

NZ aid and the New Zealand private sector's role in Pacific sustainable economic development

by Luke Roughton

26 August 2014



In 2013 Oxfam New Zealand produced a research report on [sustainable development in the Pacific and the role of the New Zealand private sector](#). This report was intended to fill a research gap on the role of the NZ private sector in Pacific economic development. It is a particularly important subject in the context of the New Zealand government's increased focus on the private sector in aid.

The research analysed four case studies of New Zealand businesses that had business interests in the Pacific, assessing their motivations for working in the Pacific, factors contributing to their success, and their contributions to sustainable economic development. It built on a [2010 discussion paper](#) that researched the perspectives of organisations successfully contributing to economic development in the Pacific.

The lessons that the 2013 research uncovers are primarily relevant for public–private partnerships (PPPs) for development that involve NZ businesses and attempt to stimulate NZ business investment in the Pacific as an economic development imperative.

Sustainable economic development and trade and investment in the Pacific

In previous reports, Oxfam has used four key criteria to assess whether an activity can be described as contributing to 'sustainable economic development'. These criteria were also used to assess the case studies in this report:

- environmentally, socially, culturally, economically and financially **sustainable**
- generates **broad-based benefits**, with equitable distribution of the benefits throughout the community, including for women and disadvantaged groups

- **appropriate** to the culture and situation
- **scalable** in being able to make a significant contribution to the region's resources and needs.

These criteria situate sustainable economic development firmly in broader development terms. The need to ensure broad-based benefits is especially important for a region such as the Pacific, which is characterised by small countries, small internal markets, located far from trading routes and major world markets, inherently limited natural resources, vulnerability to shocks and climate change, and low levels of participation in formal economies. These factors work to constrain the overall economic growth in already low-income Pacific countries, making the need to ensure benefits reach the poorest people even greater.

Oxfam fundamentally believes that alleviating poverty and inequalities requires not just economic transformation, but a redistribution of power, opportunities and voice. This is evidenced by the Asian Development Bank (ADB), which has **shown** that though economic growth contributes to poverty alleviation, the relationship between economic growth and a reduction in inequality is a weak one. Improved broad-based development outcomes are by no means guaranteed as a result of a simple increase in growth of a national economy. The ADB **has also made the case** that inequality itself inhibits future opportunities for economic development.

Considering how well NZ businesses in the Pacific have delivered broad-based benefits in the past is necessary to determine how well they can contribute to sustainable economic development in the future.

What does the research tell us?

Though the case studies profile long-term relationships in the Pacific, for the most part, the research found that NZ business operations in the Pacific are dominated by contract-specific construction activities, trading or consultancies. In other words, less risky, and more often short-term, business ventures.

An important research finding was that when asked about how their businesses contribute to sustainable development, the responses showed a lack of understanding of the broader developmental impacts of the business activity and not much was said about benefits to marginalised or low income people. That's not to say that the benefits don't exist, but rather that sustainable development isn't necessarily a goal or recognised outcome when NZ businesses work in the Pacific.

Because most foreign business investment in the Pacific is heavily reliant on imported inputs rather than domestic supply chains, and the extent of local employment is confined to low-skill jobs, broad-based sustainable economic

development benefits are limited.

The different ways that the four businesses used as case studies have an impact on Pacific island countries' (PIC) economies are surveyed in the report: from the ways in which they contribute to tax revenue and foreign capital, to their employment and training of local people, impacts on local businesses and supply chains, and how they raise benchmarks and standards. The impacts are too complex to describe here, except to note that they are not universally positive or negative. Perhaps most importantly, the businesses aren't designed to produce benefits that could be described as delivering sustainable economic development. Whilst not surprising that businesses' motives are driven by profits, Oxfam argues that if Official Development Assistance money is to be spent on encouraging NZ business investment in the Pacific, it should be done in such a way as to explicitly encourage sustainable economic development.

The research revealed a particular business model adopted by the NZ businesses studied. That is, combining the Pacific's natural resources with NZ expertise and technology in long-term relationships between the partners in order to successfully export to a higher value market.

What lessons are there for the role of the private sector in NZ in sustainable economic development in the Pacific?

The report argues that if NZ businesses are to have a role in contributing to sustainable economic development in the Pacific, it cannot be on a business as usual basis.

The report shows that it is possible for the NZ private sector to take advantage of business opportunities in the Pacific in such a way that contributes to sustainable economic development with broad-based benefits. The World Bank has **noted** that the expansion of smallholder farming raises the incomes of rural people as well as reducing the amount of money those families need to spend on food. Those rural smallholder farmers are also often working in the informal economy, unable to access the benefits of foreign investment and international trade.

Ultimately, much more research and dialogue is needed. NGOs and government agencies can play a role in highlighting opportunities and strategies that improve development outcomes. In Oxfam's value chain work, it has been working with smallholder producers in Samoa, Tonga, Vanuatu and Papua New Guinea to develop niche, value-added agricultural products, such as organic or fairtrade goods. Making the most of learning from that experience, and that of other NGOs in the Pacific, makes good development sense and good business sense for any NZ

businesses looking to invest in the region.

If the New Zealand Aid Programme is going to promote NZ business investment in the Pacific, it must first invest in building an evidence base that supports how this can happen in a way that contributes to sustainable economic development.

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