

CARE Australia's 2017 pre-Budget submission to the Federal Government



CARE Australia is pleased to respond to the Minister for Small Business's call to contribute views on priorities for the 2017-18 Budget. This submission makes a concrete proposal for a mechanism to encourage the private sector to increase contributions to international development.

International development is critically important to shaping a world that is more stable, secure and prosperous for all. A strong aid budget aligns with Australia's national interest: as a developed nation in a developing region, we rely on our neighbours remaining on a stable development path for our own prosperity and security. It is also a core demonstration of the values we wish to project in the world – adherence to international law, and respect for human rights, justice and equality.

CARE Australia recommends the Australian Government identify and pursue a pathway for recovery of the aid program from its currently historically low proportion of Gross National Income. At just 0.23 per cent of GNI, or 0.85 per cent of total federal Government spending,ⁱ Australian aid is at the lowest level it has been since data have been recorded.

In addition to the aid program, CARE Australia recognises the critical importance of private sector investment to international development outcomes.ⁱⁱ The private sector offers enormous opportunity to work together to forge a better world for all, and we welcome the appetite many companies have displayed for achieving such goals. Yet there is more to do. Australian Bureau of Statistics data suggest that corporate philanthropy and sponsorships may represent as little as 2.8 per cent of total income for major not-for-profit organisations in Australia.ⁱⁱⁱ Corporate philanthropy appears to be growing at a lower rate than individual giving to not-for-profits in Australia. Certainly, it appears that levels of corporate philanthropy are significantly lower than in comparable nations such as the USA.^{iv}

CARE Australia understands the Australian Government is currently seeking to review company tax levels, while also seeking to encourage private sector contributions to development objectives. CARE Australia proposes a taxation mechanism to increase incentives for the private sector to align its work towards international development.^v This policy would drive much-needed investments in international development, whether through shared value engagement with not-for-profit organisations or in the form of corporate social responsibility or philanthropy.

Corporate social responsibility and philanthropic contributions are already tax deductible. We propose that the Government make eligible corporate social responsibility or corporate philanthropy contributions more than fully tax deductible, for example at a rate of 110 per cent, thus providing incentives to businesses to invest in international development. For shared value ventures between business and accredited non-government organisations that are

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intended to deliver both social and financial returns, the Government should introduce some degree of tax deductibility.

To be eligible, CARE Australia recommends investments would need to advance the Sustainable Development Goals and work with accredited not-for-profit organisations, such as those accredited by the Department of Foreign Affairs and Trade. The Government could define the extent of companies' access to the "bonus deductibility". Together, these provisions would ensure a mechanism that is simple, efficient and equitable, while serving important national interest ends.

The Addis Ababa Action Agenda, agreed by the 193 UN Member States, committed the international community to measures to generate the investment needed to implement the Sustainable Development Goals. The Agenda invited businesses to 'engage as partners in the development process' to 'apply their creativity and innovation to solving sustainable development challenges'.^{vi}

The innovative solution CARE Australia proposes to better leverage private sector investment in international development will advance this Agenda. It would reward businesses for exercising corporate social responsibility, and provide the Government with an opportunity to demonstrate leadership on the world stage by advancing a shared response to global challenges.

Should this proposal be of interest to you, CARE Australia would be happy to work with the Treasury to develop the concept.

ⁱ 2016-2017 federal budget; Aid Tracker, Development Policy Centre
<http://devpolicy.org/aidtracker/about-us/data-sources/>.

ⁱⁱ Government aid flows are dwarfed by private investment. Globally, remittances and foreign direct investment are the largest sources of developing countries' external finance: Organisation for Economic Co-operation and Development (OECD), *Composition of external resource flows* (latest data from 2014) https://public.tableau.com/views/Shareofnon-ODAflows/ODAvsNON-ODA?:embed=y&:display_count=no?&:showVizHome=no#1. The private sector's essential role in economic growth in developing countries is now well established, generating 90 per cent of jobs and funding more than 60 per cent of investment in developing countries: World Bank 2014, *World Development Indicators*, cited in DFAT Submission to the Joint Standing Committee on Foreign Affairs, Defence and Trade Inquiry into the Role of the Private Sector in Supporting Economic Growth and Reducing Poverty in the Indo-Pacific Region May 2014.

ⁱⁱⁱ QUT Business School and Australian Government Department of Social Services *Giving and Volunteering in Australia 2014: Environmental Scan/ Literature Review* September 2014, Executive Summary <http://www.communitybusinesspartnership.gov.au/giving-and-volunteering-in-australia/>.

^{iv} QUT Business School and Australian Government Department of Social Services *Giving and Volunteering in Australia 2014: Environmental Scan/ Literature Review* September 2014, Executive Summary <http://www.communitybusinesspartnership.gov.au/giving-and-volunteering-in-australia/>.

^v The Government may wish to extend this also to domestic social and environmental outcomes to advance the Sustainable Development Goals.

^{vi} Addis Ababa Action Agenda, paragraph 35.