



The Parliament of the Commonwealth of Australia

Joint Standing Committee on Foreign Affairs, Defence and Trade

THE AUSTRALIAN AID PROGRAM
Report on Proceedings of a Seminar
31 July 1996, Canberra

September 1996

RECOMMENDATIONS

The Committee recommends that:

- 1 the Simons inquiry into the Australian aid program consider further the issue of the relationship between economic growth and the alleviation of poverty with specific reference to the dangers of polarisation of the rich and the poor within the growth model.
- 2 the Australian Government use its influence in all relevant UN organisations to press for greater policy coherence between agencies of the United Nations involved in development assistance and that the UN assume a coordinating role to improve such coherence.
- 3 as a member of the DAC, the Government reaffirm its commitment to achieving the ODA/GNP target of 0.7 per cent.
- 4 in the current discussions on reform of the UN the Australian Government urge UN agencies to include development assistance and reconstruction programs in any peacekeeping operation organised by the UN.
- 5 in negotiations on aid programs with recipient countries, the Government continue to stress the importance of good governance and participation as priorities in the aims, design and outcomes of projects.
- 6 the Government give priority in the aid program to areas of greatest poverty and places which could not attract private flows of capital.
- 7 relevant government departments, AusAID, Austrade, Treasury and the Department of Industry, Science and Tourism promote contact with industry associations for the dissemination of information about pending contracts with the multilateral development agencies; and
- 8 industry associations in conjunction with Austrade and AusAID seek to provide assistance and information to small business as to the processes necessary to bid for such contracts.
- 9 (a) AusAID, in the initial stages, facilitate regular liaison between development NGOs and business associations with a view to establishing more permanent linkages to promote discussion, disseminate information and encourage the involvement of business in the development process; and

(b) NGOs and business associations be encouraged to maintain ongoing dialogue in recognition of the contribution that each can make to the others performance.

- 10 (a) the Australian Government should actively encourage Australian business to act at all times in a manner consistent with Australian law and human rights objectives; and
- (b) that, consistent with a whole-of-government approach to human rights and the need to provide business with practical assistance, the Australian Government should ensure that those government departments, agencies and services, such as Austrade, which routinely deal with and/or advise Australian companies:
- (i) are fully appraised and routinely updated on Australia's human rights objectives and relevant human rights intelligence;
 - (ii) provide appropriate advice to companies on human rights matters; and
 - (iii) establish in cooperation with business organisations a human rights code of practice; and
- (c) the Australian Government should pursue at the ILO the development of a convention to require the application of consistent health and safety standards for workers in multinational enterprises, ensuring that the same high standards apply to workers in developing countries as to those in the country of origin of the enterprise.

INTRODUCTION

On 31 July 1996, the Joint Standing Committee on Foreign Affairs, Defence and Trade, in conjunction with Community Aid Abroad, World Vision and the Australian Council for Overseas Aid (ACFOA), conducted a one day seminar in Parliament House, Canberra on the Australian aid program. It being the beginning of a new Parliament and at a time of budget restraint and yet a time when the gap between the rich and the poor in so many countries is continuing to grow, it seemed opportune for government, parliamentary, business and community groups to gather for discussions on the program and to consider necessary future emphasis.

Last year, Community Aid Abroad and World Vision held a seminar on Australia and Africa. It included Government ministers, parliamentarians, members of the diplomatic corps, representatives of the business community and of Australian aid agencies. It was a valuable exercise in raising debate and in creating linkages between important groups within Australia interested in and involved with Africa.

It is over ten years since the last major review of the aid program, the *Report of the Committee of Review: The Australian Overseas Aid Program, 1984*, known as the Jackson report. The Jackson report was a significant milestone in the development of Australia's aid program. It was comprehensive in scope. It defined and clarified the aims and objectives of the program as primarily humanitarian, that is for the alleviation of poverty through economic and social development. It stressed the importance of growth with equity; 'aid should be focused on helping developing countries achieve growth that alleviates poverty and improves income distribution'.¹ The Jackson report saw the other policy objectives and benefits of the aid program - strategic, economic and foreign policy interests - as complementary but ones which should never overshadow the primary aim.

The report believed that Australian aid was most effective when it sought to remove the major constraints to development in recipient countries. However, it also stressed that aid was necessarily and at best a cooperative pursuit. Jackson gave the aid program its regional and bilateral focus. It oriented it towards a special emphasis on women and, with them, children, as the poorest and most disadvantaged group in underdeveloped countries. It argued for a limitation on food aid and warned against the extension of mixed credit schemes or the substitution of loans for grants in aid. Jackson was responsible for the improved professionalism in the design and delivery of aid for which AIDAB and then AusAID have been complimented.

At the time of the Jackson report, Australia's aid contribution was 0.5 per cent of GNP, putting Australia in the top half of industrial countries which were aid donors. The report suggested that Australia should seek to remain in that position vis a vis other donors and seek, as the economy grew, to reach the target of 0.7 ODA/GNP ratio.² Ironically, 0.5 was the highest ratio Australia attained; since 1984 the level has slipped to a low of 0.29.

1 *Report of the Committee of Review: The Australian Overseas Aid Program, 1984*, p.3.

2 This is an OECD measure where development assistance is expressed as a percentage ratio of Official Development Assistance to Gross National Product.

The Government has initiated another major review of the aid program under the chairmanship of Dr Paul Simons who was present throughout the aid seminar and spoke of his agenda.³

This seminar did not seek to duplicate the Simons' inquiry process. It sought only to raise issues of immediate relevance, to inform the members of the Committee and parliamentarians of the current debate and, through dialogue between interested parties, to be the starting point for further debate.

The seminar revealed considerable consensus, despite some lively argument. The issues raised included:

- The nature of the need for development assistance - Was poverty increasing or decreasing in the world today? To what extent was there a polarisation between the rich and the poor?;
- The overall level of the aid budget, both nationally and internationally - The decline in ODA in the face of rising numbers of poor.
- The significance of other flows, particularly private investment flows. Were they a substitute for development assistance? What part does economic development play in poverty alleviation?
- Australia's contribution - Was it sufficient? Were its aims still directed at poverty alleviation or had they become corrupted? How was it best directed to meet its objectives? What role did government, NGOs and private business have to play in the provision of aid?
- The ever increasing demand for disaster relief and its effect on development assistance.

This document is largely a summary of the day's discussion. It does not seek to come to definitive conclusions although the Committee has included a number of recommendations largely related to possible linkages which the Committee believes would be a useful starting point for more productive partnerships in development assistance and for debate on the appropriate priorities in the direction of Australian aid.

Ian Sinclair, MP
Chairman

3 Dr Simons introduced to the meeting another member of his committee, Ms Gaye Hart, Director of the Hunter Institute of Technology and a former Chief Executive of UNICEF in Australia and mentioned that the third member of the committee was Professor Cliff Walsh from the South Australian Centre of Economic Studies.

SECTION 1

INTERNATIONAL DEVELOPMENTS AND THE NEED FOR AID

Growing demand and falling contributions

1.1 The end of the Cold War has seen increasing civil strife, particularly ethnic conflicts¹ and a dramatic increase in the numbers of refugees and displaced persons. At the same time, in the face of declining economic growth rates in the western world, there has been a marked decline in the level of contributions made by the governments of the developed world to Official Development Assistance (ODA). This decline has been concomitant with greater private flows to underdeveloped countries, sustained, high, economic growth rates in some underdeveloped countries, a more competitive trading environment and an increasing faith in the capacity of free market economics to resolve problems.

1.2 At the same time, the international understanding of the development process is becoming more sophisticated and the agenda for effective development more complex and demanding, including such considerations as women in development, community participation, environmental sustainability and the incorporation into programs of human rights and the necessity of good governance. Whether, and in what ways, these factors are linked is a fundamental debate underlying the development of government strategies for the alleviation of poverty in the world.

The extent of the problem

1.3 The *raison d'etre* for continuing aid is the persistence of poverty. The representatives of AusAID described the development needs of the world:

Approximately 800 million to 1.3 billion people live in absolute poverty in the world today. About one billion people do not have access to basic health services; 1.3 billion do not have access to safe water; and 2 billion do not have access to sanitation services. Approximately 30 per cent of land in Africa is affected by significant degradation as is about 20 per cent of land in Asia. There are about 54 million refugees and displaced persons in the world today. To add to that list of need, the vice president of the World Bank ... indicated that the unmet infrastructure needs in east Asia alone require \$1.9 trillion in investment over the next decade.²

1 This generally held perception is reinforced by an examination of the increase in UN peacekeeping operations in the last 8 years. In the 40 years between 1948 and 1988 there were 13 UN peacekeeping operations compared with over 17 operations in the last eight years. Evans, G. *Cooperating for Peace*, pp. 101-102. To 1988 peacekeeping cost the UN US\$300 million; from 1988 to 1993, it cost US\$3.6 billion. Budget Related Paper No.2, *Australia's Overseas Aid Program 1995-96*, p. 5.

2 Transcript, p. 5.

According to the *Human Development Report* produced by UNDP,³ poverty was not only persistent but, in the post Cold War world, a growing phenomenon producing greater polarisation between the rich and the poor. Eighty-nine countries are worse off than they were 10 years ago and 1.6 billion people are worse off than they were 15 years ago. Infant mortality is rising.⁴ Twenty per cent of the world's people saw their share of the global income decline from 2.3 per cent to 1.4 per cent over the last 30 years.⁵ Perhaps the most dramatic statistic presented to the Committee was that 'the assets of the world's 358 billionaires exceeds the combined annual incomes of countries with 45 per cent of the world's people.'⁶

1.4 One question arose at the seminar about the scope of the problem. Professor Duncan disputed the numbers of the world's absolute poor presented to the meeting - 800 million to 1.3 billion. He had seen a range of 300 million to 1.3 billion and, from his experience at the World Bank, believed the more accurate figure to be at the bottom end of the range at 300 to 400 million. The figures, he said, were enormously difficult to arrive at and the growth rates in Asia, China and India, would tend to belie the higher figure.⁷

1.5 AusAID in its Budget Related Papers for 1995-96 reported an overall growth in developing countries of 4.5 per cent in 1993 made up of strong growth in east and south Asia and Latin America, but weak economic growth performance in the South Pacific, disappointing performance in Papua New Guinea and intractable problems in Sub-Saharan Africa. The report noted that in individual countries such as Pakistan and Sri Lanka political problems and civil unrest prevented them from realising their full potential. Apart from drought, tribalism, official corruption and military dictatorships, civil strife, political instability, weak institutions and a poor record of governance have also contributed to Africa's severe debt problems.⁸ The 1996-97 Budget Papers estimated a growth rate for all developing countries over the next ten years of 5.4 per cent, with growth rates in the Asia/Pacific region (excluding Japan) estimated at 7 per cent over the next five years.

Decline in ODA

1.6 Global Official Development Assistance (ODA) declined in 1995, continuing a trend that had been consistent throughout the eighties. In 1982-83 ODA stood at 0.35 per cent of donors GNP. In 1995 it was 0.27 per cent. In 1995 aid fell as a proportion of GNP in 14 out of 21 DAC member countries. In 1994 there was an eight per cent rise in developing country debt but this was more than offset by rises in the prices of exports for all regions except Sub-Saharan Africa - key debt indicators of many of the poorest countries continued to deteriorate. The share of ODA devoted to debt relief continued to grow in 1994.⁹

3 United Nations Development Program.

4 Transcript, p. 15.

5 Transcript, p. 10.

6 Transcript, p. 10.

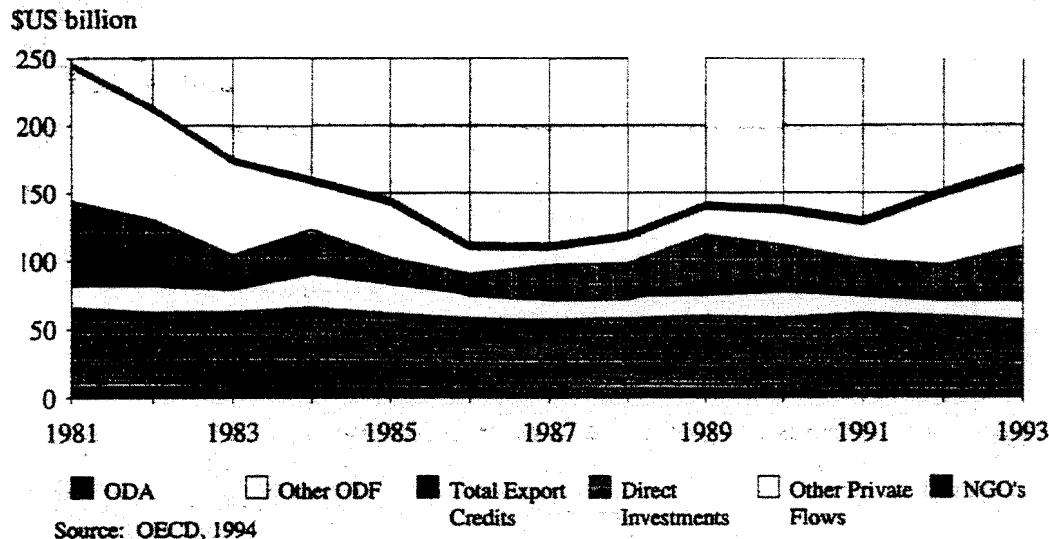
7 Transcript, p. 24.

8 Budget Related Papers No. 2, *Australia's Overseas Aid Program, 1995-96*, pp. 2-4.

9 Budget Related Papers, *Australia's Overseas Aid Program, 1996-97*, pp. 2-3.

Table 1.1: Total Net Resource Flows to Developing Countries 1981- 1993

(1993 constant prices and exchange rates)



Source: Australia's Overseas Aid Program 1995-96, Budget Related Paper No 2

1.7 The principal factor affecting this decline has been the world economic recession of the 1980s. Budget stringency has dominated Western governments' economic policies throughout the period. However, changed political circumstances and competing demands have contributed significantly to the inability or unwillingness of countries to maintain ODA. Peacekeeping costs,¹⁰ some contributions to humanitarian emergency funds,¹¹ the increasing numbers and the cost of protection and resettlement of refugees,¹² debt forgiveness¹³ and demands for environmental funds¹⁴ are not always recorded as ODA.

1.8 The decline in the ODA is also offset by the increases that have occurred over the period in private flows (See Table 1.1 above). In 1995 private flows and private investment to developing countries were in the order of \$170 billion, quadrupling in the last five years, compared to ODA of \$59 billion.¹⁵ The flow of private capital, however, has not yet reached the level, at constant prices and exchange rates, that it attained before the world economic recession at the beginning of the 1980s.¹⁶ Moreover it should be stressed here, although it will be addressed at a later point in this paper, that it is only ODA that is targeted at poverty;

10 See footnote 1.

11 In the early 1980s, the donor community spent about \$300 million a year on emergency aid. A decade later the figure was \$3.2 billion. [In the same period] the World Food Program spent 25 to 40 per cent of its budget to relief activities and that figure is now over 60 per cent. Transcript, p. 7.

12 See paragraph 1.2 above.

13 See Budget Related Papers No 2, op. cit. p. 5.

14 Transcript, p. 8.

15 Transcript, p. 6.

16 Budget Related Papers No 2, op.cit. pp. 4-5.

private flows tend to follow good economic prospects and therefore are selective in the countries and regions to which they go.

Private capital flows and economic growth

1.9 This trend led to considerable debate at the seminar. Dr Peter McCawley, Deputy Director General, AusAID and previously with the Asian Development Bank, unequivocally promoted economic growth, and, by implication the trend toward private capital flows and away from ODA, as the answer to world poverty.¹⁷ He used as examples China and Indonesia, places where overall economic growth has been high, averaging seven per cent in Indonesia and higher in China.

One important effect of this rapid growth is ... that measured poverty fell dramatically. In China between 1970 and 1990 the incidence of poverty fell from 33 per cent to nine per cent of the population. ... In Indonesia ... the proportion of people living in poverty fell from nearly 60 per cent nearly 20 years ago to around 15 per cent now. ... If you want to eliminate mass poverty in developing countries - it is an appalling scourge across the face of the planet; I will readily agree with that - get the growth settings right. Above anything else, promote growth.¹⁸

1.10 Aid, Dr McCawley believed, had a role to play both in assisting countries in getting their growth settings right and in improving the quality of growth through targeting and providing safety nets.

1.11 Mr Trevor Kanaley, Director General, AusAID, saw globalisation as a *fait accompli* which would make it mandatory for developing countries to integrate into the world economy if they were to reduce poverty. He too saw aid as a complement to globalisation and to the process of private capital flows.¹⁹

1.12 Mr Rollason, Regional Manager (Greater Mekong), International Support Services, believed that the emphasis on the importance of private investment flows as a substitute for ODA was unfortunate. They were, he said,

highly selective with most going to China and a handful of other growth centres in Asia and Latin America. Unlike aid, foreign direct investment cannot be focussed on need or on the long term investment in which people are the key to growth and equity ... Equally, the optimism that the operation of free markets and unfettered economic growth will overcome poverty is being questioned ...²⁰

1.13 The meeting came to no conclusion on this matter. However, it remains an important debate as it affects the degree to which we should be concerned by the falling

17 See Appendix 3, *Estimated Absolute Poverty 1970-1990: Selected Asian Countries*.

18 Transcript, p. 40.

19 Transcript, p. 20.

20 Transcript, p. 10.

levels of ODA. If private capital flows and growth policies are as effective as, or even more effective than, aid in bringing about an eradication of poverty, then it would suggest that governments should direct their efforts to encouraging these processes. If inequity and polarisation continue as an outcome of unfettered growth policies then aid requirements will remain high. The Committee suggests that this issue needs continuing examination and further discussion.

1.14 The Committee recommends that:

- 1 **the Simons inquiry into the Australian aid program consider further the issue of the relationship between economic growth and the alleviation of poverty with specific reference to the dangers of polarisation of the rich and the poor within the growth model.**

The International Consensus on the Utility and Nature of Aid

1.15 By far the greatest amount of time at the seminar was devoted to a discussion of the efficiency and effectiveness of the aid program. Ms Deborah Stokes, Deputy Director General, AusAID, spoke about the international consensus that has developed on approaches to aid²¹ in the following terms:

- Developing countries are ultimately responsible for their own development. This was reflected in an acceptance of national responsibility and the recognition of the necessity of partnerships between donor and recipient countries in development cooperation.
- Successful development strategies included a sound economic policy framework which encouraged the private sector and integration in the global economy; investment in social development, especially health and education for both men and women; enhanced participation by local communities; good governance in the widest sense; sustainable environmental practices, and approaches which address the root causes of conflict.²²

1.16 The 1996 report of the Development Assistance Committee of the OECD reaffirmed the achievements of aid in improving the social and economic well being of millions of people in underdeveloped countries. It stressed the importance of aid as an investment in the future. It emphasised the need for aid to concentrate on the eradication of poverty which it said continued to afflict over a billion people in the world. It reiterated that aid was a partnership in conjunction with a range of other resources - the efforts of recipient countries and private flows of capital and it made a plea for coherence in a range of other policies especially in trade and investment.²³

1.17 In the context of United Nations reform, the seminar was told that there was a place for UN coordination of development strategies, especially where humanitarian

21 This consensus is outlined in the paper produced by the Development Assistance Committee of the OECD in its May 1995 paper. These strategies are included in that paper.

22 Transcript, p. 6.

23 Development Assistance Committee, op.cit., pp. 13-16.

emergencies were impacting on the capacity of nations to maintain their development assistance.

1.18 The Committee recommends that:

- 2 **the Australian Government use its influence in all relevant UN organisations to press for greater policy coherence between agencies of the United Nations involved in development assistance and that the UN assume a coordinating role to improve such coherence.**

SECTION 2

THE VALUE OF THE AID PROGRAM TO AUSTRALIA

2.1 The seminar did not question the need for an ongoing aid program in Australia nor its importance to Australia for a variety of reasons both idealistic and pragmatic. In the first instance, aid has a moral and humanitarian imperative and Australia is a wealthy country despite current economic difficulties. It is in the top 10 per cent of wealthy countries in the world; we are 18th in the world in an assessment of GNP per capita and 11th in the human development index.¹ Also, despite the economic development of a number of countries in south east and east Asia and Latin America, poverty remains a serious problem in the world. The gap between the rich and the poor is widening.

In 1960, the difference between the income of developing countries and industrialised countries was \$US5,700. Thirty years later, in 1993, the gap was \$US15,400. It is projected that by the year 2030 the gap will grow to \$US39,500.²

2.2 Many of the poor live in our geographic region. Therefore, it was argued, Australia has a particular responsibility to address questions of poverty through the maintenance of the aid program.³ Our geographic location also highlighted the pragmatic and self-interested reasons for its continuation. As poverty breeds disease, civil unrest and terrorism, which in turn precludes economic development, it is in Australia's interest to assist in the creation of a more secure environment in the region. Security is being redefined in the aftermath of the Cold War to include 'the needs and concerns of human beings and the quality of their environment.'⁴

2.3 Furthermore, rising standards of living in neighbouring countries improve markets for our exports. Aid, therefore, is an investment in our long-term economic security. Aid itself has commercial benefits. According to the Director General of AusAID, most of the aid budget is spent in Australia on a variety of goods and services.⁵ Partnerships between aid organisations and the commercial sector open up ongoing opportunities for business through knowledge in Australia of the needs and opportunities in the developing countries and knowledge in the recipient country of the capacities and skills available in Australian businesses.⁶ Involvement in and knowledge of the operations of the multilateral aid and development banks give Australians greater entree to the contract opportunities offered through those organisations.

1 Transcript, p. 15.

2 Transcript, p. 2.

3 Transcript, p. 2.

4 Trevor Kanaley, Director General of AusAID, Address to the Australian Institute of International Affairs, *The Australian Aid Program - Current Challenges*, Tuesday 18 June 1996.

5 Transcript, p. 66.

6 This is so through normal aid projects organised by AusAID but perhaps contracted to Australian NGOs or businesses as well as soft loan schemes such as the DIFF scheme.

2.4 A number of speakers quoted surveys showing broad, general, public support for the continuation of aid. A recent ACFOA survey showed that 60 per cent supported the current or an increased aid program.⁷ Seminar participants criticised Australia's aid contributions because they were declining at a faster rate than other donors, because we are moving further away from the UN ODA/GNP target of 0.7 per cent and because proposed cuts in the aid budget would exacerbate that record. There was some discussion of the way in which the DAC average was calculated and whether Australia was above or below the average depending on the method of calculation.⁸

2.5 In Australia, the aggregate ODA/GNP ratio fell from 0.3 to 0.29 per cent in 1995, the lowest average ever and well below the UN target of 0.7 per cent. This was also a decline in real dollar terms of nine per cent. It is just above the international weighted average of 0.27.⁹

The 1996 Budget

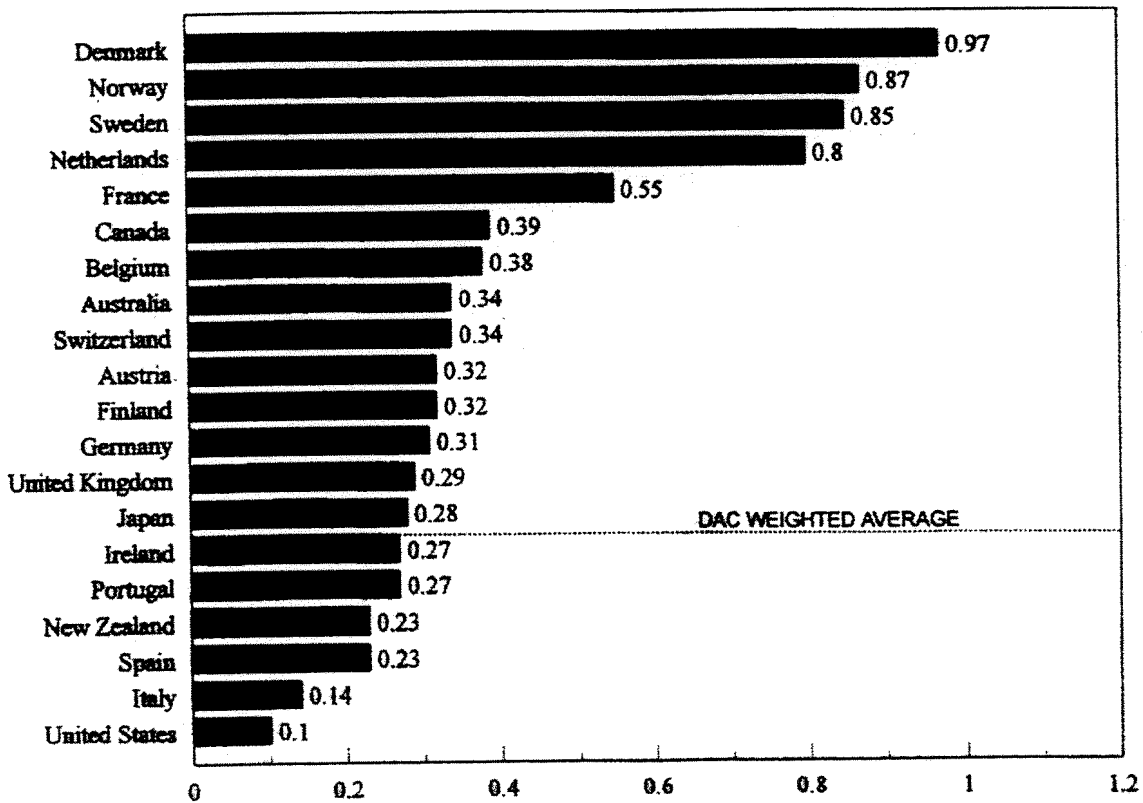
2.6 In the 1996 budget, aid received \$1.45 billion, a cut of \$114.4 million or 10 per cent from the previous year. The cut was made up of \$93.4 million from the abolition of the Development Import Finance Facility (DIFF) Scheme and \$64.9 million from country aid programs. Increases were made to compensate China, the Philippines and Indonesia for the abandonment of DIFF projects but they do not offset overall losses. Overall reductions to China will be \$20 million, to Indonesia \$21 million, the Philippines \$14 million, Thailand \$11 million and Malaysia \$14 million. Further savings are to be made from administrative costs in AusAID. At the same time there is a small increase of some \$16.9 million in the contributions to multilateral organisations such as the World Bank, the Asian Development Bank and the International Fund for Agricultural Development.

7 Transcript, p. 1.

8 Transcript, p. 11.

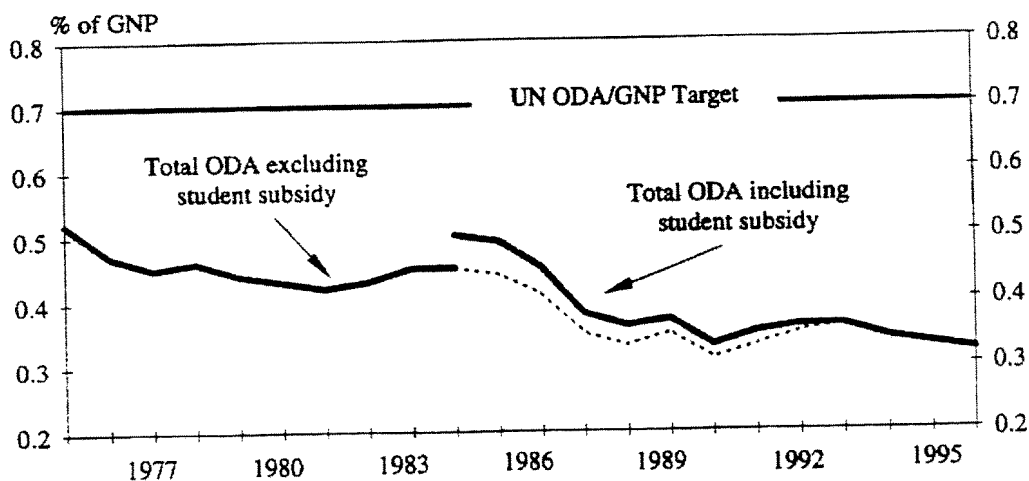
9 Transcript, p. 5.

Table 2.1: DAC Member Countries ODA/GNP Ratio 1995



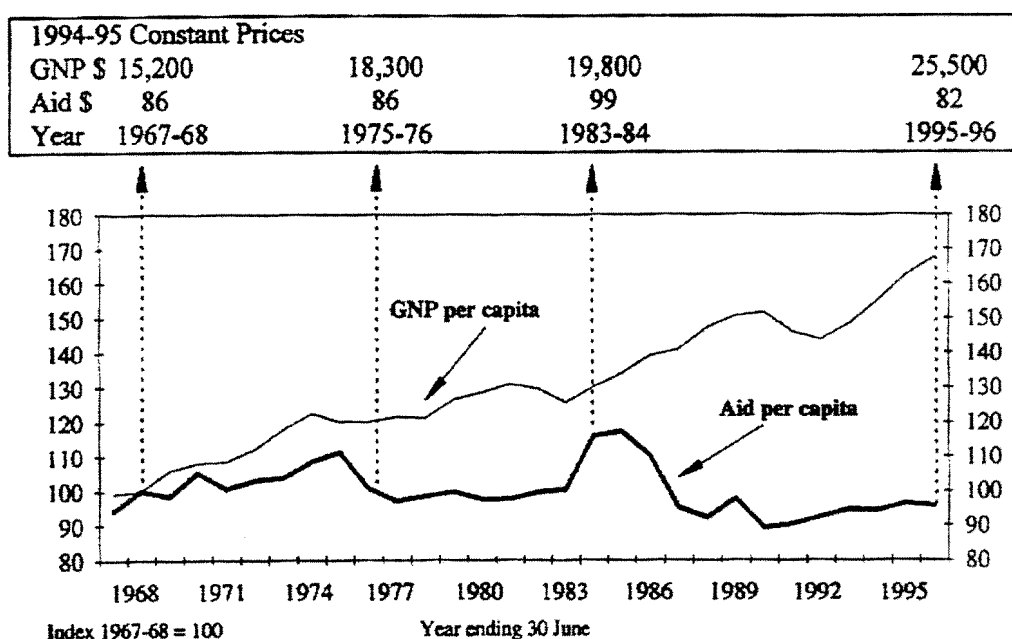
Source: Australia's Overseas Aid Program 1995-96, Budget Related Paper No 2

Table 2.2: Australia's ODA/GNP Ratio 1975-76 to 1995-96



Source: Australia's Overseas Aid Program 1995-96, Budget Related Paper No 2

Table 2.3: Index of Australia's Aid and GNP per capita 1967-68 to 1995-96



Source: Australia's Overseas Aid Program 1995-96, Budget Related Paper No 2

2.7 The DAC regards the 0.7 per cent target for developed countries as an 'essential investment'. In 1996, they concluded that:

Clearly we need to sustain and increase official development assistance if we expect to see a reversal of the growing marginalisation of the poor and achieve progress towards realistic goals of human development. It is equally clear that an effort to build stronger compacts with developing countries on a foundation of shrinking resources and declining commitment will lack credibility. Therefore, it is necessary to express, once again, our deep concern that domestic preoccupations and budgetary pressures in some Member countries seriously jeopardise the international cooperation at a critical juncture.¹⁰

2.8 The Committee recommends that:

3 as a member of the DAC, the Government reaffirm its commitment to achieving the ODA/GNP target of 0.7 per cent.

2.9 There is no **sectoral analysis** in the 1996-97 Budget Papers; only a statistical analysis for the year 1995-96 is provided. It is difficult to tell what reductions there have been in each sector as a result of the abolition of the DIFF program or reductions in bilateral

10 Development Assistance Committee, *Shaping the 21st Century: The Contribution of Development Cooperation*, May 1996, pp. 16-17. Paper tabled at the seminar on 31 July.

programs. However, a sectoral analysis of the expenditure for 1995-96 was given in the 1996-97 Budget Papers.

Table 2.4 Aid Flows by Sector 1995-96

Sector of Benefit	Expenditure 1995-96	Percentage
Social Infrastructure and Services		
Education and Training	241.2	15.4
Health	88.3	5.6
Water Supply and Sanitation	69.3	4.4
Government and Civil Society	25.3	1.6
Other Social Infrastructure and Services ⁽¹⁾	45.5	2.9
Total Social Infrastructure and Services	496.6	30.0
Economic Infrastructure and Services		
Transport and Storage	84.2	5.4
Communications	62.7	4.0
Energy Generation and Supply	8.8	0.6
Banking and Financial Services	0.6	0.0
Business and Other Services	7.7	0.5
Total Economic Infrastructure and Services	164.0	10.5
Production		
Agriculture, Forestry and Fishing	46.7	3.0
Industry, Mining and Construction	22.8	1.5
Trade and Tourism	6.4	0.4
Total Production	75.9	4.9
Multisector/Cross Cutting ⁽²⁾	409.5	26.2
Program Assistance ⁽³⁾	271.7	17.4
Action Relating to Debt ⁽⁴⁾	7.0	0.4
Emergency Assistance (Includes Emergency Food Aid)	83.9	5.4
Other ⁽⁵⁾	82.8	5.3
Total ODA	1,564.5	100.0

- Notes:**
- (1) Includes Employment, Housing and Other Social Services.
 - (2) Includes support for projects which straddle several sectors.
 - (3) Includes Developmental Food Aid and Commodity Support.
 - (4) Egypt debt relief
 - (5) Includes administrative costs of donors and support for NGOs.

Source: Australia's Overseas Aid Program, 1996-97, p. 72

2.10 The 1996-97 budget allocation for non ODA assistance through the Defence Cooperation Program is specified in the Portfolio Budget Statements for the Defence Portfolio. The overall allocation has declined from the previous year by \$4.474 million, from \$76.427 million to \$71.953 million, a decline of 6.2 per cent. Reductions occurred in allocations to Papua New Guinea, the South Pacific and facilities for training. Increases have been made to ASEAN countries and Other Regional Activities - largely training and study visits.¹¹

11 Portfolio Budget Statements, 1996-97, Defence Portfolio, p. 278.

SECTION 3

AUSTRALIAN AID: FOCUS

Humanitarian/Development Assistance

3.1 The complex humanitarian emergencies which have burgeoned since the mid 1980s have severely strained aid budgets. At the beginning of the 1980s the donor community spent \$300 million a year on emergency aid; by the mid 1990s it had become \$3.2 billion. Much of this assistance comes from multilateral agencies such as the World Food Program, from peacekeeping budgets and from private contributions to NGOs; it nevertheless detracts from countries' willingness to boost other international support funds.

3.2 In 1996-97 AusAID will provide approximately 30 per cent of the aid budget, \$439.4 million, to multilateral, humanitarian and emergency programs. In the period 1988-89 to 1992-93 the NGO community devoted 47 per cent of its expenditure to food aid and emergency assistance, an amount of \$A117.9 million.¹ In a similar period, 1993-94, Australia made peacekeeping contributions to the UN of \$A67.5 million through the DFAT portfolio and \$A11.9 million through the Department of Defence.² Peacekeeping budgets are not counted as part of a country's ODA.

3.3 Mr Price made the point that too little attention is paid in the commitments to peacekeeping operations to the transition period beyond the peacekeeping operation itself - to the reconstruction phase.³

3.4 The Committee recommends that:

- 4 in the current discussions on reform of the UN the Australian Government urge UN agencies to include development assistance and reconstruction programs in any peacekeeping operation organised by the UN.**

3.5 Refugee numbers have also increased dramatically with the number of humanitarian emergencies. There were approximately 8 million refugees in the mid 1980s; today the number of refugees and displaced persons has increased to approximately 24 million. In 1996-97, Australia contributed \$13.5 million to UNHCR, the UN refugee protection agency. Overall Australia provided \$81.5 million⁴ through a variety of international organisations for refugees and displaced persons. Australia's intake of refugees is not included in ODA.

1 AusAID, *Review of the Effectiveness of NGO Programs*, Table 2.2, p.12.

2 JSCFADT, *Australia's Participation in Peacekeeping*, December 1994, pp. 82-85.

3 Transcript, p. 14.

4 AusAID, Budget Related Papers, *Australia's Overseas Aid Program, 1996-97*, p. 48.

3.6 Deciding how to balance primary development objectives for the eradication of poverty and self-sustaining growth against the increasing clamour for immediate emergency relief will be one of the greatest challenges for the Government in its current review.

Regional/ultra-regional

3.7 Australian aid has been primarily bilateral and focused in this region. The largest individual arrangement has been with Papua New Guinea. At the seminar there was little discussion of and no argument with the regional focus of the Australian aid program. Most speakers acknowledged that this region continues to hold the largest numbers of the world's poor and, while improvements in the economic circumstances of some regional countries have been spectacular, large areas of poverty and underdevelopment remain.

3.8 This focus meets the imperatives of the DAC for development assistance as well as Australia's foreign policy, commercial and security objectives. As development occurs in south east and east Asia that focus may need to shift if Australia is to maintain its primary goal as a humanitarian one rather than a commercial or foreign policy one. However, in the medium term, most speakers at the seminar suggested that the needs of the region would be considerable. Given the limitations of the size of the Australian aid program, too great a shift away from the current regional program would spread the funds too thinly.

3.9 Beyond the region, the most pressing problems of poverty exist in Africa. The problems of Africa, where poverty is expanding, are the most compelling in the world. However, it is in Africa where the preconditions for successful development assistance - sound and stable policy frameworks, market based policies which encourage integration with the global economy, an emphasis on social development, participation by the local community and good governance⁵ - are least evident at present. Aid to Africa, where it is not purely humanitarian, would need to focus on institution building.

Areas of Expertise

3.10 It is a truism that Australia should offer aid in accordance with its domestic capabilities. This offers a wide range of possibilities - agricultural support, vet science, health, education - primary or tertiary and remote education, infrastructure development, institution building, public service and business systems.

3.11 The Director of AusAID, Mr Kanaley, described the aid agenda as an expanding one, moving from the traditional emphasis on water supply, sanitation, health and education to include the environment, good government, civil rights, trade facilitation, child labour and complex emergencies. He believed that there was a view that the original objectives as stated in the Jackson Report (1984) - a concentration on humanitarian objectives, but also foreign policy and commercial objectives - have become confused and that the foreign policy and commercial objectives have begun to outweigh the humanitarian ones.⁶

5 Transcript, pp. 19-20.

6 Transcript, pp. 18-19.

3.12 Mr Kanaley proposed that we should return to the simple concept that aid should be directed at reducing poverty, that is, improving the quality of peoples' lives through sustainable development and that the foreign policy and commercial impacts were inevitable but largely coincidental to the main objective.

3.13 Mr Kanaley, however, noted that the international consensus on what constituted the preconditions for development - sound and stable policy frameworks, market based policies encouraging globalisation, emphasis on social development, participation, good governance and environmental sustainability - inevitably had an impact on the focus of the aid program. The aid program had both to consider and seek to enhance those preconditions. Furthermore, it was important to recognise that in this process development assistance was only one factor and, necessarily, a complementary one to other factors such as private flows of investment. Private flows were both greater in quantity and, in the final analysis, of more significance in achieving development.

3.14 Finally, therefore, to incorporate the basic objective with the accepted preconditions for development, he proposed that the aid program be directed at basic social services - health and education; physical infrastructure and a government framework of policies, laws and institutions.⁷ He also noted that focus given to the aid program was not a unilateral decision, that nothing could be done without negotiation with and the agreement of the recipient government.

3.15 Ms Beris Gwynne, from World Vision, agreed with Mr Kanaley on the question of the muddled focus of the aid program. She too believed that it had moved away from its humanitarian objective; that it was too concerned with 'aid administration with excellence measured in terms of throughput, risk minimisation, and the advantage for the Australian contractor'.⁸ She suggested that the concept of the national interest underpinned public support for the aid program but that national interest needed to be redefined in a longer term perspective of global imperatives, not defined narrowly in short term commercial or foreign policy goals.

3.16 She defined an ideal program as one that gave a higher priority to poverty alleviation, the building of local capacity and a fairer distribution of the benefits of economic growth.⁹ In health, it would focus on preventive care, maternal and child health, immunisation and nutrition; in education, an emphasis on basic in-country literacy, numeracy and vocational extension programs; in gender, projects directed at the welfare of women who bear the brunt of poverty; as well as a focus on food security, environmental protection and micro enterprises through micro credit schemes.¹⁰

3.17 In respect of the educational programs within the Australian aid program, Ms Gwynne was critical of the present program for what she saw as too great an emphasis on the tertiary sector, particularly what she saw as the expensive process of bringing students to Australia to study. Mr Kanaley disagreed with this interpretation of the educational sector of the aid program but also defended the tertiary program in terms of comparative advantage -

7 Transcript, p. 20.

8 Transcript, p. 44.

9 Transcript, p. 45.

10 Transcript, pp. 44-47.

Australia being better at tertiary education from which we derived influence on the educated elites of neighbouring countries and recipient countries being better at primary education and basic literacy in their own languages.¹¹

3.18 With the exception of the disagreement over the direction of educational aid, Mr Kanaley argued that much that was within Ms Gwynne's list already governed the current program. There was agreement throughout the seminar on the necessity of good governance, sustainability and participation as base factors in the achievement of objectives. Although the arguments were not clarified during the seminar, the disagreement over the direction of educational aid appeared to be a metaphor for a more fundamental difference over whether aid should be large or small scale, complex and technical and nationally directed as opposed to simpler technology directed at local communities.

3.19 The Committee recommends that:

- 5 **in negotiations on aid programs with recipient countries, the Government continue to stress the importance of good governance and participation as priorities in the aims, design and outcomes of projects.**

Economic Growth and Poverty Alleviation

3.20 The most significant argument of the seminar concerning the focus of the aid program centred on the debate as to whether targeting the poor was as effective as economic growth in the elimination of poverty. This argument is touched upon earlier in this paper in paragraphs 1.9 - 1.13.

3.21 Professor Duncan and Dr Peter McCawley argued strongly that the key to the elimination of poverty was economic growth. Therefore, the promotion of growth and those factors that facilitated it should be the determinants of the aid program. Mr Kilby, Mr Hewett, Ms Hunt and Mr Rollason argued that, while growth was important to the development process, economic growth alone did not guarantee equitable or even worthwhile development.

3.22 Getting the growth settings right, according to Dr McCawley, involved establishing the right enabling environment. This included: stability (peace and law and order in the political and legal environment), the appropriate macro-economic and micro-economic policies and an improvement in the flow of inputs (land, labour and capital) into domestic industry. The aid program's role in this was to contribute to the growth settings through assisting in defining property rights (technical services), greater efficiency in the use of land (agricultural services), increasing the physical and human capital (infrastructure and education).

3.23 Dr McCawley did affirm the importance of foreign assistance in helping the poor and he noted that it had a role, if well targeted, not only in promoting growth but in improving the quality of growth. He agreed that the quality of growth was important and that

11 Transcript, pp. 56-57.

aid had a role to play in the development of safety nets. In this, his arguments had a conjunction with those of the prominent NGOs at the meeting.

3.24 Professor Duncan reinforced this view by saying that the aid program should focus on an integrated package of infrastructure, technical assistance and institution building. Where countries did not have their growth settings right, he believed the best aid is directed at assisting them in developing

a good package of policies, institutions and investment programs. ... [I]t is unlikely there will be much pay off to any aid transfers until then. ... AusAID's priorities over the years favouring education, first of all, and agricultural development and public infrastructure have generally been the right ones. But I would like to see more emphasis on helping countries to adopt sensible policies and to maintain them.¹²

3.25 Mr Patrick Kilby argued that the growth model, especially as it was propounded by the multilateral financial institutions and the structural adjustment programs, emphasised growth at the expense of equity and that this was a departure even from the growth formulas used so successfully by the Asian Tigers where government intervention and investment in basic education, housing, industry, the harmonious relations between industry and labour and land reform were a common feature. 'Globalisation,' he said, 'and ... the diminishing role of the state, the unfettered role of international investment, which in a completely free way, actually distorts investment priorities within countries and leads to growing inequities. ... The government's aid objective is to assist developing countries to meet the basic needs of their people.'¹³

3.26 Mr Hewett too argued that growth alone was an insufficient basis for the aid program. The nature of growth, the quality of growth had to be emphasised.

We should be looking for a growth pattern which is equitable, environmentally sensitive, recognises democratic space or human rights concerns and is sustainable over a considerable period of time.¹⁴

3.27 The limitations on the growth model were also in part that the flows of private investment were too narrowly focused. Countries were poor because they could not get their growth settings right and because they could not get their growth settings right they could not attract private capital. Janet Hunt told the seminar that:

Three quarters of all private investment flows in the last 25 years went to just 10 countries, mostly in East and South East Asia and Latin America. Aid must prioritise countries where the greatest poverty is and where private flows will not be available or be less available. That predominantly means South Asia and Africa, as well as pockets in other regions - for example the former Indochina countries and Papua

12 Transcript, pp. 49-50.

13 Transcript, p. 50.

14 Transcript, p. 52.

New Guinea. ... Development cooperation funds should always be targeted to sectors which will not attract private investment.¹⁵

3.28 Finally, Mr Rollason reminded the meeting that the size of the global aid program was relatively small - \$50 billion to \$60 billion and that the key role in development was international investment which had multiplied seven times in the last five years.¹⁶

3.29 In part the argument was not one of substance but of emphasis: both recognised the importance of good governance, involving rights and justice, as a precondition and sustainability, incorporating equity and participation, as a goal. There appeared to be no argument that development was linked to the creation of wealth.

3.30 However, the pivotal question appeared to be an age-old and fundamental political argument about the distribution of wealth. As growth takes place what could or should be the role of the aid program in the distribution or redistribution of wealth? Should equity of distribution of wealth be sought as wealth was being created? Were the two processes economically incompatible? Were they politically acceptable, especially in societies where ruling, political elites drove economic development to their own economic advantage and were unlikely to be sympathetic to any alteration to their position. The Parliamentary Secretary to the Minister for Foreign Affairs, Mr Andrew Thomson, was doubtful of the capacity of the aid program to make a difference in matters relating to the distribution of wealth.

How do you persuade the governments, for example, of our near neighbours that they should introduce a fiercely progressive system of income taxation or something to try to redistribute wealth? That is very difficult and, frankly, I believe impossible for a government of our size, through our aid program, to do.¹⁷

3.31 Professor Duncan was more optimistic about the role that aid could play. He indicated that Australia was capable of influence beyond what might be expected. He cited the example of the current program at the National Centre for Development Studies which is training the largest group of Vietnamese doctoral students in economics in the world. These were people who would have a potentially powerful impact on their return.¹⁸

3.32 The NGOs argued that the nature and focus of the program inevitably affected matters of distribution and that we had an obligation to ensure that, whatever we did, it encouraged equity.

3.33 The conclusions appeared to be that aid did work and that aid could assist those countries which could not attract private flows of capital to get their growth settings right - matters of infrastructure, good governance, institution building, macro economic policy; it could protect those peoples who fell between stools - poverty alleviation and health and education strategies for those caught in the inequities resulting from growth strategies; it

15 Transcript, p. 17.

16 Transcript, p. 54.

17 Transcript, p. 53.

18 Transcript, p. 57.

should move its focus as countries began to develop to those countries which were falling behind - the 20 per cent of the world's population who over the last twenty years have got poorer. Within all these fields there remained more scope for activity, more demand, than there were available funds. Therefore the pressure on the Government to increase the aid budget would remain and the choice of what focus to give available funds would continue to be difficult and openended.

3.34 The Committee recommends that:

- 6 the Government give priority in the aid program to areas of greatest poverty and places which could not attract private flows of capital.**

SECTION 4

AUSTRALIAN AID: DELIVERY

Bilateral/Multilateral

4.1 The majority of Australian aid is bilateral aid - approximately 59 per cent of the whole.¹ It focuses on countries of our region, the Asia Pacific. In 1995-96, 14 per cent of the country aid went to countries outside the region,² 9 per cent was cross regional,³ 29 per cent went to south east Asia, 13 per cent to the South Pacific and 35 per cent to Papua New Guinea. In the current budget, 1996-97, the per centages are: 13 per cent to Africa and other, 36 per cent to East Asia, 8 per cent to South Asia, 12 per cent to South Pacific and 31 per cent to Papua New Guinea.⁴

4.2 Bilateral programs allow Australia to direct aid to this region and to target areas of need in cooperation with regional governments. This enhances our strong political and economic links with countries of the region. It allows us to establish our reputation for technical capability with regional countries and it gives the Government control over the quality of the programs offered to ensure their sustainability and effectiveness.⁵

4.3 The multilateral programs, though smaller, have development aims in common with the bilateral programs but offer the opportunity to extend the range of the aid programs, to be involved in and have some influence on the international debate about the direction of development assistance, to provide returns for Australia through procurement opportunities and they therefore promote Australia's interests internationally. It is important for Australia to be involved in international policy dialogue, to be knowledgeable about and have some influence on the operations of the multilateral financial institutions and development assistance banks such as the World Bank, the Asian Development Bank and the International Monetary Fund.⁶

4.4 In 1995-96, Australia's contribution to the multilateral organisations represented 35 per cent of the total aid budget. Of this 35 per cent went to multilateral development banks, 15 per cent went to emergency and refugee funding, 9 per cent went to the World Food Program, 12 per cent went to other international institutions,⁷ 6 per cent went to community

1 Budget Papers, 1996-97, p. 71.

2 India, Pakistan, Bangladesh, Bhutan, Nepal, Sri Lanka, China, Mongolia and North Korea, Africa, Indian Ocean and Australian Program for Training for Eurasia (APTEA), Palestinians and the wool initiative, Budget Papers, 1995-96, op.cit, p. 36.

3 Much of this program is devoted to education and training in Australian institutions through scholarship schemes - Australian Sponsored Training Scholarships (ASTAS) and Australian Development Cooperation Scholarships (ADCOS). Within this sector there is also the Direct Aid Program (DAP) by which Australian diplomatic missions assist in small scale development projects.

4 Budget Papers, 1996-97, op.cit. p. 20.

5 Transcript, pp. 25-26.

6 Transcript, p. 27.

7 Australia supports a range of international organisations - in the UN, the Commonwealth and other international research and development organisations. See Budget Related Papers, op.cit. p. 49.

programs⁸ and 23 per cent went into the DIFF program.⁹ This year's budget papers did not give a percentage break down of the global programs which were listed only as 30 per cent of the whole budget.¹⁰

Government/NGO

4.5 The proposition was put to the seminar that 'meaningful solutions to global poverty ... require a new understanding between governments, business and the non-government sectors'.¹¹ It was a matter of recognising the comparative advantage offered by the different sectors. NGOs were characterised as an integral part of a civil society and an indication of the health of a democracy. The advantages they brought to the development process were that they were small, informal, flexible, responsive, non-profit and therefore low cost organisations. They were often well integrated into local communities, able to mobilise quickly in emergencies and well placed to warn of crises and impending disasters. The example of Rwanda was given where Oxfam UKI warned of the disaster before it took place.¹² NGOs were able to be innovative in their responses to situations and able and prepared to move into circumstances which governments could not enter either for diplomatic reasons or because of the high risks involved. An example given at the seminar was telling:

During the debacle in Somalia in 1991, Community Aid Abroad funded a three month peace conference for clan elders in northern Somaliland, which was largely untouched by the UN and US forces. It cost us, and a number of other donors, peanuts. Yet the peace held in the north and in the main has continued to do so. The Burima peace conference is an extraordinary story. It is highly unlikely that UN officials or US military could even have got near the key players necessary to make this possible. It is even less likely that hard-nosed officials from government funding agencies ... would be interested in funding the traditional poetry orations which make such processes work. In fact, we took a bit of a double take at the idea that a poetry eisteddfod of several months would actually lead to peace, but it did.¹³

4.6 Because of cost constraints the aid solutions of NGOs were most likely to be low technology and appropriate to village communities as well as participative and consultative in approach. Mr Kanaley made the point however that NGO were a very diversified 'community', ranging from 'well-developed, multimillion dollar organisations down to very, very small organisations. Both the strengths and weaknesses of NGOs have to be very clearly recognised. ... They have some things in common, but very few.'¹⁴

4.7 In Australia the collaboration between the Government and NGOs in the development process has been increasing. This is part of an international trend which

8 These are activities undertaken by NGOs. See Budget Related Papers, 1995-96, op. cit. p. 53.

9 Budget Related Papers, 1995-96, op.cit., p. 45.

10 Budget Related Papers, 1996-97, op.cit. p. 71.

11 Transcript, p. 28.

12 Transcript, p. 29.

13 Transcript, p. 29.

14 Transcript, p. 38.

recognises a greater role for NGOs, particularly where structural adjustment programs have reduced social services in many developing countries. Over the last ten years AusAID funding for NGOs has increased from \$A20 million to \$A71 million. They have particularly been used in emergency relief programs. Australian NGO expenditure on overseas programs has increased from \$A79 million in 1988 to \$A211 million.¹⁵

4.8 A recent review by AusAID of the effectiveness of NGO programs concluded that NGO programs made an effective contribution to AusAID's goals of sustainable economic and social advancement of the peoples in developing countries. Ninety per cent of projects surveyed were rated as having achieved satisfactory or better achievement of objectives.¹⁶

4.9 Mr Jeremy Hobbs, Executive Director of Community Aid Abroad, suggested some of the challenges facing NGOs in the future. He listed, firstly,

the integration of highly cost effective, successful, small scale development with macro-economic policy. How do we ensure that projects encouraging small business in Vietnamese villages link up with adequate electricity supply and access to larger markets? Integration of effective, participatory poverty alleviation with local government, business and national government is a real challenge.¹⁷

4.10 Secondly, ensuring sustainability, the removal of dependence, remained a huge problem for all donors. And, finally, Mr Hobbs warned of the dangers of a loss of independence for NGOs through too close a collaboration with government. This would destroy their flexibility and with it their comparative advantage.

4.11 The Committee agreed that most effective development and efficient use of resources would be achieved only by good coordination of NGOs with each other and with government, enabling informed decisions to be made about resources, skills and experience. This would enable coherence between the perhaps larger government projects and the smaller NGO projects so that, for example, electricity supply or road or bridge construction could be integrated with village business or agricultural developments or financial services. Coordination would also enable the input of standards of delivery, sustainability and accountability. Both policy coherence and comparative advantage of the sectors might be satisfied.

4.12 The process of collaboration between government and Australian NGOs appears to be well developed but perhaps is in need of refinement. The recent review of NGO effectiveness by AusAID reported on a proliferation of complex mechanisms to negotiate and administer AusAID/NGO programs. It described a 'disparate set of objectives and policy statements' and a policy base that was now 'complex and fragmented'.¹⁸ The review made a series of recommendations to simplify the process and to enhance NGO independence by a cost sharing procedure for funding.

15 AusAID, *Review of the Effectiveness of NGO Programs*, p. i.

16 *ibid.*, p. ii.

17 Transcript, p. 31.

18 AusAID, *op.cit.* p. ii-iii.

4.13 The Committee endorses the findings and recommendations of the *Review of the Effectiveness of NGO Programs*. See Appendix 4.

4.14 The expansion in the number of NGOs and their increasing role, especially in responding to humanitarian emergencies, has placed a strain on them but also forced them to consider their role, their own coordination, their processes of accountability and transparency. Recent discussions with AusAID within the review have led to the development of a code of conduct. NGOs are also experimenting with mechanisms for setting performance indicators and monitoring progress.¹⁹ They are considering an independent public institution through which to channel public funds to NGOs to protect them from undue influence.²⁰

4.15 On the matter of coordination amongst NGOs, Ms Janet Hunt, Executive Director of the Australian Council for Overseas Aid (ACFOA), explained that nationally ACFOA acted as an information conduit and coordinating body and that internationally the International Council of Voluntary Agencies (ICVA) provided the same function.

4.16 Linkages between government and NGOs and business in providing development assistance are also important for the same reasons. The role of business and development assistance will be addressed in the next section of this paper.

The role of business in the aid program

4.17 The role of business and the aid program was discussed on three levels: first, the willingness of business to recognise an obligation to support, through donations, the efforts of NGOs involved in development assistance; second, the role private business can play through obtaining aid contracts let either by the Australian Government or by multilateral agencies and third, the role business can play by direct assistance through training and exchanges to underdeveloped countries in the development of business practices and systems.

4.18 NGO representatives made the point to the meeting that Australian business was, on the whole, not generous when it came to donations to development projects. Business representatives at the meeting defended this on the grounds that businesses had a narrow mandate from their shareholders which curtailed their use of shareholders' funds,²¹ that in some way money given for aid was money 'shove[d] into a black hole'²² and that NGOs did not market well the 'services' they offered to business in any partnership that was formed.

4.19 The view that aid money represented a black hole into which funds disappeared was rejected by the Director General of AusAID who explained that 'Most of the Australian aid budget is spent directly hiring Australian contractors, consultants, NGOs. So the scope for corruption in the program is actually very small. ...'²³ Specifically on NGOs he said:

[I]n looking at the Industry Commission report on charitable organisations, one of its conclusions was that the arrangements in the

19 Transcript, p. 49.

20 Transcript, p. 49.

21 Transcript, pp. 36-37.

22 Transcript, p. 38.

23 Transcript, p. 66.

aid area are actually very good. They certainly did not give them a clean bill of health and a complete tick; I am not trying to hide that. But, essentially, compared with other arrangements in Australia - whether in the social welfare area or other areas - the arrangements in the development assistance area are probably already at the leading edge.²⁴

4.20 Furthermore, on the matter of business donations, Mr Jeremy Hobbs noted that:

Australian business compared to, say, our compatriots in the US are not nearly as generous. Our experience has been that they do not see themselves as corporate citizens in the way American companies do. American companies think that the bottom line can contribute to being good corporate citizens. Their shareholders believe in that and it is part of a changing perspective in the relationship between business and civil society.²⁵

4.21 A number of speakers drew attention to the possibility of partnerships between the private sector, government and NGOs. It was apparent from the discussions that the sectors had not previously recognised the contribution that each could make to the others field of endeavour. Government and NGO knowledge of circumstances and developmental needs in other countries was potentially valuable for business. Opportunities for contracts existed not only as part of the ODA process but as independent arrangements evolving out of a knowledge of NGO projects or simply because NGOs have considerable knowledge of the needs on the ground in a wide variety of places. NGOs were also in a position to advise business on local conditions or cultural and social expectations, lack of understanding of which has in the past sometimes led to destructive or costly disputes. Community Aid Abroad noted that the possibility of both cooperation and partnership between business and NGOs had been explored last year with a seminar on aid and trade in Africa. It is simply important to build and maintain the linkages. Both NGOs and businesses need to recognise the mutual benefits to be gained from more regular dialogue and contact.

4.22 If aid projects were good for business, it was also stressed that the contracting out of the delivery of the aid program was not designed to benefit private business and promote trade. It was motivated by the efficiencies which these consulting firms could bring to the delivery of aid.²⁶

4.23 The knowledge and experience gained from aid contracts was also the basis on which Australian firms could bid for projects at the multilateral level. The question of the accessibility to Australian business of development contracts from the multilateral organisations was raised by a number of speakers at the seminar. Mr Davis from the ACCI complained that multilateral agencies were very poor at informing business of contracts, that information was often received too late for any Australian involvement and that the paper work was too onerous for small firms to complete.²⁷ Hassall and Associates and IDP

24 Transcript, p. 57.

25 Transcript, p. 39.

26 Transcript, p. 65.

27 Transcript, pp. 38-39.

Education Australia appeared to have had some success in bidding for contracts through working through networks of contacts and reputations built up over time through ODA and Government links.

4.24 The importance of preparatory work, understanding networks and clever use of information was stressed by Mr Rollason:

It raises a whole range of interesting questions about the way in which the Australian consulting industry, Australian companies, can access contracts which are going to be let for development assistance projects, particularly by the World Bank. ... If you really want to have a chance at the loan, you have to be involved in some of the preparatory stuff. That is handled by Washington based task managers, who make all the decisions. Of course, these task managers are too busy to answer faxes and phone calls from people they don't know from the other side of the world. When you go there, they are quite often on mission anyway. So you have the dilemma of how you physically access the person to ask them about their project. The reality is that, if you can get in to meet them, you may in fact get a small contract come your way as a door opener.²⁸

4.25 The timely dissemination of information both about contracts and the processes necessary to bid for them requires greater liaison between the interested parties.

4.26 The Committee recommends that:

- 7 **relevant government departments, AusAID, Austrade, Treasury and the Department of Industry, Science and Tourism promote contact with industry associations for the dissemination of information about pending contracts with the multilateral development agencies; and**
- 8 **industry associations in conjunction with Austrade and AusAID seek to provide assistance and information to small business as to the processes necessary to bid for such contracts.**

4.27 At the national level and in regard to bilateral projects, a very significant offshoot of the aid program are the contracts won by private Australian contractors and consultants from AusAID to deliver services within the aid program. Hassall and Associates is one such company. It employs 80 permanent staff and around 30 to 40 specialist sub-contractors. It has operated since the 1960s, covering a wide field of projects including rural development, nature resource management and conservation, community development - poverty alleviation and community health. It has diversified from total dependence on AusAID to now deriving 50 per cent of its contracts from overseas and other sources. It has worked on projects in Yemen, Uganda, central Asia, Uzbekistan, the Philippines, Indonesia and Bangladesh among others.²⁹

28 Transcript, pp. 73-74.

29 Transcript, p. 62.

4.28 Mr Wurcker, for Hassall and Associates, stressed the importance of a strong reputation in winning contracts for development work and the value of partnerships between NGOs and businesses in delivering projects.³⁰ The linkages and flow of information was achieved in part by an interchange of personnel. The experience of Hassall and Associates suggests that one way into the multilateral field, especially for small firms, was through building experience and a reputation at the national level.

4.29 The Committee recommends that:

- 9 (a) **AusAID, in the initial stages, facilitate regular liaison between development NGOs and business associations with a view to establishing more permanent linkages to promote discussion, disseminate information and encourage the involvement of business in the development process; and**
- (b) **NGOs and business associations be encouraged to maintain ongoing dialogue in recognition of the contribution that each can make to the others performance.**

Non Official Development Assistance

4.30 Business also provided direct assistance to developing countries. This constitutes non official assistance to developing countries. It has operated within the private sphere of business operations and as such is not subject to either national or international criteria for ODA. On one level, Australian businesses operating overseas often provided extensive training, employment opportunities, housing and medical facilities, schools and infrastructure. Such contributions are to be applauded and encouraged. Papua New Guinea was cited as a case in point. At times there has been controversy surrounding the operations of some companies in underdeveloped countries. Regardless of the rights or wrongs of particular situations and given that Australian companies abroad inevitably are in some way representative of Australia, there may be value in greater consultation between business and government on what might constitute Australia's national interest in such ventures.

4.31 At the seminar the Parliamentary Secretary, Mr Thomson, cast doubt on the value and feasibility of such interventions. He told the meeting:

Sometimes governments are asked to prepare and enforce codes of conduct for companies in other nations - to prescribe what they should and should not do when they engage in exploration, mining and that sort of thing in foreign countries. We resist that more often than not because of the issue of sovereignty.³¹

4.32 However, AusAID is expected to meet criteria relating to the national interest and international best practice. If we are to expect NGOs to work by codes of conduct in their operations abroad, there is no reason why Australian businesses should not meet similar standards.

30 Transcript, p. 63.

31 Transcript, p. 76.

4.33 This Committee considered this matter in the last Parliament. It would therefore draw attention to a recommendation made in the report on Burma³² still before the Government. In recommendation 30 of that report the Committee recommended and again reiterates its recommendation that:

- 10 (a) **the Australian Government should actively encourage Australian business to act at all times in a manner consistent with Australian law and human rights objectives; and**
- (b) **that, consistent with a whole-of-government approach to human rights and the need to provide business with practical assistance, the Australian Government should ensure that those government departments, agencies and services, such as Austrade, which routinely deal with and/or advise Australian companies:**
 - (i) **are fully appraised and routinely updated on Australia's human rights objectives and relevant human rights intelligence;**
 - (ii) **provide appropriate advice to companies on human rights matters; and**
 - (iii) **establish in cooperation with business organisations a human rights code of practice; and**
- (c) **the Australian Government should pursue at the ILO the development of a convention to require the application of consistent health and safety standards for workers in multinational enterprises, ensuring that the same high standards apply to workers in developing countries as to those in the country of origin of the enterprise.**

4.34 Direct aid between business associations such as the Australian Chamber of Commerce and Industry (ACCI) and the business communities of other countries is another form of such non official aid. Mr Davis told the seminar that the ACCI contributes a number of people to the AESOP program by which retired business executives provide technical assistance and training to businesses in other countries. The ACCI also hosts 40 to 50 business people from eastern Europe and Russia, giving them training in the Chamber and placing them in Australian businesses to teach them how business is done. There is a further program on the Indian Ocean rim on the technicalities of international standards and conformance arrangements, such matters as trading documentation. Finally the ACCI is involved in a project to develop a regional group of chambers of commerce in the South Pacific.³³

4.35 The Committee believes there is scope for other industry associations or even large individual firms to develop similar programs, especially in this region.

32 Joint Standing Committee on Foreign Affairs, Defence and Trade, *Human Rights and Progress towards Democracy in Burma*, October 1995, pp. 99-100.

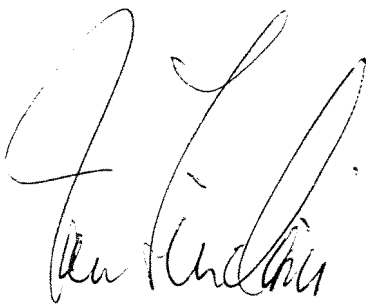
33 Transcript, p. 60.

Australian and New Zealand Human Rights Commissions for human rights commissions and potential human rights commissions in the region led to the establishment of a regional secretariat and a permanent offer of information and technical assistance to developing commissions.

4.37 Institution to institution links which can be productive of development are not confined to government entities and private businesses. Academic institutions often have their own links and exchange programs. There is a long and valuable tradition of academic movement which needs to be fostered. Other organisations such as the Australian Broadcasting Corporation offer enormous possibilities. Mr Sinclair noted the impact of the ABC on people in Siberia who used it to learn English³⁴. He also mentioned in this context the role of defence cooperation. Defence cooperation³⁵ results in significant educational benefits for recipient countries either in the form of skills left behind, particularly engineering, organisational or logistical skills, benefits to Australia in greater cultural contact and understanding, especially through exchanges and tertiary courses, and assistance in developing in our neighbours an understanding of our values and priorities, especially with regard to human rights and humanitarian law.

Conclusion

4.38 After half a century of concerted effort in bringing about development in underdeveloped countries, it would appear that the processes underlying effective development are only just being understood. Paradoxically, this technical understanding seems to be emerging just as the national budgets for such work are contracting. The Committee believes that consideration of the range of inputs to development and the various sources of development assistance need to be defined and acknowledged and encouraged. The Committee notes the relatively small component of the mix contributed by ODA. Nevertheless, the Committee believes that the significance of ODA within that mix should not be underestimated or undermined. The Committee recommends a continuing dialogue and debate on this matter both through the work of the Simons' committee and in the Parliament and the community.



Ian Sinclair, MP
Chairman

34 Transcript, p. 4.

35 For figures see paragraph 2.10.