

***HOW TO IMPROVE THE
AUSTRALIAN AID PROGRAM***

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Thank you for the opportunity to speak tonight.

2005 has been an unusual year. Aid and development issues have received unprecedented public attention. From the tragedy of the tsunami and the magnificent public response to the global Make Poverty History campaign with the associated Live 8 concerts to the United Nations Summit with the Prime Minister's announcement of major increases in Australia's overseas aid program to the horrifying disaster of the Kashmir earthquake, issues related to poverty and development have been on the front pages.

So it is only right and proper that a forum such as tonight's should be held. In the same way it is only correct that the Government is reviewing the role and direction of the aid program through its White Paper process.

Tonight I'd like to outline six key ways to improve the aid program. But before doing so it might be useful to reflect on why we have an aid program.

I'd like to suggest three primary reasons.

First, the continuation of chronic mass poverty and of gross disparities of wealth, income and power is unnecessary and can only feed insecurity and instability. To the extent that the aid program does anything to reduce such poverty and inequality then it should be supported. Australia, as one of the few rich countries living cheek by jowl with developing countries which have a high proportion of their citizens living in poverty, has a particular interest in creating a world without poverty.

Secondly – and I'd venture to suggest most importantly – an aid program reflects and represents the values of a nation. Reducing poverty and working with the poor and marginalised to achieve their basic human rights is not just sensible public policy, it is also the right thing to do. Demonstrating solidarity with those who frequently lack basic healthcare, access to education and social services should be at the heart of the image that Australia projects to the world.

Thirdly, I'd argue that the Australian people have shown that they want a good quality, poverty focussed aid program. I'm not naïve enough to argue that overseas aid is a top of mind issue for most Australians but any professional politician would be well-advised to pay heed to not just the extraordinary response to non-government aid organisations' tsunami relief appeals but also the consistent double figure growth in aid agencies' donation income in recent years. There's a constituency out there which, as the Make Poverty

History campaign illustrated, is being mobilised and is beginning to make its voice heard.

So how can we make the aid program better? I should say at the outset that the program already does much good but as teachers around the world say at this time of the school year – *it could do better!*

So here's Hewett's six point plan to help the aid program fulfil its potential.

Number 1.

Be unequivocal about the centrality of poverty reduction

The current goal of the Australian aid program is “Advancing the national interest by helping developing countries reduce poverty and achieve sustainable development”.

Inherent in this objective is the potential for tension, if not contradiction. Prioritising the “national interest” gives the wrong lead to policy makers and aid practitioners alike.

The last time the objective of the aid program was open to public scrutiny was in 1996 when the Simons Committee reviewed the aid program. That Committee warned that the pursuit of multiple objectives had compromised the developmental impact of the program. They recommended what they called “One Clear Objective’ for the aid program – “to assist developing countries to reduce poverty through sustainable economic and social development”

Simons further advised that “..... the aid program can be a very effective tool for *indirectly* promoting Australia's *long*-term foreign policy and commercial interests but it is quite undesirable that it be used to promote Australia's *short*-term foreign policy and commercial interests *directly*.’

As with foreign policy and commercial interests, so with security concerns.

Unfortunately the government did not accept Simons' advice. The aid program has consequently suffered.

Pursuing this unequivocal focus on poverty reduction opens up a number of possibilities. In the current context it would mean that that the Millennium Development Goals could become the framework for the program. The advantages of the MDGs are that they have become part of the international language, they are concrete goals with defined targets, they are based on a partnership between rich and developing countries and their achievement would significantly improve the lot of literally hundreds of millions of people. Australia, could, for instance, commit to work in partnership with other donors and the governments and peoples of the Pacific to try to ensure that that region is the first to achieve the MDGs.

Oxfam would also argue that having such a clear objective would raise the possibility of adopting a rights-based approach to development. Other significant bilateral donors have done so – it's time that Australia did so as well.

Importantly having such a clear objective would raise issues about the delivery mechanism. My agency has put a cap on the amount of money that we seek to obtain from the Australian government through AusAID – and indeed at the moment less than ten per cent of our income comes from AusAID - so the following should not be seen as special pleading.

Earlier this year, the International Monetary Fund sought to look at the impact of aid on the achievement of two of the MDGs – infant mortality and education. The researchers concluded “Our results show that NGO aid significantly reduces infant mortality while bilateral aid does not”. They describe their results on illiteracy as “less significant”.

Clearly the IMF paper is not the last word on this subject, but it does tend to suggest that if the aid program is unequivocally focussed on poverty reduction that the current low proportion of spending directed through NGOs needs to increase.

A clear focus on poverty reduction would also lead to renewed attention on Africa. Understandably Australia currently focuses on the Asia-Pacific region. But poverty is growing fastest in Africa and should not be forgotten. Nor should we forget that the greatest concentrations of poverty in Asia are not necessarily in those countries where Australia's focuses its efforts.

A poverty focussed aid program would build upon the high priority currently attached to HIV/AIDS which is looming as the number one development issue globally and would fully integrate gender equity.

Number 2.

Adopt a broader understanding of good governance

Something like 40% of current AusAID spending is directed towards governance programs. And Oxfam is clear that good governance is important for sustainable poverty reduction.

But I fear that AusAID has adopted too narrow a definition of good governance, with a one-eyed focus on public sector reform.

I would argue that good governance demands an effective and competent state *and* a strong and vibrant civil society. The two are mutually reinforcing.

Following through on this assertion, are two strategic policy implications.

First, aim to strengthen “bottom-up accountability” or “demand-led governance” processes. Experiences in Uganda, Malawi and elsewhere

demonstrate that the development of such processes lead to more poor and marginalised people accessing some of the basic services which are so vital to their well-being.

Secondly, that instead of, or at least alongside, the focus on high-level public sector reform, the spotlight needs to go onto front-line public sector staff. They need to be empowered and incentives established so that they can respond more effectively to their citizens' needs and wishes.

As Judith Tendler has shown in Brazil, and the World Development Report noted in 2004, the following factors need to be present to make state and local governments effective at service delivery:

- A high level of dedication to their jobs on the part of employees, based in part, on acceptable and regular salaries,
- A sense of 'calling' among these workers which was supported by positive and public admiration by government,
- Relatively high levels of discretion and job-task variety enjoyed by the workers that led to them customising their roles and responses to citizens on the front-line,
- The nature of the workers direct accountability to the citizens they served leading to spiralling mutual trust,
- Adequate budgets as well as discretion in their use

This sort of approach has not been a feature of the Australian aid program's interventions in the Solomon Islands and Papua New Guinea to date?

Number 3.

Transform partner relationships

The Australian aid program's primary relationships are with recipient governments. Australia has a responsibility to make these partnerships work. Oxfam argues that in order to improve the effectiveness of aid there is an urgent need to improve aid coordination among donors, promote the harmonisation of systems and to strengthen local ownership of development processes.

Most recipient governments have relatively limited resources. Managing their relationships with donor governments is time and resource consuming. Recently a colleague was talking with a Minister from one small South East Asia government who informed him that his poorly resourced, but strategically important department had hosted more than 400 donor visits that year. Mostly, these donors had covered very similar territory.

We'd suggest that partnerships should be based on the World Bank's Comprehensive Development Framework and on the Good Humanitarian Donorship initiative. The CDF promotes four principles for improvement of development assistance – that development efforts should be rooted in a

long-term perspective of a country's needs, should focus on results, be based on country-owned strategies and partnership relationships should be led by the recipient country. GHD promotes greater donor accountability and improved harmonisation and co-ordination between donors to ensure that the response to international crises is coordinated, effective, efficient and equitable.

We'd also suggest that there needs to be a thorough and continuing review and evaluation of the health of Australia's current partnerships- to measure relationships and processes as well as outcomes. Relationships are important for effective development.

Number 4.

Learn more

The development scene is changing rapidly and will continue to do so. What are critical issues today were barely on the development agenda ten years ago – for example HIV/AIDS in the Pacific or transparency in extractive industries. I, for one, am not sure what will be the priorities in another ten years time.

There are many development actors who have experiences to learn from.

The Australian aid program has to become a more active participant in development debates and actively seek to be a learning organisation. Innovation needs to be at the heart of the development program

Two suggestions.

Australia could improve the allocation of scarce health and education resources by conducting more “projects as policy research”. A good example of this sort of approach is the Tanzanian Essential Health Interventions Project (TEHIP), a partnership between the Tanzanian Ministry of Health and Canada's International Development Research Centre. (IDRC). The project's goal is to create an “evidence-based” approach to health planning – an approach where decisions on how to allocate scarce health care resources are made based on the disease burdens rather than on unproven assumptions. TEHIP has gone some of the way towards showing that the health of a population can be improved, not only by spending more money, but by spending money more wisely, according to where the needs are greatest.

Secondly, we need a greater development debate in this country. Australia lacks effective development think tanks who actively inject high quality evidence based research into the public arena. We need a debate which is based on the assumption that no-one has all the answers. It's encouraging that in the White Paper process, the need for such policy research and debate seems to be recognized and is emerging as a priority.

Number 5.

Be coherent

I welcome the development of the Whole of Government approaches in recent years, especially as regards PNG and the Pacific. But these approaches are fundamentally flawed because the government's effort is not primarily organised around a development objective.

It means coherence between the government's approach towards maritime boundaries with East Timor and our aid efforts in that country; it means consistency in our approach to agriculture trade reform and our concern for development.

Coherence between the government's aid, trade foreign and development policy around the development objective is essential if those objectives are going to be realised.

Number 6

Resource it

Notwithstanding the Prime Minister's very welcome increase in projected aid spending we still spend far too little; far too little against the pressing needs and too little to meet Australia's international obligations.

At a time when more and more countries are committing to the timetabled achievement of the 0.7% target. Australia is missing in action.

There's not much point having a poverty focussed, innovative and relevant aid program if dollars are short.

We need to set both short term targets – for 2009 – and medium term – for 2015. The long-standing excuse for low aid budgets – “budgetary circumstances” – cannot have any legitimacy at a time of record budget surpluses.

So there's the Hewett Six Point plan to improve the aid budget. Put poverty at the heart, adopt a broader understanding of good governance, transform the Australian aid program's partnerships, learn more, be coherent and put the dollars in.

A final suggestion.

Let's get rid of the word "aid". "International cooperation" more accurately captures what Australia should be trying to achieve and communicates a desire for both coherence and partnership.

Thank you.