



Howard's Way

FOREIGN AID

Patrick Kilby

The election of the Howard Government has led to fundamental changes in the direction Australia will take both domestically and globally. While the election campaign focussed to some extent on foreign policy and Paul Keating's 'big picture' engagement with Asia, one tangible manifestation of our engagement with the wider world - our overseas aid program - rated barely a mention. This was despite fundamental shifts in aid policy proposed by the Coalition, including a plan to slash aid by at least eight per cent.

Alexander Downer, the Minister for Foreign Affairs, faces some dilemmas. One of the most significant of these is how to justify the massive cuts in the aid program while maintaining credibility on the international stage, especially with important neighbours such as Indonesia and China, and also delivering to the poor of the world. More important perhaps is the broader issue of the long term direction of the aid program: what priority should it have and how should it be used. On this score the Coalition policy is ambivalent. Like its Labor predecessors it says on the one hand that it wants to have a 'basic needs' focus while on the other hand it cannot escape the obvious linkages to Australia's business and political priorities, and the impact of a decline in the overall aid budget.

The ambivalence towards the aid program by both sides of politics is the subject of a new book published by Community Aid Abroad and the Monash Asia Institute, *Australia's Aid Program - Mixed Messages and Conflicting Agendas*. The book examines the aid program against the oft-stated policy of the former government, that the aid program is based

on Australia's humanitarian concerns and an obligation to the poor of the world. It also examines the other objectives of the aid program, supporting Australia's commercial interest - Australian firms increasing their business with developing countries - and the strengthening of political or diplomatic relationships with key developing countries. The book argues that these two 'secondary' objectives have become so important that they have had a distorting effect on the humanitarian objective of the aid program.

Australia's aid program had its origins in the early 1950s when aid was given to the newly independent states of Asia partly as a bulwark against communism and partly as the price to be paid by Australia for the status of respected international citizen in the Commonwealth and the United Nations. At that time there was a clear security or political imperative driving the aid program, the 'threat of communism', while commercial benefits were not actively considered. The aid provided was mainly for rural development and rural infrastructure such as roads. Some of these had a clear security benefit in those countries where there was active insurgency such as Malaya and the Philippines, or a threat of insurgency, such as Thailand.

The election of the Hawke Labor Government in 1983 saw a fundamental change in the direction of aid. Following an external Review in 1984 the aid program became more focussed and more closely linked to domestic trade and business policy. There was a move away from rural projects, and away from Africa and India where Australia had little political or commercial interest. The result was a more targeted program to East Asia emphasising the advantages Australia had to gain from its 'push into Asia'. A decade later Prime Minister Keating even went as far as saying the aid program was a 'pipe opener' to further Australian investment in the region. This change in direction led to a greater emphasis on high technology, construction, and energy projects. In part it was a reflection of the changes in direction of the Australian economy and where the Government wanted to it to go, namely towards taking advantage of the rapid industrialisation and urbanisation in Asia.

Increasingly the aid program was seen as being directed to these broader interests, with the result that there arose some confusion as to what it was

trying to achieve. Coal mining and Telstra communications projects in India, and a wool program to China, had much more to do with a domestic agenda than the needs of the poor. Aid bureaucrats and Ministers spoke of the aid program involving a balancing of commercial and humanitarian objectives in an attempt to appease both the aid and business lobbies. The upshot is an aid program that lacks a poverty focus despite its rhetoric.

The other major issue with the aid program was not only the type of aid it provided but also where it went. While it is to be expected that there should be a major focus on our neighbours in the Pacific, it is hard to justify aid to the wealthier regions of Asia at the expense of the poorer regions of the world such as Africa and India. These two regions combined receive less than ten per cent of Australia's long term development assistance yet contain the vast majority of the world's poor. In the case of China, Australia's third largest aid recipient, the bulk of the aid program goes to the rapidly growing eastern seaboard while the poorer isolated western regions receive much less. There is an underlying sense that the previous Government was 'picking winners' in focussing on those countries or regions which are doing well, and with whom we can develop further commercial links.

The other agenda of the aid program, which is less explicit, is the pursuit of what could be called an 'economic rationalist' line. The former Labor Government spoke of the aid program helping those countries that liberalised their economies and focussed on the economic growth path. The aid was given for programs that supported rapid growth rather than those which could ameliorate the effects that economic adjustment and trade liberalisation has on the poor. What this approach ignored was that worldwide the globalisation of economies and the freeing up of trade have led to a widening gap between rich and poor, and an increase in the vulnerability of the very poor, especially women and indigenous peoples. It was only in the last years of the former government that some of these issues began to be recognised. Initiatives to support basic education, human rights, women's programs, and to eliminate child labour were, while modest, at least a recognition of the unequal nature of development and some concession that the aid program should focus more on the disadvantaged. The question at the time was the extent to which these

represent fundamental changes in the direction of aid policy or a token approach to these issues.

The election of the Howard Government presents some very real opportunities as well as threats to the aid program. The major threat to the aid program is the proposed cuts. The huge cuts proposed put Australia not only further down the league of aid donors but put pressure on the type of aid being provided. Given that the whole foreign affairs portfolio, including the aid program, has been targeted for substantial cuts it is hard to feel confident about Australia's commitments to its international obligations and the future of the aid program. The Coalition Government provides its own set of mixed messages. On the one hand its aid policy speaks of a greater focus for the aid program on poverty alleviation with a clear statement of the purpose of foreign aid being the provision of 'basic needs' and assistance in achieving a more secure and equitable international order, while on the other hand the domestic budget and trade agendas loom large.

How the proposed 'basic needs' approach to the aid program is to be maintained, given the strong push to further open up markets for Australian investment in countries such as India and further afield, will be a major challenge of the new Minister. For example, it will be hard to get more for the poor of Africa when the Coalition proposes that Australia should build a relationship with the former Soviet Republics of Central Asia using the aid program to 'provide the foundation for subsequent commercial links'. It will be hard to pursue human rights in the region, and through the aid program, when the Trade Minister is advocating closer trade links with pariah states such as Burma in a blatant disregard of their human rights record.

The challenge will be to resist any cuts in aid while at the same time resisting the inevitable trade and commercial pressures. The nature of Cabinet government itself, however, is such that domestic considerations feature high on expenditure reviews and budgetary deliberations.

The other issue the Coalition Government will need to address is the building of coherence in the aid program, but again this will be difficult in the context of heavy cuts not only to the program itself but also to its

management. The substantial cuts in the staffing of the government aid agency AusAID will make it more difficult to manage and implement the changes in direction proposed by the Coalition policy. A greater focus on basic needs will involve a fundamental redesign of how the aid program delivers on these. To attempt such a change with fewer staff may mean it gets done poorly or not at all. Certainly, for AusAID to address these areas effectively it must have the staff to design and evaluate these changes. At the end of the day the administrative pressures bearing on the AusAID limit its scope for change, innovation, and effective programming.

The Government's policy not only flags a change in direction of the aid program but also an external review of the program. As it is over ten years since the last review there is probably a case to have a closer look at the aid program. But reviews of this kind are often a double-edged sword. One is reminded of the political adage that an inquiry should not be held unless one knows the answer. The question for such a review therefore is how open-ended is it and what is the Government's own thinking in holding a review. The other question is who will carry out the review. Without clear representation from aid groups with experience in the delivery of basic needs the review will run the risk of being disregarded and treated as a sham.

The issues the new Government should look at in its review of the aid program are those covered in the book *Australia's Aid Program* referred to earlier. The fundamental question the authors address in this book are how the various aspects of the aid program meet its humanitarian objective. The book found that while AusAID had strong policies in certain areas such as environment, gender and development, HIV/AIDS and so on, these policies were poorly incorporated in the aid delivery. The main reasons are political pressures from recipient governments and the pressure to justify the aid program's benefits to Australian industry.

The pressure to benefit Australian companies has meant that often the projects funded are second-best options in addressing specific needs. However, it is not only projects but whole sectors of the aid program, such as supporting the coal mining sector of India, that are chosen on the basis of what Australia has to offer rather than on the most pressing

needs of the poor. The jury is still out on whether the new Government will make significant changes in this area.

The challenge for review of the aid program will be to make recommendations which give a clear mandate and direction for AusAID to make its program more coherent, so that the 'basic needs' priority of the coalition policy can be effectively realised. This will mean greater accountability to the Coalition in the administration of the aid program and a much firmer stance in AusAID's negotiations with recipient countries. While issues such as a poverty analysis, human rights, and gender issues probably don't rate highly in the priorities of the governments to which Australia gives its aid, talks with these governments must highlight these as a priority if the aid program is to meet its promises of providing for the basic needs of the poor.

The other major issue the review must address is the destination of our aid. The fact that Africa continues to be ignored is a scandal. What is more, it is very short sighted. A level of political and social stability can only be achieved by some economic security. Africa will continue to be seen as basket case and a security nightmare as long as it continues to be ignored by aid planners. The aid program must shift to assisting the poorer countries and poorer regions of the world.

It is probably trite to say that what is required is political will, especially given the falling ideological importance of foreign aid, both nationally and internationally. But this is the challenge for the new minister, to make his cabinet colleagues realise that an active involvement with the developing world with a focus on the world's poor is not only in their interest but, at the end of the day, is in Australia's interest as well. In the early days of the aid program political and security issues loomed large. In the 1980s and early 1990s the commercial agenda was dominant. Perhaps now is the time to give poverty a real priority in the aid program for the new millennium - starting with 1996, the Year of the Eradication of Poverty.

This paper is a revised version of an article which originally appeared in the Canberra Times March 9, 1996. Australia's Aid Program - Mixed Messages and Conflicting Agendas, is available from Community Aid Abroad for \$39.95.