

Economic Development

Principles of Economic Development
World Vision Australia's
Public Policy Position

World Vision Australia's position on economic development

Economic development is fundamental to eliminating poverty in developing countries

World Vision Australia views economic development as fundamental to eliminating poverty in developing countries. Economic development is achieved when inclusive and sustainable economic growth is accompanied by the elimination of the social and economic barriers keeping marginalised people in poverty. As evidenced through World Vision's long engagement with communities, while economic growth is a critical driver of poverty reduction, high rates of inequality and vulnerability undermine the impact of growth on poverty, resulting in the exclusion of marginalised people. Economic development is particularly crucial to improving the quality of life of marginalised people.

As a child focused agency, World Vision Australia view economic development as critical to the wellbeing of children.¹ Creating jobs across the economy improves household incomes, enabling parents to better provide food and nutrition, education and healthcare for their children.² Higher domestic tax revenues enable developing country governments to provide citizens with access to essential services such as primary education and child and maternal healthcare.³

World Vision Australia's position on economic development aligns with World Vision International's position,⁴ which recognises the importance of economic development to its organisational goal of sustained wellbeing of children. World Vision International recognises the need for both economic justice and an increase in parent's incomes and assets to ensure enhanced household economic wellbeing. World Vision International works to incorporate and strengthen economic development initiatives as part of its integrated programming approach.

World Vision Australia welcomes the Australian Government's focus on economic development within Australia's aid and development policies. However, World Vision Australia urges the Australian Government to place greater emphasis on ensuring inclusive and sustainable economic growth in developing countries.

World Vision Australia considers that Australian development policies must first and foremost prioritise the social and economic empowerment of those living in poverty, and address the widening inequality in developing countries.

Central to this is the need to use holistic measures to gauge the impact of development programs and policies on the conditions faced by marginalised groups in developing countries.

World Vision's mandate to advocate for economic development

Currently, the Australian aid program predominantly uses changes in household income to measure the effectiveness of economic development programming. This approach ignores the structural barriers that keep people in poverty, and prevents rises in household income from translating into meaningful improvements in wellbeing and living standards.

World Vision Australia advocates for the wellbeing of children to be used alongside household income as a critical measure of poverty reduction within the Australian aid program. It is widely understood that the wellbeing of vulnerable children – as a key marginalised group – is a particularly sensitive measure of a range of social and economic conditions faced by marginalised communities. Sustained improvements to the wellbeing of children in a marginalised community reflects an overall reduction in the social and economic barriers faced by community members.

World Vision has significant experience and expertise designing and implementing economic development policy and programming. World Vision has implemented effective economic development programs in wide-ranging, complex contexts in developing countries around the world.⁵ In implementing these programs, World Vision has partnered with the private sector, key international donors including DFID, USAID and DFAT, and multilateral institutions such as the World Bank and the UN's International Fund for Agricultural Development.

World Vision's economic development programs seek to enhance income and growth opportunities for farmers, youth and small business owners to manage natural resources sustainably and to improve living standards of those living in poverty. World Vision has expertise in the research, development, support and measurement of effective approaches to economic development in emerging markets.

World Vision's work spans small business financing and development; employment pathways; value chain development and market development; micro-franchising; savings, credit and financial inclusion initiatives; social protection and insurance; sustainable farming initiatives; resource management and regeneration; and agricultural productivity and extension work.⁶

World Vision has extensive experience in programs that aim to reduce the structural barriers facing people living in poverty. World Vision is a leader in gender programming and works to address discriminatory social norms and practices hindering the economic empowerment of women and girls. World Vision's Citizen Voice and Action programming⁷ aims to improve the dialogue between marginalised communities and government in order to protect rights and improve services (like health care and education) that impact the wellbeing of marginalised children and their families.

World Vision Australia's policy recommendations for change

World Vision Australia calls on the Australian Government to prioritise initiatives reducing the economic and social structural barriers preventing poor people from benefitting from economic activity. While the appropriate policy settings to drive economic development will vary by context, there is considerable agreement about the importance of several key drivers.

1. World Vision calls on the Australian Government, to implement contextually-appropriate policies that:
 - a) strengthen enabling environments and build private sector capacity through investments in areas such as education and training, health and governance;
 - b) encourage pro-poor infrastructure investment;
 - c) achieve sustained productivity growth in agriculture and for small and medium businesses through increasing their access to finance, technology and markets;
 - d) address the social barriers and discriminatory social norms facing marginalised and vulnerable people by investing in programs which empower women, children, and other minority groups;
 - e) expand the domestic tax base of developing countries particularly through building the capacity of national governments and by supporting global efforts to reform international tax rules;
 - f) ensure sustainable development and responsible use of natural resources;
2. World Vision Australia calls on the Australian Government to recognise child wellbeing as a critical measure of poverty reduction efforts and to embed child wellbeing as a core performance indicator for Australia's aid and development policies and programs.

Background

What is economic development?

While there is no universally agreed definition, in broad terms economic development occurs when sustained economic growth is accompanied by changes to the structure of a country's economy and society that benefits the poorest and most vulnerable.⁸ Economic development is fundamental to eliminating poverty.⁹ The two elements of economic development are:

1. Inclusive and sustainable economic growth:

Economic growth generates demand for labour and creates jobs.¹⁰ This helps people living in poverty by:

- increasing domestic tax resources which – when spent appropriately – enables developing country governments to provide citizens with essential services such as healthcare, education and infrastructure.¹¹
- increasing employment opportunities for those in poverty, resulting in increased household incomes.¹² Employment is by far the dominant source of income for people in poverty in developing countries.¹³

Economic growth must be inclusive and sustainable to achieve poverty reduction. Only *inclusive* growth can ensure equitable access to jobs and markets, and enable all segments of the population to benefit from increased economic activity. Growth must also be sustainable; natural resources must be managed responsibly to ensure they contribute to rising output and welfare over an extended period of time.¹⁴ Environmental degradation and changing weather patterns can have a harmful impact on agriculture, a sector central to the livelihoods of those who are poor.¹⁵

2. Structural change and the reduction of barriers that keep people in poverty:

People living in poverty face structural barriers – both social and economic – which prevent them from participating fully in economic activity.¹⁶ They typically work in the informal sector, and despite being major contributors to economic output,¹⁷ are often prevented from accessing markets and employment opportunities; financial services and credit; land and property markets; and new technology and technical assistance.¹⁸ Social barriers such as discriminatory social norms and cultural practices can be equally powerful, and often reinforce and entrench economic barriers.¹⁹

Economic and social barriers are particularly harmful to marginalised groups which can include children, women, religious and ethnic minorities, people with disabilities and conflict-affected communities who make up the majority of those living in extreme poverty. These barriers have significantly contributed to growing rates of inequality across the developed and developing world. Inequality can undermine headline economic growth, particularly as it means that those with low incomes suffer poor health, low productivity and cannot afford to invest in education.²⁰

Current context

The World Bank has long asserted that economic growth is necessary but insufficient to reduce poverty and that the 'challenge of development is to improve quality of life.'²¹ Major donors such as DFID and USAID have emphasised the importance of policies and initiatives prioritising economic development within their aid programming.²² Along with social and environmental imperatives, the UN Sustainable Development Goals (SDGs) place economic development at the heart of the sustainable development agenda.²³

In 2014, the Australian Government reshaped the purpose and focus of Australian development policy to emphasise the critical contribution of economic development. Australia's development policy now elevates the dual goals of economic growth and poverty reduction, and defines the purpose of Australia's aid program as the promotion of 'Australia's national interest by contributing to sustainable economic growth and poverty reduction.'²⁴

Key resources & references

Key resources

Economic Development and World Vision <https://www.worldvision.com.au/docs/default-source/publications/aid-trade-and-mdgs/economic-development-and-world-vision.pdf?sfvrsn=4>

DFID, Economic development for shared prosperity and poverty reduction: a strategic framework

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/276859/Economic-development-strategic-framework_.pdf

DFAT, Australian aid: promoting prosperity, reducing poverty, enhancing stability

<https://dfat.gov.au/about-us/publications/Documents/australian-aid-development-policy.pdf>

World Bank, World Development Report, The Challenge of Development

References

¹ World Vision Australia, *Economic Development and World Vision*, available at: <https://www.worldvision.com.au/docs/default-source/publications/aid-trade-and-mdgs/economic-development-and-world-vision.pdf?sfvrsn=4>

² World Vision Australia, *Economic Development and World Vision*, available at: <https://www.worldvision.com.au/docs/default-source/publications/aid-trade-and-mdgs/economic-development-and-world-vision.pdf?sfvrsn=4>

³ World Vision Australia, *Economic Development and World Vision*, available at: <https://www.worldvision.com.au/docs/default-source/publications/aid-trade-and-mdgs/economic-development-and-world-vision.pdf?sfvrsn=4>

⁴ World Vision International, *Economic Development*, available at: <http://www.wvi.org/economic-development>

⁵ For examples, see World Vision Australia, *Economic Development and World Vision*, available at: <https://www.worldvision.com.au/docs/default-source/publications/aid-trade-and-mdgs/economic-development-and-world-vision.pdf?sfvrsn=4>

⁶ For background on some of these, see World Vision Australia, *Livelihoods*, available at: <https://www.worldvision.com.au/donate/livelihoods>

⁷ See World Vision International, *Citizen Voice in Action: World Vision's Approach to Social Accountability*, available at: <http://www.wvi.org/health/citizen-voice-and-action-0>

⁸ World Vision Australia, *Economic Development and World Vision*, available at: <https://www.worldvision.com.au/docs/default-source/publications/aid-trade-and-mdgs/economic-development-and-world-vision.pdf?sfvrsn=4>; UK Department for International Development, *Economic development for shared prosperity and poverty reduction: a strategic framework*, 2014.

⁹ UK Department for International Development, *Economic development for shared prosperity and poverty reduction: a strategic framework*, 2014.

¹⁰ OECD, *Understanding the relationship between economic growth, employment and poverty reduction*, 2009.

¹¹ World Bank Brief, *Domestic Resource Mobilisation*, 2016.

¹² UK Department for International Development, *Growth: Building Jobs and Prosperity in Developing Countries*, 2009.

¹³ UK Department for International Development, *Growth: Building Jobs and Prosperity in Developing Countries*, 2009.

¹⁴ World Vision Australia, *Economic Development and World Vision*, available at: <https://www.worldvision.com.au/docs/default-source/publications/aid-trade-and-mdgs/economic-development-and-world-vision.pdf?sfvrsn=4>

¹⁵ Cervantes-Godoy, D. and J. Dewbre, "Economic Importance of Agriculture for Poverty Reduction", *OECD Food, Agriculture and Fisheries Working Papers*, No. 23, 2010.

¹⁶ UK Department for International Development, *Economic development for shared prosperity and poverty reduction: a strategic framework*.

¹⁷ In terms of its contribution to GDP, the informal sector accounts for between 25% and 40% of annual output in developing countries in Asia and Africa: see The World Bank website, *Workers in the Informal Economy*, available at: <http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTSOCIALPROTECTION/EXTLM/0,,contentMDK:20224904~menuPK:584866~pagePK:148956~piPK:216618~theSitePK:390615,00.html>

¹⁸ UK Department for International Development, *Economic development for shared prosperity and poverty reduction: a strategic framework*, 2009.

¹⁹ United Nations Development Program, *Barriers to and opportunities for poverty reduction*, 2014.

²⁰ The Economist, *How inequality affects growth*, 15 June 2015, available at: <http://www.economist.com/blogs/economist-explains/2015/06/economist-explains-11>

²¹ World Bank, *World Bank Development Report: The Challenge of Development*, 1991.

²² See for example: UK Department for International Development, *Economic development for shared prosperity and poverty reduction: a strategic framework*, 2009.

²³ For example, Goal 8 aims to 'promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all'

²⁴ Department of Foreign Affairs and Trade, *Australian aid: promoting prosperity, reducing poverty, enhancing stability*, 2014.