

6 March 2019

Committee Secretary  
Senate Standing Committee on Foreign Affairs, Defence and Trade

Dear Committee Secretary,

**Export Finance and Insurance Corporation Amendment (Support for Infrastructure Financing) Bill 2019 [Provisions]**

IWDA is pleased to present this brief submission to the Committee. IWDA endorses the submission of our peak body, the Australian International Council for International Development (ACFID), and commends it to your attention.

We note that the Bill currently before the Committee would increase the Export Finance and Insurance Corporation's (Efic) callable capital six-fold to \$1bn, grant Efic new overseas infrastructure financing powers and introduce an "Australian benefit" test. The announcement of the expansion of Efic's capabilities comes in the context of the "Pacific Step Up" which also included the announcement of a new Australian Infrastructure Financing Facility for the Pacific (AIFFP), a \$2b investment in loans and grants to support Pacific infrastructure development.<sup>i</sup> We further note the evidence given by the Department of Foreign Affairs and Trade (DFAT) to the Foreign Affairs, Defence and Trade Legislation Committee Senate Estimates on 21 February 2019, which indicated the intention for Efic to administer the AIFFP.<sup>ii</sup>

We welcome the recognition of the development challenges facing the Pacific and the Australian Government's commitment to increase its support to the region. While IWDA believes in principle that grants are a better form of development assistance than loans, we recognise the need for multiple forms of finance to meet the development challenges facing the world today.

**However, IWDA shares ACFID's concern that the Bill as drafted does not equip Efic with the necessary mandate, processes and safeguards to deliver overseas finance which supports either the priorities established under Australia's international development program or the development objectives of Pacific nations.**

Efic's mandate of providing benefit to Australian companies is mismatched to the joint aims of the Pacific Step Up, which include both the development interests of our partners in the Pacific region and the national interest benefits that will flow to Australia as a result of strengthened relationships.<sup>iii</sup> We further note that while DFAT officials' evidence firmly characterised the AIFFP as a development initiative, they could not confirm any planned changes to Efic's due diligence processes to enable them to consider the development benefits and risks of new projects.<sup>iv</sup> The Bill as drafted does not support the incorporation of the necessary criteria and safeguards to enable Efic to meet the dual objectives of the Pacific Step Up, either in terms of the increase in callable capital or its proposed involvement in the AIFFP.

**IWDA joins with ACFID in calling for the Government to undertake a fuller process of consultation and co-design with development sector stakeholders, including civil society in the Pacific, to develop financial models which will better support development outcomes in the Pacific.**

We further call for the Government to:

- Introduce a “Pacific benefit test” to accompany the “Australian benefit test” proposed in the Bill.
- Rule out the possibility that Efic will fund fossil fuel projects as part of its expanded mandate, given the reaffirmation of Pacific Leaders in the *Boe Declaration* that “climate change remains the single greatest threat to the livelihoods, security and wellbeing of the peoples of the Pacific,” and noting Prime Minister Scott Morrison’s use of the same *Boe Declaration* to justify to military cooperation components of the Pacific Step Up.<sup>v</sup>
- Invest in technical expertise to support:
  - o gendered analysis of the debt implications of financing decisions;
  - o gendered analysis of all stages of infrastructure projects financed by the Australian government; and
  - o application of existing aid performance benchmarks to monitor and track progress.

In support of this final point, we note that there are **significant gender equality dimensions** to both the finance and infrastructure components of this Bill, which must receive due attention.

Assessments of debt sustainability often fail to account for the ways in which the cost of debt servicing are passed on to a nations’ citizens and disproportionately borne by women. The Women’s Working Group on Financing for Development – a grouping of gender and macroeconomic policy specialists – argues that “[d]ebts servicing continues to undermine women’s human rights, through the diversion of scarce government resources from public services that reduce women’s care burden; and through the attachment of harmful policy conditionalities, such as privatisation or the introduction of user fees for services that are critical for women’s enjoyment of human rights and gender equality.”<sup>vi</sup> Research in the UK found that since 2010 women had borne 86% of the cost of austerity policies imposed by the British Government in the wake of the global financial crisis.<sup>vii</sup> It will be critical for any loans provided under both the callable capital and the AIFFP to incorporate a gendered assessment of the impact of loans in their assessment.

Well-designed, targeted infrastructure investments which address the needs of diverse women and girls have significant potential to contribute to gender equality outcomes. For example, connecting electricity and water supply can decrease women’s time burden of unpaid domestic work and improve their health and safety.<sup>viii</sup> Infrastructure investments which employ women in fields which are traditionally male-dominated, such as construction and transport, can contribute to shifting gender norms around what is considered “women’s work” while expanding women’s employment options.<sup>ix</sup> There are further benefits to infrastructure which is inclusive for people with disabilities, and which meets the needs of rural, younger and older women.<sup>x</sup>

However, for infrastructure to contribute to women’s empowerment, gender considerations must be addressed at all stages of a project. Additionally, the investment must go hand in hand with efforts to change social norms that contribute to women’s inequality. This requires technical expertise to support gendered analysis at all stages of projects, as well as formal processes such as performance benchmarks and monitoring to track progress.

Australia’s Foreign Policy White Paper names gender equality as an Australian value.<sup>xi</sup> DFAT’s existing infrastructure strategy names “improv[ing] access to infrastructure services to facilitate private sector and human development and promote women’s participation and empowerment” among its priorities, and acknowledges that “gender issues need to be taken into account throughout all stages of infrastructure development”.<sup>xii</sup> DFAT’s *Gender equality and empowerment*

*strategy* commits to integrating gender equality through all parts of DFAT's work including foreign policy, trade and economic diplomacy, international development, and internal corporate services and human resources.<sup>xiii</sup> The aid program includes additional performance benchmarks on gender equality, including the target "[m]ore than 80 per cent of investments, regardless of their objectives, will effectively address gender issues in their implementation."<sup>xiv</sup>

No evidence has been provided that suggests that Efic has the required technical capacity to incorporate a gender analysis of the impacts of increased debt or of infrastructure initiatives. To meet the objectives of the Pacific Step Up, it will be critical for both the callable capital and AIFFP components to integrate gender expertise across all stages of projects, match the benchmarks set by the existing aid program for integration of gender issues, and monitor performance.

IWDA maintains that the Bill as drafted does not equip Efic with the necessary mandate, processes and safeguards to deliver overseas finance which supports either the priorities established under Australia's international development program or the development objectives of Pacific nations.

Yours sincerely,

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- <sup>i</sup> Prime Minister of Australia. 2018. *Australia and the Pacific: A new chapter*. Speech: Lavarack Barracks, Townsville, QLD. 08 Nov 2018. Accessed 6/3/19. <https://www.pm.gov.au/media/address-australia-and-pacific-new-chapter>
- <sup>ii</sup> Commonwealth of Australia. 2019. *Senate Foreign Affairs, Defence and Trade Legislation Committee Estimates [Proof Copy]*. Thursday 21 February 2019. Canberra. Pp 73. Accessed 6/3/19. [https://parlinfo.aph.gov.au/parlInfo/download/committees/estimate/a08a4138-185a-434a-b512-740ee20bdb87/toc\\_pdf/Foreign%20Affairs,%20Defence%20and%20Trade%20Legislation%20Committee\\_2019\\_02\\_21\\_6953.pdf;fileType=application%2Fpdf#search=%22committees/estimate/a08a4138-185a-434a-b512-740ee20bdb87/0000%22](https://parlinfo.aph.gov.au/parlInfo/download/committees/estimate/a08a4138-185a-434a-b512-740ee20bdb87/toc_pdf/Foreign%20Affairs,%20Defence%20and%20Trade%20Legislation%20Committee_2019_02_21_6953.pdf;fileType=application%2Fpdf#search=%22committees/estimate/a08a4138-185a-434a-b512-740ee20bdb87/0000%22)
- <sup>iii</sup> Parliament of the Commonwealth of Australia. 2019. *Export Finance and Insurance Corporation Amendment (Support For Infrastructure Financing) Bill 2019 Explanatory Memorandum*. Accessed 6/3/19. [https://parlinfo.aph.gov.au/parlInfo/download/legislation/ems/r6263\\_ems\\_57f609b5-1d40-45d0-a6aa-16a353f2afde/upload\\_word/698266.docx;fileType=application%2Fvnd.openxmlformats-officedocument.wordprocessingml.document](https://parlinfo.aph.gov.au/parlInfo/download/legislation/ems/r6263_ems_57f609b5-1d40-45d0-a6aa-16a353f2afde/upload_word/698266.docx;fileType=application%2Fvnd.openxmlformats-officedocument.wordprocessingml.document)
- <sup>iv</sup> Commonwealth of Australia. 2019. pp 74
- <sup>v</sup> Pacific Islands Forum. 2018. *Leaders' Declarations: Boe Declaration on Regional Security*. Accessed 6/3/19. <https://www.forumsec.org/boe-declaration-on-regional-security/>; Prime Minister of Australia. 2018.
- <sup>vi</sup> Women's Working Group on Financing for Development. 2015. *Reaction to the Outcome Document of the Third International Conference on Financing for Development: Addis Ababa Action Agenda*. pp 3. Accessed 6/3/19. <https://wwgonffd.files.wordpress.com/2015/07/women-working-group-reaction-to-addis-ababa-action-agenda-17-july-20151.pdf>
- <sup>vii</sup> Stewart, Heather. 2017. *Women bearing 86% of austerity burden, Commons figures reveal*. 10 March 2017. The Guardian. Accessed 6/3/19. <https://www.theguardian.com/world/2017/mar/09/women-bearing-86-of-austerity-burden-labour-research-reveals>
- <sup>viii</sup> See for example: Gender and Development Network (GADN). 2019. *Briefings January 2019: How social protection, public services and infrastructure impact women's rights*. Pp 9. Accessed 6/3/19. <https://static1.squarespace.com/static/536c4ee8e4b0b60bc6ca7c74/t/5c34c34cb8a04568549dc77d/1546961742579/How+social+protection%2C+public+services%2C+infrastructure+impact+women%27s+rights.pdf>; Khan. 2018. *Women and Infrastructure: A Synthesis of GrOW Research Findings*. Pp 3, 6-7. Accessed 6/3/19. <https://idl-bnc-idrc.dspacedirect.org/bitstream/handle/10625/56979/IDL-56979.pdf?sequence=2&isAllowed=y>; Fisk, Kylie & Crawford, Joanne. 2018. *Exploring multidimensional poverty in Fiji: Findings from a study using the individual deprivation measure*. International Women's Development Agency. Pp 53. Accessed 6/3/19. <https://iwda.org.au/assets/files/IDM-Fiji-Final-Study-Report-31072017.pdf>; Infrastructure and Cities for Economic Development (ICED). No date. "Infrastructure: A Game-Changer for Women's Economic Empowerment." *Submission to the UN Secretary-General's High Level Panel on Women's Economic Empowerment Working Groups*. Pp 1. Accessed 6/3/19. <http://www.sddirect.org.uk/media/1366/iced-briefing-note-infrastructure-a-game-changer-for-wee.pdf>
- <sup>ix</sup> ICED. No date. Pp 7
- <sup>x</sup> See for example: Khan. 2018. Pp 3; OECD. 2007. "PART IV: Chapter 17: Scaling Up and Improving Infrastructure for Poverty Reduction" in *Promoting pro-poor growth: policy guidance for donors*. Pp 238. Accessed 6/3/19. <https://www.oecd-ilibrary.org/docserver/9789264024786-21-en.pdf?expires=1550033044&id=id&accname=guest&checksum=2AC6669DF98A6E39AAF57C3E540E5CE3>
- <sup>xi</sup> Australian Government. 2017. *Foreign Policy White Paper: Opportunity Security Strength*. Pp 2. Accessed 6/3/19. <https://www.fpwhitepaper.gov.au/file/2651/download?token=Q5CYuX29>
- <sup>xii</sup> DFAT. 2015. *Strategy for Australia's Aid Investments in Economic Infrastructure*. Accessed 6/3/19. <https://dfat.gov.au/about-us/publications/Documents/economic-infrastructure-development-strategy.pdf>
- <sup>xiii</sup> DFAT. 2016. *Gender Equality and Women's Empowerment Strategy*. Accessed 6/3/19. <https://dfat.gov.au/about-us/publications/Documents/gender-equality-and-womens-empowerment-strategy.pdf>
- <sup>xiv</sup> DFAT. 2014. *Making Performance Count: enhancing the accountability and effectiveness of Australian aid*. Accessed 6/3/19. <https://dfat.gov.au/about-us/publications/Documents/framework-making-performance-count.pdf>