasters globally.¹⁹
18. At the end of 2016, the World Bank released a report highlighting that the connection between extreme weather and extreme poverty has devastating consequences, including US\$520 billion in consumption losses and pushing more than 26 million people into poverty every year.²⁰
19. Together with the Global Facility for Disaster Reduction and Recovery (GFDRR), the World Bank joined in authoring a report that further exposed the amount of economic damage wrought by natural disasters (\$300 billion a year), and the much higher risks faced by people living in poverty (costs to people living in poverty are 60 per cent higher than previously thought, and people living in poverty are twice as likely to work and live in vulnerable or exposed sectors/areas).²¹

What does success look like?

20. Supporting social stability and stable global relations will require that we seek to reduce both the absolute poverty amongst us, and the issues of inequality. This is in line with research which shows that perceived inequalities between people have an impact on social cohesion.²²
21. A view of growth from this perspective would require approaches that deliver positive social and environmental outcomes: reducing poverty and inequality amongst people as well as protecting the finite resources and life-support systems of Earth. Growth should create jobs, not just wealth for a few. Market-based economic activity can operate beneficially, but it must be acceptable and responsive to the needs of all peoples, fair, and environmentally sound.
22. If Australia's foreign policies were to incorporate an explicit focus on sustainability and equality, a triple bottom-line approach, the characteristics, policies or commitments would include:
 - a. Developing markets and commercial opportunities for Australian business, that prioritise and promote green research, business, investment, and technology;
 - b. Negotiating trade agreements that consider and prioritise the social and environmental impacts of its trade equal to the economic outcomes and incentivises trading partners to do the same; this includes removing fossil fuel subsidies, promoting economic diversification, and adhering to the approximately 20 targets

within the SDGs on trade;²³

- c. Promoting and adhering to ambitious and legally-binding targets to reduce greenhouse gas emissions, through diplomacy and domestic action;
- d. Taking a whole-of-government approach to sustainable development where all government policies that affect developing countries – such as our environmental, migration, taxation and trade policies – are consistent with achieving the SDGs;
- e. Advancing the inclusion of women and other marginalised groups in the economic, social and political spheres through diplomacy, within trade, and through development;
- f. Expanding the current micro-State visa scheme to include skilled labour in industries where Australia is currently under-served.

Foreign Policy Imperative 2: Apply the SDGs for an integrated approach to security and prosperity

The SDGs are a set of inter-related goals designed to enable complex policy making to tackle the many barriers that countries face in realising the foundations of both security and prosperity. They include a focus on energy security, urban planning, decent work, and life below water, to sit amongst the more traditional pillars such as addressing hunger and nutrition, education, health, sanitation and governance.

Australia played an active and productive role through an intense, three-year, multilateral negotiation process, arguably one of the most successful in a decade or more. The resulting 2030 Agenda, which encompasses the SDGs and the Addis Ababa Action Agenda on Financing for Development, captures the key domains of action required to reach a desirable level of security and prosperity for all people.

The SDGs can be a useful tool to leverage the strengths of an integrated DFAT, as well as to deliver on a whole-of-government approach to Australia's engagement with the world. Promoting their application and uptake, globally, as well as a principled approach to their implementation in Australia is a positive contribution to an enabling environment conducive to Australia's interests, one in which multilateral agreements are negotiated in good faith and upheld (see Strategic Priority 4: Promoting multilateralism and human rights).

Further, the realisation of the SDG outcomes would have a profoundly positive impact on the human security, sustainable and inclusive growth outcomes that are outlined in this submission as the foundation of Australia's own long-term security and prosperity.

Recommendation 3.2: The White Paper process should explicitly acknowledge the SDG Framework as a contribution to holistic foreign policy approaches by Australia and deliver on its aims by:

- 3.2.1 Strengthening the means of implementation for the SDGs by lifting aid levels to achieve the target of 0.7 per cent ODA/GNI by 2030, in line with international commitments;
- 3.2.2 Scaling up efforts to explore and support innovative public and private finance models for sustainable development in collaboration with the private sector, civil society and academia;
- 3.2.3 Delivering stronger data, monitoring and accountability for the SDGs in partnership with Pacific governments and ensuring that domestic data collection and reporting systems for the aid program are aligned to the SDGs;
- 3.2.4 Investing in a research funding scheme to support applied research and partnership between DFAT and Australian and regional research institutions on tackling inequality and sustainability;
- 3.2.5 Delivering on the principles of the SDGs, including 'leave no one behind', 'universal application' and 'multi-sectoral engagement, collaboration and partnership'.

How Australian aid can contribute to sustainable and inclusive prosperity

1. Address income inequality

Recommendation 3.3 Australia should improve the social and economic conditions for the poorest in society by:

3.3.1 Ensuring that the bulk of Australia's aid investments are focused on low-income countries, countries with low rates of human development, fragile States, conflict and post-conflict States, and countries with persistently high gender inequalities;

3.3.2. Furthering a focus on aid delivered within fragile and conflict affected States where the development of 2 billion people can be bolstered;²⁴

3.3.3 Fostering income and opportunity growth for the poorest 40 per cent of people, particularly targeting groups such as women, children, people with a disability, indigenous people and ethnic and sexual minorities.

2. Tackle intersectionality, structural and social exclusion

Recommendation 3.4: Australia should ensure that the poorest people and those facing multiple, reinforcing disadvantages are supported to participate and benefit by:

3.4.1 Resourcing fully the disability inclusive development Strategy 2015–20;

3.4.2 Prioritising programs that explicitly seek to engage marginalised communities including those excluded on the basis of gender identity, sexual orientation, age, ethic, racial or religious status;

3.4.3 Supporting initiatives to help people transition from informal to formal labour market participation;

3.4.4 Using holistic and integrated program approaches that support economic participation by addressing relevant social, legal, political or cultural impediments;

3.4.5 Developing and resourcing a youth strategy for the aid program.

3. Address women's participation and inclusion

Recommendation 3.5: Australia should take a multidimensional and holistic approach to achieving women's full inclusion in the familial, communal, economic, and political spheres by:

3.5.1 Developing and implementing pre-investment tools that require policy, and all activities, to outline the different impacts by gender, during their design phase;

3.5.2 Investing in the Individual Deprivation Measure to better identify the differentiated social and economic deprivations faced by individuals in developing countries;

3.5.3 Increasing the support for sexual and reproductive health and rights within the aid program and in policy engagement with partner governments;

3.5.4. Tackling the persistent and extremely high incidence of violence against women and girls in Melanesia;

3.5.5 Ensuring that gender equality outcomes are prioritised in initiatives across the entire portfolio of DFAT, including infrastructure and trade, areas that have traditionally performed badly in terms of gender;

3.5.6 Increasing investments where gender is the principle focus by building on the long-term, sustained and programmatic model of Pacific Women Shaping Pacific Development;

3.5.7 Increasing support for women's organisations in partner countries that are on the front line working with communities to tackle gender discrimination.

Pacific labour mobility

Considering the special relationship between Australia and the Pacific, Australian Aid supports more inclusive and sustainable growth for the Pacific. Australia could make a substantial contribution to boosting incomes of Pacific citizens by integrating the Pacific labour force more fully with the global market, and furthering the people-to-people connections between Australians and Pacific Islanders through a labour mobility scheme.

A labour mobility scheme would enable the Pacific countries to leverage human resource assets for economic development and to enable Pacific Island nations to benefit from growing sectors of the labour market, namely 'high touch' industries such as youth and aged care, hospitality, and personal services.

Estimates of the current net income potential of the cohort of Pacific migrants (420,000 or 4.4 per cent of the Pacific population) is \$11.8 billion if they were to be enabled to work in OECD countries around the world.²⁵

Recommendation 3.6: Australia should support stronger integration of Pacific citizens into the global labour market by:

3.6.1 Supporting labour mobility potential of Pacific Island nations through programs focused on skills-development, technical education and certification in high-touch economies;

3.6.2 Using Australia's Aid for Trade allocations to support countries that currently have the lowest labour mobility opportunities, Papua New Guinea, Solomon Islands and Vanuatu; atoll-countries most exposed to the impacts of climate change; and other Pacific nations.

4. Invest in Disaster Risk Reduction, Resilience and Response

Recommendation 3.7: Australia should support development partners to address their vulnerability to natural disasters by:

3.7.1 Increasing investment in disaster risk reduction and resilience programming to at least 5 per cent of ODA;

3.7.2 Adhering to appropriate environmental and social safeguards in infrastructure investments; and following disasters, using a 'build back better' approach;

3.7.3 Developing capability to respond to urban disasters and deliver urban risk reduction programming to combat vulnerabilities of urban and peri-urban areas;

3.7.4 Working with partners to restore and rehabilitate natural environmental mechanisms protecting against storm surge, flooding and erosion.

5. Address climate change

See Strategic Priority 2 of this Submission [Foreign Policy Imperative 1: Tackle climate change].

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- ¹ Income inequality in the United States in 2012 was worse than in 1774 and as high as immediately prior to the Great Depression. See: <https://www.theatlantic.com/business/archive/2012/09/us-income-inequality-its-worse-today-than-it-was-in-1774/262537/>; see also: Inequality.org a Project of the Institute for Policy Studies. <http://inequality.org/inequality-data-statistics/>, accessed 6/1/17.
- ² An outline of the planetary boundaries can be found at <http://www.stockholmresilience.org/research/planetary-boundaries/planetary-boundaries/about-the-research/the-nine-planetary-boundaries.html>, accessed 27/1/17.
- ³ Oxfam. *62 people own same as half the world*. January 2016. <https://www.oxfam.org.au/media/2016/01/62-people-own-same-as-half-the-world-oxfam/>, accessed 9/1/17.
- ⁴ Oxfam. 2017. https://www.oxfam.org/sites/www.oxfam.org/files/file_attachments/bp-economy-for-99-percent-160117-en.pdf, accessed 25/1/17.
- ⁵ World Economic Forum *Global Risk Report 2012*. http://www3.weforum.org/docs/WEF_GlobalRisks_Report_2012.pdf, accessed 27/1/17.
- ⁶ World Bank. *Poverty and Shared Prosperity Report: Taking on Inequality*. 2016. <http://www.worldbank.org/en/publication/poverty-and-shared-prosperity>, accessed 27/1/17.
- ⁷ World Economic Forum *Global Risk Report 2012*, p. 10. http://www3.weforum.org/docs/WEF_GlobalRisks_Report_2012.pdf, accessed 31/1/17.
- ⁸ IMF. *Causes and Consequences of Income Inequality: a Global Perspective*. 2015, p. 6–7. <https://www.imf.org/external/pubs/cat/longres.aspx?sk=42986.0>, accessed 17/2/17.
- ⁹ The McKinsey Global Institute. *The Power of Parity: How Advancing Women’s Equality can add \$12 trillion to Global Growth*. September 2015. <http://www.mckinsey.com/global-themes/employment-and-growth/how-advancing-womens-equality-can-add-12-trillion-to-global-growth>, accessed 31/1/17.
- ¹⁰ *Ibid.* p. 4.
- ¹¹ SIDA. *Poverty and Sexuality: What are the connections? Overview and Literature Review*. September 2010. <http://www.sxpolitics.org/wp-content/uploads/2011/05/sida-study-of-poverty-and-sexuality1.pdf> accessed 27/2/17.
- ¹² Commonwealth of Australia. *Gender Equality and Women’s Empowerment Strategy*. February 2016. <http://dfat.gov.au/about-us/publications/Documents/gender-equality-and-womens-empowerment-strategy.pdf> accessed 27/2/17.
- ¹³ World Bank in DFAT *Development for All 2015–2020*, p. 6. <http://dfat.gov.au/about-us/publications/Pages/development-for-all-2015-2020.aspx>, accessed 31/1/17.
- ¹⁴ Badgett, M.V. Lee. *The Economic Cost of Stigma and the Exclusion of LGBT People: A Case Study of India*. 2014. <http://documents.worldbank.org/curated/en/527261468035379692/pdf/940400WPOBox380usion0of0LGBTOPeople.pdf> accessed 27/2/17.
- ¹⁵ Kilisek, Roman. <http://breakingenergy.com/2015/01/22/new-study-breaches-of-planetary-boundaries-jeopardize-environmental-sustainability/> accessed 27/2/17.
- ¹⁶ WWF in collaboration with Global Footprint Network, Water Footprint Network and ZSL Living Conservation. *Living Planet Report 2014*.
- ¹⁷ Food and Agriculture Organisation. *How to Feed the World in 2050*. Rome, 2009.
- ¹⁸ UNESCAP. *Disasters in Asia and the Pacific: A Year in Review 2015*. http://www.unescap.org/sites/default/files/2015_Year%20in%20Review_final_PDF_1.pdf, accessed 6/1/17.
- ¹⁹ UNISDR. *2015 Disasters by Numbers*. http://www.unisdr.org/files/47804_2015disastertrendsinfographic.pdf, accessed 6/1/17.
- ²⁰ World Bank. *Breaking the Link between Extreme Weather and Extreme Poverty*. November 2016. <http://www.worldbank.org/en/news/feature/2016/11/14/breaking-the-link-between-extreme-weather-and-extreme-poverty>, accessed 6/1/17.
- ²¹ Global Facility for Disaster Reduction and Recovery and the World Bank. *Unbreakable: Building the Resilience of the Poor in the face of Natural Disasters*. November 2016. <https://www.gfdr.org/unbreakable>, accessed 6/1/17.
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- ²³ United Nations Conference on Trade and Development. https://www.wto.org/english/res_e/booksp_e/aid4trade15_chap9_e.pdf p. 243. accessed 31/1/17.

²⁴ The World Bank. 2016. <http://www.worldbank.org/en/topic/fragilityconflictviolence/overview> accessed 17/2/17.

²⁵ Michell and Pickering *op. cit.*