

Introduction

The seminar

- 1.1 On 27 August 1999, the Joint Standing Committee on Foreign Affairs, Defence and Trade conducted a one day seminar on the issue of World Debt. The seminar was held against the backdrop of significant support for debt forgiveness in both the Australian and the global communities, coordinated by the Jubilee 2000 coalition. A petition of some 17 million signatures was delivered to the June 1999 meeting of the Group of 7 (G7) industrialised nations in Cologne. In Australia alone, 385 000 people signed the petition.
- 1.2 The seminar was opened by the Parliamentary Secretary responsible for Australia's aid program, the Hon Kathy Sullivan MP. The panel of speakers on the day included Mr Grant Hill, the Australian representative of Jubilee 2000 and Ms Janet Hunt of the Australian Council for Overseas Aid. Several other non-government organisations made presentations, and the seminar was balanced by the inclusion of notable academics from the Australian National University, Deakin University and Monash University. Officers of the Australian aid agency, AusAID and the Department of the Treasury also made valuable presentations. The Committee also appreciates the time taken by Mr Christopher Ariyo of the High Commission for the Federal Republic of Nigeria to address the seminar.
- 1.3 The audience at the seminar included members of academia with an interest in development issues, representatives of Jubilee 2000 and other non-government organisations. Several departmental officers and staff of members of Parliament also attended. The Committee especially thanks the members of the diplomatic corps and representatives of local religious missions who honoured invitations that were extended to them.

Poverty reduction and debt

- 1.4 Approaches to poverty reduction in developing countries have typically focused on two different strategies.
- 1.5 The indirect channel emphasises the importance of broad-based growth through investment to create jobs in productive industries. It suggests that economic development and the construction of a robust economy are essential for any country to fight poverty in the long term.
- 1.6 The direct channel assumes that not all countries can attract investment and therefore recognises the need to develop human and social capital by providing sufficient development assistance, which will enhance the ability of people to be economically productive. It also emphasises the need to provide a safety net for the world's poorest people. Thus, development assistance plays a key role in any the mitigation of poverty in developing countries - a role that cannot be filled by commercial investment.
- 1.7 The Committee believes that both these approaches are necessary to improve the standard of living for the people of developing nations. Development and growth have lifted millions out of poverty, especially in Asia. However, without sufficient investment in social capital, a nation is unable to make the most effective use of its natural endowments - its resources and its people.
- 1.8 A third strand to this debate has identified debt as one of the fundamental problems inhibiting growth in the poorest nations of the world. It suggests that debt and a failure to develop are intrinsically linked; these nations are unable to attract investment, nor to invest in their own social capital because of their high rates of indebtedness.
- 1.9 However, debt is not bad in itself. Nations assume debt because of the potential it has to improve the development of their industries and human capital. However, when the money borrowed is misused, or when projects are ill-conceived, the borrowings do not create growth and debt becomes a burden on the development of the nation.
- 1.10 There is a considerable strength of feeling within the developed world that developing nations should be provided with debt forgiveness, as evidenced by the Jubilee 2000 movement, although the most appropriate method remains an issue of some debate. This debate extended to the Committee's seminar, and produced spirited discussion of issues such as:
- the scale of poverty and debt;
 - Australian Government policy;

- debt repudiation;
 - ethical and moral issues;
 - governance;
 - conditionality;
 - the relationship between debt and poverty; and
 - proposals to eradicate poverty.
- 1.11 Australia bears little responsibility for the indebtedness of other nations. In this regard, the scope that the Australian Government can play in reducing the debt of developing countries is somewhat limited. The Committee's report, therefore, will focus on the concrete objectives that Australia can pursue to reduce poverty in the world's poorest, and in other developing nations.

Government reviews

- 1.12 Over the last twenty years, the Australian Government has conducted two major reviews of the aid program, its purposes and outcomes.

Jackson Committee Report

- 1.13 On 7 June 1984, the Report of the Committee to Review the Australian Overseas Aid Program was tabled in the House of Representatives. The Jackson Committee Report (named after the Committee's Chairman, Sir Gordon Jackson AK) was the most comprehensive examination of Australia's aid program to that date. During that inquiry, the Jackson Committee received more than 400 submissions and conducted several public hearings.
- 1.14 The Jackson Committee's assessment was that aid should be given for humanitarian reasons to promote development, although it also accepted that there would be economic and political benefits by providing aid:

Aid is given primarily for humanitarian reasons to alleviate poverty through economic and social development...Aid also complements strategic, economic and foreign policy interests, and by helping developing countries to grow, it provides economic opportunities for Australia.¹

1 Jackson, G et al, March 1984, *Report of the Committee to Review the Australian Overseas Aid Program*, p. 3.

- 1.15 Importantly for a debate about debt, it emphasised the concentration of Australia's aid resources in grant aid, rather than other forms such as concessional loans.
- 1.16 The response of the Government of the day took over 12 months, and the then Minister for Foreign Affairs, the Hon Bill Hayden MP accepted most of that Committee's recommendations, including the proposition that aid would have economic benefits for its provider:

There is no reason why industry should not take part in our aid program, so long as equity and effectiveness remain primary considerations and so long as this guiding principle is strictly observed: The aid given must be good for the recipient.²

Simons Committee Report

- 1.17 On 2 May 1997, the Minister for Foreign Affairs, the Hon Alexander Downer MP received the report of the Simons Committee, entitled *One Clear Objective: Poverty Reduction Through Sustainable Development*. The Simons Committee Report was the first major review of Australia's development program since the Jackson Committee Report.
- 1.18 It suggested, and led to many changes in the priorities and administration of the program. The Government response, *Better Aid for a Better Future*, was published on 18 November 1997. The Government accepted 64 of the 79 recommendations of the Simons Committee. Nine recommendations were rejected, including a recommendation to abandon the 0.7 per cent Official Development Assistance (ODA) to Gross National Product (GNP) target and a recommendation to transfer responsibility for the management of global environment programs to the environment portfolio. Six recommendations, relating to the *Treaty on Development Co-operation between the Government of Australia and the Government of Papua New Guinea*, Australia's tonnage commitment under the *Food Aid Convention* and on soft loans, were set aside pending the outcomes of various processes.³

2 House of Representatives Hansard, 28 November 1985, p. 3909.

3 AusAID, 'Australia's Aid Program, Memorandum for the DAC Peer Review of Australia 1999', July 1999, http://www.ausaid.gov.au/publications/general/DAC_Memorandum1999.pdf, 18 October 1999

The Committee's reviews

- 1.19 The Joint Foreign Affairs, Defence and Trade Committee has reviewed the issue of development assistance, debt and aid on several occasions in the past. These reports include:
- *Australia's Foreign Aid* tabled on 6 March 1973;
 - *The Provision of Development Assistance and Humanitarian Aid to the Horn of Africa* tabled on 15 December 1983;
 - *The Jackson Report on Australia's Overseas Aid Program* tabled on 24 May 1985;
 - *A Review of the Australian International Development Assistance Bureau and Australia's Overseas Aid Program* tabled on 9 March 1989; and
 - *Third World Debt: An Australian View* tabled on 23 November 1989.
- 1.20 The Committee has also held two other seminars on the issue of aid. The seminars, and subsequent reports were:
- On 31 July 1996, the Committee held a seminar on The Australian Aid Program. The Committee's report on the seminar, *The Australian Aid Program*, was tabled on 16 September 1996; and
 - On 11 July 1997, the Committee held a seminar on the Simons Committee Report. The Committee's report on the seminar, *Sharpening the Focus*, was tabled on 20 October 1997.
- 1.21 The current seminar viewed the question of aid and development from the perspective of world debt and the various proposals for debt forgiveness.

