

Joint Standing Committee on Foreign Affairs, Defence and Trade

Foreign Affairs and Aid Sub-Committee

Inquiry into the strategic effectiveness and outcomes of Australia's aid program in the Indo-Pacific and its role in supporting Australia's regional interests

Submission from Fairtrade Australia and New Zealand Ltd

June 2018



FAIRTRADE
AUSTRALIA
NEW ZEALAND

Recommendations

Crosscutting

1. Aid programs funded by DFAT should employ a holistic and measurable approach to aid; ensuring development outcomes that do not rely on conventional aggregate business and economic metrics.
2. Programs operating by virtue of Australian aid should apply the highest existing labour, environmental and human rights standards to their operations in line with the United Nations Guiding Principles on Business and Human Rights, the International Labour Organization, and the United Nations Principles for Responsible Investment. This will include the adoption of an Australian Modern Slavery Act, as recommended in Fairtrade ANZ's submission to last year's Inquiry by the Joint Standing Committee on an Australian Modern Slavery Act.
3. The Australian Government should lead on issues such as modern slavery, the Sustainable Development Goals and human rights to encourage their integration in all trade agreements.
4. Gender equality is fundamental to the eradication of poverty and should be integrated into all aid projects and programs.

Aid for Trade

5. All Australian aid and trade programs should create inclusive growth and access to fair terms of trade. This will prevent future poverty and tangibly reduce existing inequality, creating a fundamental shift in global trade structures to make them sustainable.
6. Australian aid should support programs that connect farmers, workers, and other businesses in developing countries with importers and consumers in Australia, including by supporting demand growth, market access, and consumer education.

Private sector

7. DFAT's investment in projects with private sector stakeholders must ensure mutually beneficial outcomes for all parties, measured against a strong development framework, including prioritising the most vulnerable and marginalised people.
8. The Australian Government should convene an on-going multi-stakeholder dialogue on the role of the private sector in aid and development, including the views and initiatives of under-developed, marginalised communities in the Indo-Pacific. The delivery standard for private sector aid and development engagement should be of the highest standard in delivery.

9. Private sector expertise and skills should be employed to empower farmers and workers, through increased capacity, more transparent supply chains, and developing future supply chains.
10. Maintain aid delivery through third parties such as NGOs or other non-profit organisations, such as Fairtrade, to ensure inclusivity and engagement of the most vulnerable and marginalised.

Introduction

About Fairtrade

Fairtrade International and its member organisations, including Fairtrade Australia and New Zealand, work to alleviate poverty by making trade fair.

For almost 30 years Fairtrade has connected disadvantaged farmers and workers with consumers, developed markets for Fairtrade certified products, promoted fairer trading conditions, and empowered farmers and workers to combat poverty, strengthen their position and take more control over their lives.

We are working towards a world in which all farmers, workers and producers can enjoy secure and sustainable livelihoods, fulfil their potential and decide on their future. We have identified three goals that are essential to achieving our vision:

1. Make trade fair
2. Empower small producers and workers
3. Foster sustainable livelihoods

Today, Fairtrade works in 130 countries to benefit small-scale farmers and workers by facilitating links to international markets through the development of supply chains. Fairtrade ANZ works closely with farmers and workers in the Indo-Pacific region to improve their access to markets, address the power imbalance in trade, and reduce poverty in their communities.

Fairtrade ANZ:

- Provides independent third-party certification of supply chains, licensing the use of the Fairtrade Mark as a consumer assurance of its integrity;
- Increases awareness and demand for Fairtrade certified products and connects producers to traders, brands and retailers;
- Connects farmers, businesses, consumers, government, and civil society;
- Supports the sustainable development of producer organisations and their networks, with the equal involvement of women and men; and
- Raises public awareness of the need for ethical and sustainable trade.

Fairtrade ANZ, *Submission to Inquiry into Australia's aid program in the Indo-Pacific*, June 2018

Fairtrade ANZ's work in the South Pacific supports more than 122,000 people—mostly smallholder farmers, workers and their communities—in East Timor, Papua New Guinea, and the Pacific islands. Fairtrade ANZ works with more than 1,200 producer organisations worldwide, including 200 in the Indo-Pacific region, as well as 155 Australian licensees, traders, and government agencies.

Sales of Fairtrade-certified products in Australia and New Zealand, worth more than \$333 million in 2017, show significant opportunities for strong, long-term growth. In the previous five years sales of Fairtrade products in Australia had increased by 70 per cent. The return on investment (RoI) for Fairtrade's recent five-year Pacific partnership with the New Zealand Ministry of Foreign Affairs was NZ\$37 in direct income to producers for every dollar invested in Fairtrade.¹ We believe the reach and benefits of Fairtrade in the region could, by 2030, grow by more than 360 per cent in sales and 355 per cent in Fairtrade Premium payments to smallholder farmers and workers. As part of its growth strategy, Fairtrade ANZ is engaged with the Department of Foreign Affairs and Trade in a pioneering strategic partnership to build the capacity of farmers in the South Pacific and build consumer demand in Australia.

By putting producers and workers on a more equitable footing with others in the supply chain and with governments, the Fairtrade approach helps to ensure inclusive economic growth and its associated benefits are spread throughout value chains and between genders.

Fairtrade ANZ welcomes this opportunity to contribute to the Joint Standing Committee's discussions.

Poverty in the Indo-Pacific and Australia's Aid Budget

RECOMMENDATIONS

1. Aid programs funded by DFAT should employ a holistic and measurable approach to aid; ensuring development outcomes that do not rely on conventional aggregate business and economic metrics.
2. Programs operating by virtue of Australian aid should apply the highest existing labour, environmental and human rights standards to their operations in line with the United Nations Guiding Principles on Business and Human Rights, the International Labour Organization, and the United Nations Principles for Responsible Investment. This will include the adoption of an Australian Modern Slavery Act, as recommended in Fairtrade ANZ's submission to last year's submission to the Inquiry by the Joint Standing Committee on an Australian Modern Slavery Act.

The countries of the Indo-Pacific are very diverse—culturally, politically, geographically, and economically. According to the UN Food and Agriculture Organization, while Asia as a whole

¹ Fairtrade ANZ and 2iis Consulting, *Transforming Trade, Transforming Lives. Exploring Fairtrade's Role in the Sustainable Development of the Asia-Pacific to 2030*. A Discussion Paper. (Fairtrade Australia & New Zealand, 2017) Available at: <https://www.2iis.com.au/fairtradeintheasiapacific>

Fairtrade ANZ, *Submission to Inquiry into Australia's aid program in the Indo-Pacific*, June 2018

has shown strong growth in recent decades, there is still an estimated 490 million people living in poverty, lacking food or a decent income, with precious little access to adequate health care or education.² Nearly 30 per cent of Fijians and around 40 per cent of the populations of Papua New Guinea and Timor-Leste, for example, subsist below the poverty line.³

The poor are especially vulnerable to exploitation in agricultural and labour markets, and modern slavery remains very real problem in the Indo-Pacific.⁴ Worldwide, about two-thirds of the 1.2 billion people now surviving on or less than US\$1.25 are largely dependent on small-scale agriculture. Women comprise around 43 per cent of the agricultural labour force in developing countries, yet have far less access to land and decision-making power. The FAO estimates that closing the political and economic gap between women and men could lift farmers' productivity by up to 4 per cent.⁵

It is true that some countries in Southeast Asia are reducing their reliance on aid, but many Pacific Island states will be aid dependent for the foreseeable future. Australia remains by far the largest donor in the Pacific Islands region, with the 2018–19 Federal Budget outlining Australia's largest ever aid commitment to the Pacific: more than \$1 billion.⁶

The Australian aid budget aims to promote Australia's national interests by contributing to sustainable economic growth and poverty reduction, and there is evidence that improving terms of trade and empowering women provide opportunities to achieve both. Increasing aid for trade and prioritising private-sector engagement are both strategically effective, but it is the view of Fairtrade that they must take place within a framework of human development.

The Fairtrade approach reduces poverty and promotes inclusive growth

RECOMMENDATIONS

1. All Australian aid and trade programs should create inclusive growth and access to fair terms of trade. This will prevent future poverty and tangibly reduce existing inequality, creating a fundamental shift in global trade structures to make them

² FAO, *Regional overview of food insecurity Asia and the Pacific. Towards a food secure Asia and the Pacific* (Bangkok: Food & Agriculture Organization of the United Nations, 2015), <http://www.fao.org/3/a-i4624e.pdf>, accessed 8 June, 2018.

³ Asian Development Bank, *ADB Countries and Regions*, <https://www.adb.org/countries/main>, accessed 8 June, 2018.

⁴ Fairtrade ANZ, *Inquiry into establishing a Modern Slavery Act in Australia*, Submission from Fairtrade Australia & New Zealand Ltd (Fairtrade ANZ, April 2017), https://www.aph.gov.au/Parliamentary_Business/Committees/Joint/Foreign_Affairs_Defence_and_Trade/ModernSlavery, accessed 8 June, 2018.

⁵ FAO, *The State of Food and Agriculture 2010–2011. Women in agriculture: Closing the gender gap for development* (Rome: Food & Agriculture Organization of the United Nations, 2011). <http://www.fao.org/docrep/013/i2050e/i2050e00.htm>, accessed 8 June, 2018.

⁶ L Fox, *Budget 2018: Government announces biggest ever aid commitment to Pacific*, *ABC News* (9 May, 2018), <http://www.abc.net.au/news/2018-05-09/budget-government-makes-biggest-ever-aid-commitment-to-pacific/9740968>, accessed 8 June, 2018.

sustainable.

2. The Australian Government should lead on issues such as modern slavery and human rights to encourage their integration in trade agreements.
3. Gender equality is fundamental to the eradication of poverty and should be integrated into all aid projects and programs.

Fairtrade seeks to fundamentally change the conditions that perpetuate poverty and inequality. More than a trading partnership, Fairtrade hinges on tried and trusted procedures and standards for production and trading practices, including social, economic and environmental standards. The system is itself an empowerment mechanism that is 50 per cent owned by producers, ensuring them a say in the development of Fairtrade.

Fairtrade believes that the global trading system is inherently unfair and private investment in developing countries often fails the poorest and most marginalised in society, including many smallholder farmers and labourers.⁷ A key to sustainable, equitable growth is reducing the odds against the most poor and vulnerable through empowerment—individual and collective.

There is strong evidence that the Fairtrade System plays a critical role in poverty alleviation and inclusive, sustainable growth, with benefits extending beyond the members and workers of certified organisations to benefit the whole communities. The Fairtrade System has been shown to enable farmers, women and men, to become active agents of their own development. Its inclusive and participatory approach means that Fairtrade certification enables producers to improve their livelihoods, gain improved terms of trade, and plan for their future and that of their families.⁸

We agree with the FAO that reforms to aid and the structure of trade are needed such that small farmers, as well as larger businesses, are able to raise their productivity and participate in supply chains as equals. This includes actively supporting farmer organisations, such as cooperatives, that empower smallholder farmers, help strengthen rural communities, and slow down migration to already crowded cities.⁹

Actively encouraging South-South trade also has the potential to create self-sustaining markets in previously impoverished nations, while reducing a reliance on current South-North trade relationships.

⁷ C Canales, *Poverty Reduction and Trade: Fairtrade as a Vehicle to Combat Poverty* (Fairtrade International, 2011), https://www.fairtrade.net/fileadmin/user_upload/content/2009/resources/2011-05-29_flo_poverty_trade_final.pdf, accessed 8 June, 2018.

⁸ Canales, *Op. cit.*

⁹ FAO, *Regional overview of food insecurity Asia and the Pacific. Towards a food secure Asia and the Pacific* (Bangkok: Food & Agriculture Organization of the United Nations, 2015), <http://www.fao.org/3/a-i4624e.pdf>, accessed 8 June, 2018.

As organisations such as Fairtrade and DFAT work towards increased economic autonomy and market stability for countries in the region, it is imperative that the vulnerable and marginalised also benefit and that opportunities for exploitation are minimised.

The Fairtrade approach has much to offer the development of Australia's aid programs and, conversely, there is considerable scope to grow the benefits of the Fairtrade system in the region, in partnership with the Australian Government. We are heartened by DFAT's formal recognition—the first of its kind—of the role of Fairtrade in driving sustainable development, and their investment in a partnership with Fairtrade to grow market demand for Fairtrade certified products.¹⁰

Building safeguards into Australian aid's support for the private sector

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1. All Australian aid and trade programs should create inclusive growth and access to fair terms of trade. This will prevent future poverty and tangibly reduce existing inequality, creating a fundamental shift in global trade structures to make them sustainable.
2. The Australian Government should convene an on-going multi-stakeholder dialogue on the role of the private sector in aid and development, including the views and initiatives of under-developed, marginalised communities in the Indo-Pacific. The delivery standard for private sector aid and development engagement should be of the highest standard in delivery.
3. Australian aid should support programs that connect farmers, workers and businesses in developing countries with importers and consumers in Australia, including by supporting demand growth, market access, and consumer education.

At its heart, development assistance should be about strengthening the rights of the poor, marginalised, and vulnerable. Clearly, the private sector plays an important role in creating economic opportunities for people in the Indo-Pacific, including through employment, expanding markets, innovation, and generating sources of revenue for social programs. If properly matched to the interests of the region's poor, government-leveraged private investment could prove a powerful driver of inclusive growth, but it is a strategy not without risks.

Most conventional businesses exist to maximise profits for their shareholders, and their interests can often be in direct conflict with those of the poor and marginalised. Despite the recent rise in as yet unproven development approaches such as 'impact investment' and calls

¹⁰ *Fairtrade for Aid in the Indo-Pacific - Major Grant*; A partnership to increase trade from the Indo-Pacific region through backing of Fairtrade ANZ's strategy to build Australian consumer support and increase retailer demand for Fairtrade certified products, especially from the Indo-Pacific region, and identify regional producers' needs and required support to meet the demand for Fairtrade certified products.

for stronger private investment in social and environmental projects, private investors are generally risk-averse and hence private funds remain largely untapped for sustainable development and poverty alleviation. In many instances, large investors miss the poorest and most vulnerable people.

Unlike Fairtrade ANZ and other NGOs, private firms may not understand local cultures, build relationships with governments and other actors, or monitor long-term results against sustainability metrics. Moreover, as a 2014 study of UK aid contracts demonstrated, total personnel costs of non-profit organisations are, on average, just two-fifths of those proposed by private firms. Aid contracts won by for-profit firms were more likely to exceed their budgets and miss deadlines.¹¹

What is clear is that trade and the private sector have the ability to improve the lives of those living in poverty, but cannot be a zero-sum game with aid in which the two are mutually exclusive. Fairtrade, NGOs and the private sector can all contribute experience, knowledge, and funding to the complex issue of poverty eradication in the Indo-Pacific region.

This suggests that the Australian Government should be very clear, using good evidence, that its bidding procedures and contract management are transparent and aligned with the Sustainable Development Goals.¹² Australia must also recognise that not all players in supply chains have the opportunities or capabilities to become highly competitive within international markets.

Making Australia's aid for trade work to transform trade

RECOMMENDATIONS

1. DFAT's investment in projects with private sector stakeholders must ensure mutually beneficial outcomes for all parties, measured against a strong development framework, including prioritising the most vulnerable and marginalised people
2. Private sector expertise and skills should be employed to empower farmers and workers, through increased capacity, more transparent supply chains, and developing future supply chains

Globally, aid for trade comprises about 30 per cent of overseas development assistance flows each year.¹³ In line with the Government's strategy of rapidly expanding the portfolio (ODA)—

¹¹ B Tomlinson (ed.), *Aid and the Private Sector: Catalysing Poverty Reduction and Development? Reality of Aid 2012 Report* (Quezon City: The Reality of Aid International Coordinating Committee, 2012), http://www.realityofaid.org/wp-content/uploads/2013/02/ROA_Report_2012-Aid_and_the_Private_Sector1.pdf, accessed 8 June, 2018.

¹² OECD, *OECD Development Co-operation Peer Reviews: Australia 2018*, OECD Development Co-operation Peer Reviews (Paris: OECD Publishing, 2018), <http://dx.doi.org/10.1787/9789264293366-en>.

¹³ OECD, *Development finance data*, OECD-DAC Aid Database (Paris: OECD, 2017), <http://www.oecd.org/dac/financing-sustainable-development/development-finance-data/>, accessed 8 June, 2018

Fairtrade ANZ, *Submission to Inquiry into Australia's aid program in the Indo-Pacific*, June 2018

to 20 per cent by 2020—the proportion of the ODA budget: from 12.9 per cent in 2012–13 to 19.5 per cent in 2016–17.¹⁴ The vast bulk of this expenditure, projected to rise still further to 2018–19, is aimed at Indo-Pacific countries. Over the next two years DFAT has said it will focus on reforming customs procedures, improving small businesses' access to trade finance, making trade more inclusive, and supporting women-owned small businesses in developing countries.¹⁵

Trade is a powerful engine of economic growth—creating jobs, growing commodity markets, and spreading enabling technologies. Trade liberalisation can drive inclusive growth and reduce poverty in developing countries, though just how much depends on local context, including social programs.¹⁶

Aid-for-trade programs should make a difference in enabling marginalised groups, particularly women, to take advantage of new trade opportunities. To do this, programs must target a range of different sectors, not just large businesses, but also small-to-medium-sized enterprises (SMEs) and smallholder farmers. Importantly, they must work with the informal as well as the formal sectors of a country's economy. Unfortunately, aid for trade does not always result in universal economic improvements or inclusionary benefits; "Over the last decade, aid for trade has proved to be effective at lowering trade costs and raising exports in developing countries. It has, however, been less successful at reducing poverty and promoting inclusive growth."¹⁷

Promoting aid for trade is a fundamental step in the eradication of poverty, but must be done in such a way that it provides inclusionary benefits. Only a small fraction of Australia's aid for trade expenditure is aimed at SMEs and smallholder farmers, with the bulk benefiting high-volume trade by large businesses and producers in the formal economy, i.e. those already in a relatively strong position to tap into an expanding market.

Smallholders and SMEs often face obstacles to their participation in the global economy, including a lack of financial and market information, lack of organisational and business skills, poor access to modern technologies, and—for rural dwellers especially—sheer distance. For women and rural communities, poor digital and physical connectivity can significantly exacerbate poverty.¹⁸

¹⁴ DFAT, *Performance of Australian Aid 2015–16* (Barton, DFAT, 2017), <https://reliefweb.int/sites/reliefweb.int/files/resources/performance-of-australian-aid-2015-16.pdf>, accessed 8 June, 2018.

¹⁵ DFAT, *Aid for Trade*. Aid Fact Sheet: May 2018 (Barton, DFAT, 2018), <http://dfat.gov.au/about-us/publications/Documents/aid-fact-sheet-aid-for-trade.pdf>, accessed 8 June, 2018.

¹⁶ J de Melo and L Wagner, *Aid For Trade as finance for the Poor* (Clermont-Ferrand France: fondation pour les études et recherches sur le développement international, No date) http://www.ferdi.fr/sites/www.ferdi.fr/files/publication/fichiers/wp125_demelo_wagner.pdf

¹⁷ P Sunder and M Harwood, *Aid for Inclusive Trade: New thinking for Australia's Aid for Trade Agenda* (World Vision Australia, 2017), <https://www.worldvision.com.au/docs/default-source/publications/aid-trade-and-mdgs/aid-for-trade-paper.pdf?sfvrsn=8>, accessed 8 June, 2018.

¹⁸ WTO, *Aid for Inclusive Trade and Poverty Reduction*, Ch. 12 in *Aid for Trade at a Glance 2017. Promoting Trade, Inclusiveness and Connectivity for Sustainable Development* (Paris, OCED, 2017) https://www.oecd-ilibrary.org/development/aid-for-trade-at-a-glance-2017/aid-for-inclusive-trade-and-poverty-reduction_aid_glance-2017-15-en, accessed 8 June, 2018.

Yet, a stronger investment in improving the productivity, market links, and bargaining power of SMEs and smallholders would both reduce poverty and raise countries' capacity to trade. It is encouraging to see that DFAT intends to lift aid for trade expenditure on productive capacity in the next two years.¹⁹

A 2016 Office of Development Effectiveness assessment of Australia's trade for aid investments found that it had 'the potential to make significant impacts on poverty reduction' by improving trade capacity issues, but needed greater emphasis on gender equality.²⁰ At the same time, however, as ACFID notes

Recent performance data on the aid program indicate that while DFAT have met 9 of the 10 performance targets set by the Foreign Minister in 2014, the target that 80% of aid investments effectively address gender has not yet been met. This is a disappointing outcome in a key priority area for DFAT.²¹

Women-led SMEs and women entrepreneurs have a critical role to play in global trade and development. In emerging markets, women-owned SMEs represent 31 to 38 per cent of SMEs in the formal sector, with many more operating informally. Aid for trade initiatives must support women's economic empowerment and address the particular barriers preventing women from engaging in trade.

It is an area in which Fairtrade has significant experience, and we are proud to have incorporated gender equality into our standards as a central principle. We believe similar standards applied to Australian aid-funded projects and programs would make significant progress towards empowerment for women and girls in the Indo-Pacific region.

¹⁹ DFAT, 2018, *Op. cit.*

²⁰ DFAT, *Performance of Australian Aid 2015–16* (Barton, DFAT, 2017), <https://reliefweb.int/sites/reliefweb.int/files/resources/performance-of-australian-aid-2015-16.pdf>, accessed 8 June, 2018.

²¹ ACFID, *Analysis of the 2018–19 Federal Budget* (ACFID, May 2018), p3, https://acfid.asn.au/sites/site.acfid/files/resource_document/ACFID%20Federal%20Budget%20Analysis%20FY2018_19.pdf, accessed 8 June, 2018.

FAIRTRADE'S STANDARDS FOR GENDER EQUALITY

Members of Fairtrade producer organisations cannot:

- Discriminate on the basis of gender or marital status;
- Implement discriminatory laws;
- Force prospective workers to take pregnancy tests or sack women who do become pregnant later;
- Tolerate abusive, exploitative, or sexually intimidating behaviour, and;
- Deny women maternity leave or social security benefits if these are rights under local laws or collective bargaining agreements.

Where Fairtrade's impact on economic and political empowerment has been more limited, this is often due to factors beyond the control of the Fairtrade system, such as market prices, national labour standards, and gender norms.

Moreover, Fairtrade requires that organisations identify disadvantaged, vulnerable or minority groups to protect their rights and proactively improve their economic and social standing. Put simply, a producer organisation that doesn't support equality cannot be Fairtrade-certified.

Monitoring and Evaluating the Impact of Australian Aid

RECOMMENDATIONS

1. Maintain aid delivery through third parties such as NGOs or organisations such as Fairtrade to ensure inclusivity and engagement of the most vulnerable and marginalised.

Any use of government or donor money should be used to deliver development goals through identification of clear target groups and sustainability indicators, with effective monitoring and evaluation. Determining the impact of aid and especially aid-for-trade interventions is not easy, however. Many large donor countries, including Australia and the European Union, acknowledge the weaknesses and limitations of their monitoring and evaluation (M&E) of ODA investments. Typically, many M&E systems fail to properly measure the impact of aid, including aid for trade, on poverty and inequity.

Australia should also work with other OECD members to streamline M&E systems, including the use of clear indicators and evaluation methods, across donors to strengthen the evidence base for various aid strategies, projects, and programs.

Fairtrade, NGOs, and other implementing partners already gather community-level data, which could be used by DFAT. Further, Fairtrade is working to better demonstrate the outcomes of its work, including by embedding ways to more clearly measure and report on the 17 SDGs in Asia and the Pacific. In particular, we are looking at tools to monitor by gender and job. We want to ensure that women, the work they do and the results of their work are identified and included in our monitoring, evaluation, and learning (MEL) system. We will do this by disaggregating data for women and men, with the following under consideration:

- Monitoring the number of producer organisation members and their beneficiaries by their gender and age;
- Gauging producer empowerment by monitoring the number of people by gender and age attending various Fairtrade events;
- Monitoring the number and expenditure of Fairtrade-funded projects where gender is a theme;
- Measuring the number of producers consulted to gauge the needs of members and communities when planning Premium use is disaggregated;
- Measuring the number of producer organisation members trained by theme, including the theme of gender;
- Measuring the number of interventions addressing gender inequality, giving us insight into which and the extent to which producer organisations are working to address gender inequity, and;
- Tracking the percentage of the Fairtrade Premium used by producer organisation by theme, including gender.

We share these as part of a conversation about how DFAT might begin to better measure the impact of aid and trade for aid beyond aggregated economic figures and financial flows. We hasten to add that narratives, case studies, and other qualitative measures should not be abandoned but used together with improved, disaggregated quantitative datasets. Altogether, the focus should be on how effective DFAT's investments are in reducing poverty and promoting inclusive economic growth.

Case Study: PNG Highland Organic Agricultural Cooperative (HOAC)

This project is increasing our capacity in the field to challenge historic gender-based patterns and breaking down stereotypes of 'women's work'. Ronah Peve is an extension officer with the Fairtrade-certified Highland Organic Agriculture Cooperative in Papua New Guinea. Ronah took part in a coffee quality training run by Fairtrade, which she feels helped her become a community role model, challenging a long-accepted gender norm: 'In Papua New Guinea, coffee is something that men talk about and my job as an extension officer is a man's job. But I have been trying my best and now women in the village come to me for advice about caring for their coffee trees. They see it is not only a man's job.'

The importance of aid to Australia's interests

As Australia sharpens its focus on its national interests and strengthens its alignment with economic diplomacy and security objectives, it should take care to maintain sufficient focus on its high-level poverty reduction objective.

Fairtrade ANZ agrees with the Australian Government that 'stronger growth, prosperity and stability in the region [are] of direct benefit to Australia'.²² Fairtrade supports the Australian Council for International Development (ACFID) position that a strong, effective aid program lies at the heart of Australia's foreign policy strategy in the Indo-Pacific.

Australia's search for continued prosperity depends more than ever on the wellbeing of communities in the Indo-Pacific region. In turn, this wellbeing depends upon Australia actively promoting peace and human security; stability and social cohesion; democracy and human rights; climate action and justice; ameliorating inequality; and generating sustainable and inclusive economic growth. Australia's participation in meeting commitments under global agreements—such as the Sustainable Development Goals (SDGs) and the Paris Agreement—provide both principles and means for boosting the wellbeing of communities in our region, and for Australia's continued prosperity.

As a key means of enhancing development and prosperity, and a vital contribution to shaping the new global order, aid should be assigned the same level of priority as defence, trade and diplomacy...²³

The economic case for aid is very strong: the Australian National University recently analysed 1980–2013 aid and export data showing that every aid dollar generated \$7.10 in Australian exports to recipient countries.²⁴ However, as mentioned elsewhere, Fairtrade's recently delivered five-year Pacific partnership with the New Zealand Ministry of Foreign Affairs highlighted the merit of trade, with NZ\$37 in direct income generated for producers for every dollar invested in Fairtrade.²⁵ There is considerable value—at home and in the region—in Australia using its power to create markets, including by leveraging private investment for the public good. Even so, it would be misguided to over-rely on the private sector and the aid for trade program to address the asymmetries of power that keep hundreds of millions in the region in poverty and at the margins of the global economy.

Trade and the more liberal flow of private investment are frequently seen as the main drivers of growth and poverty alleviation. However, aggregate measures of growth can mask stark inequities within countries, including gender inequality. The foundations of sustainable development, such as gender equality, protection of children, and environmental sustainability, are too often treated in isolated from trade agreements and programs, and

²² DFAT, *Australian aid: promoting prosperity, reducing poverty, enhancing stability*, June 2014 (Barton, Commonwealth of Australia, 2014), <http://dfat.gov.au/about-us/publications/Documents/australian-aid-development-policy.pdf>, accessed 8 June, 2018.

²³ ACFID, *Op. cit.*, [Emphasis added]

²⁴ ACFID, *Op. cit.*

²⁵ Fairtrade ANZ and 2iis Consulting, *Op. Cit.*

hence decoupled from economic activity. This risks promoting unsustainable, unfair growth. Commonly, moreover, aid investments in agriculture in the Indo-Pacific address gaps in one or the other side of the supply chain, production or market access. Few seek to connect producers to consumers.

Australia has committed itself to working with the international community to realise the Sustainable Development Goals. It is committed to various international labour, human rights, and environmental agreements and standards, including the Guiding Principles on Business and Human Rights, the UN Global Compact on corporate social responsibility, International Labour Organization conventions, and the Paris Agreement. As Australia builds its aid and trade presence in the Indo-Pacific it should be proactive in ensuring these goals, standards, and frameworks are not compromised.

Conclusions

Australian aid can be a catalyst for eradicating poverty, reducing inequality, and sustainable development. Australia has an opportunity to build on a decades-long effort to promote its own strategic interests, including regional peace and security, as well as global goals.

Fairtrade supports market development in the Indo-Pacific that yields measurable reductions in poverty and inequality. This means not relying solely on high-level aggregated business and economic indicators of progress, but measuring real progress at the community level. It means establishing safeguards that ensure the poor and marginalised are included not just as recipients of Australian aid for trade and private investment, but as equal partners, empowered to realise their own aspirations and interests. And it means transforming the fundamentals of trade to ensure it is fair and inclusive.

Fairtrade ANZ would welcome further discussion with the Committee and with DFAT.