



A submission to the White Paper on Australia's Aid Program

AUGUST 2005

Australia's role in development in the Asia-Pacific

The Australian aid program has made a strong contribution to development in the Asia-Pacific since the last major review of the program in 1996.

Over the period, the Asia-Pacific region has made significant progress in eliminating poverty, with 180 million people lifted out of extreme poverty between 1990 and 2000, cutting the percentage of people living in poverty to 22 per cent from 32 per cent. Yet, the region is still home around two thirds of people who live on less than \$US1 a day.

The development gains have been largely made in China, India, Thailand and Vietnam, while countries such as Papua New Guinea, Cambodia, Laos, Bangladesh, the Philippines and the Solomon Islands are struggling to make inroads into poverty, hunger, disease and access to essential services.

New challenges have emerged in the region, including the spread of HIV/AIDS and other trans-border health, security and environmental threats. The region now has the second-highest number of people living with HIV/AIDS after sub-Saharan Africa, with around 1 million new infections each year.

The Asia-Pacific region also continues to struggle with ongoing development challenges such as poor health and education standards, increasing social and economic inequality, the impact of climate change and environmental degradation, corruption and governance issues and ethnic tensions and conflict.

Since the last review of the aid program, Australia has made significant efforts to improve the quality and effectiveness of its aid program in the region. Over the period, Australia has enjoyed strong and sustained economic growth, yet its official development assistance as a percentage of Gross National Income (GNI) has not kept pace with this growth. Australia will spend 0.28 per cent of GNI in aid in 2005-06 compared to 0.32 per cent in 1995-96.

The Australian aid program has also increasingly focused on promoting good governance and enhancing regional security, with governance now accounting for more than a third of the aid budget. Both these issues have major impacts on development and poverty alleviation.

While poverty does not of itself cause violence or terrorism, it is in conditions of poor governance, corruption, economic injustice and poor service delivery from governments that extremism and political alienation can flourish. Conversely, conflict, tensions and insecurity also create and entrench poverty. Poor governance and corruption also has its most profound impact on the poor. The reduced economic growth and lack of delivery of basic social services that results from poor governance and corruption, not only undermines health, education and other vital development outcomes, but also further erodes the legitimacy of governments.

It is, therefore, important to find innovative ways to address these issues. Yet good governance, anti-corruption and security aims should not be allowed to overshadow the overarching aim of the aid program to "reduce poverty and achieve sustainable development".

For example, while spending on governance measures has increased to 36 per cent of the aid Budget, spending on health has fallen to just 12 per cent. This area of concern was highlighted by Australia's peers in the Organisation for Economic Cooperation and Development Advisory Committee (DAC). In its December 2004 review the DAC argued that Australian aid programming should give greater prominence to poverty reduction. The review also emphasised the importance of Australia using the Millennium Development Goal (MDG) framework as a broad reference for the Australian aid program and called for a greater clarity on the MDG goals.

The Oxfam Australia White Paper Submission

As formal written submissions were not encouraged, this paper is not intended to be an exhaustive assessment of the Australian aid program and its future directions. Instead, Oxfam Australia offers a series of ideas and areas for innovation in Australia's approach to development and foreign policy. Oxfam Australia would be happy to provide further background material and case studies on any of the initiatives contained within this paper.

Further verbal or written submissions on issues specific to the four geographic regions and the thematic reports identified by the Australian government for special focus in the White Paper process have also been made, or are in the process of being made.

Six Overarching Principles for the Australian Aid Program

Oxfam Australia believes Australia's aid program should be driven by the following six basic principles:

- Reaffirm the principle of one clear objective for the Australian aid program, as recommended in the Simon Report: poverty reduction through sustainable development
- Adoption of a rights-based approach to development by the Australian aid program, consistent with the approach now being adopted by the United Nations Development Programme (UNDP), the UK Department for International Development (DFID) and a range of international agencies including Oxfam.
- Commitment to a whole of government approach to aid, trade, debt relief and good governance in the Asia-Pacific within the framework of working towards the achievement of the Millennium Development Goals (MDGs).
- A commitment to multilateral initiatives on trade, aid, debt and good governance that are consistent with achievement of the MDGs and global economic and social justice.
- That the Australian aid program through AusAID becomes a more effective learning agency, making Australia more able to contribute to international development policy debates.
- That the Australian aid program be adequately resourced to ensure it can make a significant contribution to poverty reduction

Initiatives for a more Effective and Innovative Australian Aid Program

Within the above framework of principles, Oxfam Australia believes the impact of the Australian aid program could be further enhanced in the medium-term through adoption of the following initiatives:

INITIATIVE 1: Integrate the Millennium Development Goals as benchmarks for Australian aid and foreign policy

Oxfam Australia believes that the MDGs represent an unprecedented opportunity to work together with countries in the region to reduce poverty and to demonstrate Australia's renewed commitment to this central principal of official development assistance. Despite a political commitment towards the achievement of the MDGs at the 2000 United Nations

Millennium Summit, the MDGs are yet to become actively integrated into the aid program and broader government policy.

The MDGs offer timely and necessary benchmarks for ensuring that the quality and quantity of Australian aid reflect its dedication to global poverty reduction. The MDGs don't proscribe the means by which poverty reduction can be achieved they just define the outcomes, which allows context-specific responses appropriate to individual countries within the Asia-Pacific. The MDGs can and are being used as tools for monitoring and accountability, as has occurred in Sweden and the UK. Given the increasing public support for tackling poverty around the world and the renewed debate on the effectiveness of aid, the MDGs should become goals of the Australian aid program and be used to guide Australian action on development as well as being a key element of broader foreign policy¹. Integrating the MDGs in this way would also be consistent with the principal of taking a whole of government approach to aid and development.

INITIATIVE 2: *Timetable Australia's commitment to increase aid*

Australia's commitment to the MDGs should include increasing the volume of development assistance to meet the agreed international target of 0.7 per cent of Gross National Income (GNI) by 2015, in line with the principal of providing adequate resourcing to the aid program. Given the sheer scale of poverty in the Asia-Pacific region, improvements in the quality and targeting of Australian aid without matching increases in aid volume are unlikely to ensure the MDG goals can be met by Australia's regional neighbours. As a first step towards meeting the 0.7 per cent target, Australia should lift its aid commitment from the current level of 0.28 per cent of GNI to 0.5 per cent of GNI by 2009-10. Australia should also aim to ensure that 0.2 per cent of GNI in aid is directed towards the least developed countries in the region and include a continued and strengthened emphasis on human rights, gender equality and women's empowerment as goals within the Australian Aid Program.

INITIATIVE 3: *Support pro-poor trade reforms and promote the right of developing countries to determine the pace and sequencing of agricultural and other trade liberalisation, consistent with their national poverty reduction strategies and the achievement of the MDGs.*

Australia has long been a champion of agricultural trade reforms that would assist the world's poorest countries to protect their food security and livelihoods. With more than 80 percent of the world's poor people living in rural areas, ensuring that agriculture works for poor people is a vital pillar in the fight against poverty. As part of Australia's multilateral engagement to address global poverty and economic and social justice, Oxfam Australia urges that Australia maintain its active pursuit of pro-poor agricultural trade reforms on the international stage. This would include pressing for a rapid phase out of export subsidies and for strong restrictions on other subsidies which encourage dumping of agricultural products on world markets, as well as continuing to improve market access for the poorest countries.

It is equally important that trade liberalisation's impacts on the poorest countries and "fragile states" in our region be recognised and taken into account, wherever adopting a rapid liberalisation agenda could inhibit development and poverty reduction and jeopardise stability.

INITIATIVE 4: *Invest more heavily in supporting and promoting initiatives to improve governance, reduce corruption and increase financial transparency, with a specific focus on governments dependent on revenue flows from extractive industries in our region.*

Many developing countries in the Asia-Pacific region are highly dependent on extractive industries for generation of revenue streams to meet the needs of citizens for basic social

¹ Government policies such as those on trade, economics, debt, immigration, human rights, gender issues, defence, science and technology and the environment should also be structured around these basic goals if they are to be achieved.

services and infrastructure. Poor utilization of these revenue streams characterised by a lack of transparency, corruption and poor or non-existent service delivery can become a trigger for political alienation and, ultimately, violence, instability and civil conflict. Australian extractive companies have a strong presence in the region and some local communities have complained of human rights abuses and environmental degradation caused by, or on behalf of, Australian extractive companies operating in the region.

Through its Mining Ombudsman project, Oxfam Australia has been at the centre of efforts to encourage greater dialogue between Australian extractives companies and local communities in the Asia-Pacific to ensure companies treat local communities in a fair and equitable manner and respect their human rights. Through this work Oxfam Australia has found that an important way to address the potential negative economic and social impacts of extractives industries in the region is to **introduce an independent extractives industry complaints mechanism for Australian companies.**

Unlike many other Australian industries, the mining and extractives industry does not have a grievance or complaints mechanism, despite the significant environmental and social impacts it can have. An independent extractive industry complaints mechanism would supply local communities with the ability to defend their own rights and hold transnational mining companies to account and would also bring competitive advantages to mining companies endeavoring to be responsible by exposing and punishing non-performers. It would be consistent with the principle of adopting a rights-based approach to development in the region and assist in breaking the cycle of extractives revenue being misused.

Australia could also further tackle the so-called “resources curse” by supporting the development of corporate codes of conduct internationally and in our region and applying accepted international environment, employment, health and safety and human rights standards to Australian companies operating in the region.

Australia can also boost its commitment to tackling corruption both within the extractives sector and more broadly by **supporting and promoting the Extractive Industries Transparency Initiative, the Publish What you Pay Initiative and the United Nations Convention Against Corruption**². These are immediate and practical steps which can be taken by the Australian Government to address corruption.

Of course, Australia’s focus on good governance should also include supporting developing countries in the region to tackle corruption and transparency problems. These efforts could be improved by **supporting initiatives which facilitate ‘bottom-up accountability’** in which civil society can be supported to monitor and hold governments to account for the transparent and effective expenditure of extractive industry and other revenue streams. A ‘bottom up’ approach to governance should also involve improving links to the sub-national levels of Asia-Pacific governments and examining and investigating alternative models of aid delivery at the local level through the community sector and civil society groups, including faith-based organisations which have a significant influence in many parts of the region. Initiatives which acknowledge and promote the importance of women’s voices and participation in governance and accountability are also important areas for attention. Strengthening local government and civil society at the grass-roots level can and has been shown to strengthen governance. As an example of promoting ‘bottom-up accountability’, Oxfam Australia has recently supported initiatives to foster greater civil society understanding of the Timor Leste Petroleum Fund legislation which will govern the treatment of revenue flows from the oil and gas reserves of the Timor Sea to the Timor Leste Government.

² Australia can also look at supporting other key transparency initiatives such as the Global Transparency Initiative (GTI), the Global Reporting Initiative (GRI), the IMF Code of Good Practice on Fiscal Transparency and the OECD Guidelines for Multinational Enterprises

INITIATIVE 5: *Establish a discrete Asia-Pacific emergency fund to cushion against crises*

Oxfam Australia encourages the Australian Government to facilitate the creation of a discrete emergency fund to be considered in addition to the general aid budget for countries within the Asia-Pacific region to avoid a redirection of aid from long-term development projects as emergencies arise.

While Australia's response to the Asian tsunami was generous, prompt and largely came in addition to aid funding already committed, this is not always the case. Crisis-driven responses can distort the long-term development agenda in the region. For example, the Asian financial crisis and the subsequent International Monetary Fund/World Bank reform programs had profound impacts on poverty reduction and development in the region. Papua New Guinea and Pacific island states are also particularly vulnerable to climatic and environmental disasters, such as volcanic eruptions in Rabaul, cyclones in Vanuatu and Samoa and drought in Papua New Guinea.

INITIATIVE 6: *Develop leadership and partnership with other donors in the Asia-Pacific region, including by developing an Asia-Pacific 'future fund' to support pro-poor development and good governance in the region.*

As one of the only major donors to be based in the Asia-Pacific region, Australia is well placed to take on a leadership role with other donors, recipient governments and Non Government Organisations (NGOs), facilitating a coordinated approach to poverty reduction in the region. Setting up an independently-administered 'future fund' for regional donors to assist Asia-Pacific nations to meet the MDGs has some promise as an alternative development financing mechanism. Such a fund would also assist Australia in ensuring that the aid program is adequately resourced to achieve its objectives.

The fund should focus on eradicating poverty in the Asia Pacific Region by 2015 by promoting social, economic and political freedom through sustainable economic growth that reduces poverty through investments in areas such as health, agriculture, education, private sector development and capacity building. It should align itself with the MDG plans of recipient countries in the Asia-Pacific.

INITIATIVE 7: *Improve aid effectiveness by developing clearer standards for engagement with partners based on the Comprehensive Development Framework and Good Humanitarian Donorship and adopting more effective and innovative ways of measuring performance.*

It is now widely agreed that, in order to improve the effectiveness of aid there is an urgent need to improve aid coordination among donors, promote harmonisation of systems and strengthen local ownership of the development processes. The Australian aid program can continue to improve aid effectiveness by adopting clearer standards for engagement with its partners in the Asia-Pacific and developing the means to assess outcomes against those standards.

Oxfam Australia believes standards should be based on the World Bank's Comprehensive Development Framework (CDF) and the Good Humanitarian Donorship (GHD) 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.

To benefit from the adoption of such standards Australia needs to develop better means to assess its achievements. Standard monitoring and evaluation methods have been found to have many shortcomings. One innovative way of assessing performance which could improve aid effectiveness in the Asia-Pacific is by adopting the approach of "asking the customer" or

“bottom-up accountability”. In this form of monitoring and evaluation more emphasis is given to alternative forms of accountability, notably increasing the ‘voice’ of clients/citizens in their assessment of aid and government performance, as well as increasing the process of peer review and the development of professional norms and standards. Citizen report cards, Citizen Juries, Participatory Budget Monitoring and Poverty Assessments and Most Significant Change Methods are amongst a range of methods and tools that are proving highly effective by enhancing the quality of decisions made and reducing budget leakages and corruption. Gerald Helleiner’s work in Tanzania which has emerged as a more independent monitoring method also provides a good example of potential ways to improve the assessment of Australian aid effectiveness.

Support should be given to developing more effective and innovative ways of assessing gender equality impacts of the Australian aid program in the Asia-Pacific. This could include greater focus on the potential of initiatives such as gender responsive budgeting. In the context of pro-poor public policy goals there is an urgent need to demystify and monitor the budget from the perspective of the rights of those who are poor and marginalised and whose needs the policies are designed to address. Participatory gender responsive budgeting can be a means of tracking public expenditure against gender and development policy commitments; enhancing linkages between economic and social policy outcomes; and strengthening the participation of citizens (men and women) in economic and social planning, and in the monitoring and evaluation of government policy performance and impact.³

INITIATIVE 8: *Become a more effective learning agency by encouraging innovation in the aid program to make the delivery of health, education and other services in the Asia-Pacific more effective*

Australia needs to incorporate greater learning into the aid program to ensure it can deliver the highest quality aid to the Asia-Pacific. This would include investigating, for example, the potential for public sector reforms to vastly improve health and education services, among others. Two specific illustrations of how to incorporate greater learning follow.

Firstly, research has found that developing countries are capable of delivering effective health and education services given the right conditions exist within the public service. As Judith Tandler has shown in Brazil, and the World Development Report noted in 2004⁴ 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.

For example, in the context of the Regional Assistance Mission to Solomon Islands (RAMSI), Australia added more than 50 treasury staff to run the Solomon Island Treasury, while keeping just a handful of Solomon Island staff involved. Oxfam Australia’s experience in the Pacific suggests there may have been scope for more mentoring of local staff or counter-parting to be used, so the knowledge is not lost once the intervention ends and a positive

³ Recent examples of good practice in participatory gender responsive budgeting initiatives can be seen in the work of the Tanzania Gender Networking Program (TGNP) which works with the Ministry of Finance and Planning on its budget and expenditure framework across government ministries. Innovative work on gender responsive budgeting is also being undertaken by the Government in Uganda, including specific work on engendering taxation policy. See *Report on gender budget analysis of Taxation in Uganda (URA), Wanyaka, November 2003*; *The Gender Budget 1998/99, Mukama, Forum for Women In Democracy, 1998*

⁴ See *Good Government in the Tropics, 1997* and *World Development Report 2004, World Bank*

work-ethic and public image of these workers is fostered. A greater use of counter-parting and mentoring in the public service in the region would be a more sustainable method of building up the capacity to deliver efficient and effective services than simply replacing staff with Australian experts. The Australian government could also engage in more partnerships with local and international non-government organisations to help support and mentor local staff.

Secondly, Australia could also improve the allocation of scarce health and education resources by **conducting more 'projects as policy research' in the region**. Often health sector funds are not spent according to disease burden of countries and districts. Projects which more closely align spending patterns with the actual disease burden of districts and locales have had much better outcomes. A good example of this 'projects as policy research' approach in the health area is The Tanzania Essential Health Interventions Project (TEHIP), which is a research and development partnership involving Tanzania's 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.

Conclusion

Oxfam Australia believes Australia's aid program should be poverty-focused, rights-based, and adequately resourced. Australia should approach aid, trade, debt and good governance at the whole of government level, be committed to multilateral action and initiatives to achieve global economic and social justice and become a more effective learning agency. Within this set of basic principles this paper has presented eight ideas and innovations for the aid program going forward which could considerably enhance the effectiveness and impact of development interventions. The initiatives address key concerns around promoting good governance and anti-corruption measures and enhancing regional security. Oxfam Australia believes the region's biggest challenge over the medium term is poverty. Hence poverty reduction should resume its central focus in the Australian aid program and be high on the Government's agenda in foreign policy, as a goal in itself, and as a contributor to a safer, more stable and more equitable world.