



# ECONOMIC GROWTH HELPS REDUCE POVERTY

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NZ AID | Nga Hoe Tuputupu-mai-tawhiti | The paddles that bring growth from afar



...towards a safe and just world

New Zealand's International  
Aid & Development Agency



# Economic

Economic growth helps people live their lives free of poverty. It creates employment and opportunities to generate income, giving people money for their families' education and health, as well as building up their other assets.

Promoting economic development and improving the livelihoods of poor people can involve a very broad range of activities, from improving infrastructure such as roads and transport networks, to supporting more efficient production and marketing of goods and produce, to helping governments improve macro-economic policy environments.

By ensuring that economic growth is spread as widely as possible across the whole country and across different sectors of the economy, the growth can be faster and can provide more opportunities for poor people. As a disproportionate number of the world's poor people are women and children, supporting gender equality and women's empowerment are essential aspects of this approach.

# growth helps reduce poverty

There is a strong relationship between better health, improved education, and good economic growth. Healthier, better-educated people can contribute more to economic development and this in turn can even further improve their level of health and education.

The right of poor people to have secure livelihoods and to benefit from economic development is an essential element of all NZAID's development efforts. We expect our assistance to strengthen economies, leading to:

- Fewer people living on less than \$1 a day<sup>1</sup> and fewer living with regular hunger.
- Increased opportunities for poor people to earn an income and improve the resilience of their livelihoods.
- Increased sustainable growth and reduced poverty faced by people living in the poorer regions of developing countries.

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<sup>1</sup> This refers to the standard international "dollar a day" definition which is, more precisely, a consumption poverty line based on US\$1.08 in 1993 purchasing power parity terms. For monitoring country poverty trends, indicators based on national poverty lines will be used, where available.



# Making

As the world becomes more open and connected, some aspects of globalisation like improved communications can make society as a whole better off. People's lives can be dramatically improved through the use of new technology and closer links to international markets.

There will however always be those people who gain more than others. Globalisation is also linked to challenges such as increased use of tobacco and alcohol, and a less nutritious diet. These and other potentially negative impacts must also be considered so steps can be taken to make sure that they do not add to the vulnerability of poor people.

Trade can play a vital role in reducing both vulnerability and poverty. Creating better links to domestic markets means that poor people can access these and earn a living.

At the international level, ensuring that developing countries have free and fair access to the markets of developed nations is also very important. New Zealand will help achieve this by making sure that international trade rules are fair and adhered to.

Internal and international migration can also provide opportunities for poor people, provided it is well-managed and attention is paid to the social challenges it can also create.

*“Economic growth is a means, not the goal, of economic development. It can also be instrumental for the realisation of human rights. However, economic growth must be achieved in a manner consistent with human rights.”*

*(Frequently Asked Questions on a Human Rights-Based Approach to Development Cooperation; UN Office of the High Commissioner for Human Rights, 2006)*

# globalisation

## work for the poor



Since 2004 NZAID has funded the Regional Trade Facilitation Programme, which supports regional trade in the Pacific. It has helped Pacific products gain access to the markets of Australia, New Zealand and Pacific Island countries. It is laying important foundations for trade development through capacity building and improvements to customs and quarantine practices and systems, which protect against the spread of pests and diseases through the region. The programme has also produced studies in standards and conformance that provide valuable guidance for future developments in the region.



# Creating

Everyone needs to be able to work and make investment decisions in a setting that is predictable and fair, supports their efforts, and is free from corruption and exploitation.

NZAID is committed to helping partner countries develop and implement appropriate monetary, taxation and fiscal policies. NZAID is also trying to help partners improve their public service delivery, so that any increased government revenues from economic growth also benefit the poor.

Many poor countries struggle to reduce poverty because of high levels of debt, lack of transparency in the enforcement of legislation and regulations, and the fact that many organisations in these countries face significant institutional challenges. NZAID is actively helping many poor countries reduce and better manage their debts and strengthen key institutions.

Reliable sea, road, rail and air services help people access markets and spend less time travelling, while modern, reliable communication technology allows people to be better informed. Together, these provide an essential part of the foundation for economic growth. The more efficient the technology and services are, the faster the economy is likely to grow.

# an enabling environment

NZAID is committed to promoting economic development projects that are based on the sustainable use of natural resources. While many of the consequences of deforestation and the over-exploitation of fisheries resources may be global, it is the poor who usually bear the brunt of the local impact.

## CASE STUDY: THE IMPORTANCE OF LOCAL TRANSPORT

Several years of conflict and a lack of functioning maintenance services means that roads in the Solomon Islands are in very poor condition. It is difficult for people living in rural areas to access markets to sell their produce or access basic services like health clinics or schools. This exacerbates their level of poverty.

Between 2005 and 2011, NZAID is providing more than \$20 million for repairing and maintaining roads in the Solomon Islands. By improving the road quality and making it easier for people to get to markets and access other economic and social services, NZAID is supporting rural development, spurring economic growth and reducing poverty. Road reconstruction and maintenance work also provides people living in the project areas with employment opportunities.



# Making

A vibrant and appropriately regulated private sector not only provides goods and services, but also creates employment and local investment opportunities.

As the majority of the world's poor still live in rural areas, NZAID focuses on sustainable development in agriculture, forestry, fisheries, and tourism sectors. Strengthening these sectors and making sure they reach their full potential creates opportunities for poor people to increase both their own income and the economic growth of their country.

Addressing market weaknesses by improving quality and productivity, developing appropriate technical skills, encouraging small and medium-sized businesses, and improving access to finance is vital. It is important that such activities are market-led, so NZAID is helping developing country governments work with potential investors and private sector operators to determine where best to target their support.

Small and micro businesses can give their owners greater financial security and help raise them out of poverty. They often require small loans and other business support services that poor people find it hard to access. NZAID supports schemes that are designed to give these people, particularly women, a better chance.

*"When poverty exists there is no freedom...Overcoming poverty is not a gesture of charity. It is an act of justice. It is the protection of fundamental human rights. Everyone everywhere has a right to live with dignity, free from fear and oppression, free from hunger and thirst, and free to express themselves and associate at will."*

Nelson Mandela, 4 November 2006.

# markets work better for the poor



## CASE STUDY: SILKWORMS IN CAMBODIA

Cambodia is starting to see a revival of its silk sector, the traditional art form that produces the beautiful cloth renowned for its quality, vibrancy and delicate feel.

Supported by NZAID, the Cambodian Sector-wide Silk Project aims to transform Cambodian silk from a small cottage industry to one where Cambodian silk wares grace the department stores of the world. While still in the early stages, this four-year project seeks to bring together all elements of the silk industry into a more successful production and marketing network. Representatives all along the chain are involved – from silkworm farmers, to weavers, designers, traders, representatives from government departments and non-government organisations, and of course the world silk market.

By working together, people can share their expertise and skills and create market links. This improves production and increases profits for everyone involved. Better livelihoods are already being experienced by weavers and those involved in village pilot programmes.



# Improving

People with secure livelihoods are better able to grow or purchase enough nutritious food to meet their needs. As a result they are healthier, more productive, and better able to benefit from an increasing range of educational and economic opportunities. NZAID supports activities that aim to increase productivity, and the quality and availability of key food crops.

With globalisation comes an increase in choice. In many developing countries, new convenience foods are replacing the traditional staples, which often had better nutritional value. Traditional foods are also facing intense competition from subsidised imported foodstuffs. When combined with a change to less active lifestyles, this can have serious health implications, with greater rates of obesity and non-communicable diseases such as diabetes.

Promoting the growing and marketing of traditional food crops for local and wider consumption is a priority for NZAID.

When crises occur, NZAID will continue to provide emergency assistance through our core contributions to United Nations agencies and by responding to appeals for particular emergency situations.

# food security



## IT'S ALL ABOUT EFFECTIVE PARTNERSHIPS ...

NZAID's effectiveness in supporting pro-poor economic growth and livelihoods rests on developing strong partnerships. These need to support local government ownership and commitment to implementing key policies and programmes, donor harmonisation in support of these policies, and the involvement of civil society and the private sector.

There will never be a single set of policies that will work for all countries and communities. NZAID support must be tailored to the needs and opportunities faced by different countries and people at different times. One of the most important things is to ensure that NZAID assistance is people-centred – that our efforts make space for and encourage the active participation of those our policies and programmes are intended to help.

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### ***If you want to know more...***

...about NZAID's economic growth and livelihoods policy, please contact NZAID's communications team on **[communications@nzaid.govt.nz](mailto:communications@nzaid.govt.nz)** or at our postal address: **Private Bag 18-901, Wellington 5054, New Zealand.**

For a copy of the policy or any other NZAID policies visit our website: **[www.nzaid.govt.nz](http://www.nzaid.govt.nz)**

### ***Other useful web addresses are:***

Australian Government's overseas aid programme (AusAID)  
– **[www.ausaid.gov.au](http://www.ausaid.gov.au)**

Council for International Development (CID), New Zealand  
– **[www.cid.org.nz](http://www.cid.org.nz)**

Dev-Zone (Development Resource Centre)  
– **[www.dev-zone.org](http://www.dev-zone.org)**