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**ON**

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**SEMINAR**

**OFFICIAL HANSARD REPORT**

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*The Australian aid program*

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SEMINAR

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Mr Nugent  
Mr Price  
Mr Sinclair  
Mr Taylor

Senator Harradine  
Senator Sandy Macdonald

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**Mr ARMSTRONG (Chair)**—Welcome to this seminar on the Australian aid program. I would like to thank you all for coming and for participating in the seminar which is hosted by the Joint Standing Committee on Foreign Affairs, Defence and Trade and assisted by World Vision, Community Aid Abroad and ACFOA.

I am the President of ACFOA, an organisation that represents some 100 Australian agencies involved in the aid and development field. We represent a large stakeholding in the aid and development field. For me, someone who has been involved in this field for too long to remember, this is a unique experience to see sections of the aid and development community brought together in this way with the opportunity for dialogue. It is unique to see people from the commercial sector, the government sector and the community sector having this opportunity. At the outset, I would like to thank the Rt Hon. Ian Sinclair, the chairperson of the joint parliamentary committee, for the initiative that he has taken and the joint committee for its support in making this possible. I think it is a very important opportunity for us all.

It is my firm belief that there is community interest in the aid program in Australia. It is not confined to a minority, as is sometimes represented; but a large section of the Australian community is interested in the aid program. The Australian Council for Overseas Aid has always had a vital interest in development assistance and it might be said that we have from time to time made our fair share of criticism of both sides of the political spectrum about the way the cake is cut and, more recently and particularly, the size of the cake that has been baked. We make no apologies for that. As far as we are concerned, we see our role as constructive critics involved in the whole aid program. We want to see the aid and development program improved.

This seminar comes at a very important time for Australia's development assistance program. We have a new government in Canberra which is determined to make changes to the way we deliver our aid. A review of the program is being conducted under the chairmanship of distinguished businessman Dr Paul Simons, who is with us today. This is the first review since the landmark Jackson report was presented in the early 1980s.

Regrettably, also we are discussing the topic of our development assistance program in the shadow of yet more cuts. More cuts are being made in Australia and for that matter around the world. We regret that very much. I certainly do. People often tell me that the Australian community is not interested. All the reviews and polls that we have ever done counter that. A recent poll conducted by ACFOA showed that support for current or increased support for the aid program ran at more than 60 per cent. More than a third of those respondents thought that we spent twice as much on overseas aid than we actually do. We have some way to go in the way we project the work of overseas aid and development.

What is the context of our discussion today? One issue is where we are in the world, both geographically and economically. Geographically we are in the centre of

things in Australia. Canberra is not Stockholm, Washington or Berlin where the issues of development are theoretical and a long way away. The people of our neighbourhood are around us. They are in Indonesia, Papua New Guinea, Vanuatu, Mozambique across the Indian Ocean, and Latin America and central America across the other side of the Pacific. They always will be there and we always will be here. We have to engage with them and build relationships with them for the sake of justice and humanity and for our own self-interest.

The other reason is economics. Despite what you read in the papers in Australia today, Australia is a wealthy country. The human development report places us at 11 out of some 174 nations. The report goes on to tell us that 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. The gap between the rich and the poor in the world is widening. We can talk about that more.

It is in that context that I would like us to consider Australia's contribution via our aid program. I will deliver one message from the chair and then I will try the best I possibly can to be an impartial chair for the rest of the day. I believe that Australia's development cooperation would benefit much more from an approach which is based on cooperation and partnership between the major stakeholders than on one of competition.

At this meeting we have, as I said at the beginning, representatives of the government sector, the commercial sector and the community sector. I think the challenge for us today is to find ways in which we can work together in planning our development assistance policy, in designing our development assistance programs and in implementing our development assistance activities in partnership and in cooperation. I welcome you to this seminar. I now introduce the Rt Hon. Ian Sinclair.

**Mr SINCLAIR**—I formally welcome you to parliament and thank each of you for being prepared to participate in this concept. It began, really, through an interview that Jeremy and Bill had with me, their concern being that there should be some opportunity for consideration by the joint committee of our future aid program, and a feeling that if there were to be changes at a financial level there would be benefit in having some submission made to the committee.

I am pleased, therefore, that so many members of the committee are either here or going to join us. A number of our members will be coming. The President of the Senate also will be joining us directly. I am particularly pleased to see Andrew Thomson, the parliamentary secretary to the Minister for Foreign Affairs and Trade, and Dr Paul Simons, who, as Bill has said, was commissioned to review our aid program.

There are a few comments I would like to make in opening and I suppose these might embrace some of those housekeeping remarks to which Bill referred a moment ago.

The concept, as I saw it today, was not that we would deliberate and then go away but, rather, that the papers delivered, and hopefully some precis of the discussions, might be taken down by *Hansard*. There is in fact a *Hansard* tape being taken of our discussions so that there will be a permanent record. I trust that from that we might be able, through the joint committee, to perhaps present a paper in the Senate and the House which will allow some discussion, following your deliberations, and some overview of our aid program and where we go. Of course, it will be available to each of you for your records and for what other purposes you might wish.

The second point is that this is a public hearing. Consequently the media and others can come in here, unless any of you feels at any stage that they should not. It is a public hearing and as far as the committee itself is concerned the proceedings will be public and submissions which you make or papers you deliver are matters, therefore, for the public record. If any one of you—it will be for the Chair to decide how he acts on this—feels that you want your particular contributions to be kept confidential, that will be for you to indicate at the time.

On aid itself, there were several things that I wanted to say. While the genesis of this seminar was concern about budget funding and some concern about the product of the government's decision regarding the development import finance facility, I trust that the seminar embraces far more than just the quantum of money.

To me, aid comes in many forms. As one who has been involved at various levels in government and in parliament over the years, I have been amazed at the extent to which the character and nature of our aid varies. I will give you two examples. I participated in an international conference some years ago at which there were a number of Russian representatives. I was quite amazed to find that they spoke with an Australian accent. The reason they spoke with an Australian accent was that the ABC's program happened to transmit into their particular part of Siberia to almost the exclusion of everybody else. They had actually learnt English through listening to the ABC. You might well say that that is hardly aid, but to my mind it is. It is a way by which our attitudes, our views and our language are filtered through to other societies.

In another instance, about three or four years ago this committee inquired into the Australian Centre for International Agricultural Research. In that inquiry we were quite amazed to find the effectiveness of some of the research projects undertaken. One that struck me in particular was some biological control of water hyacinth which, quite remarkably, had entirely changed the lifestyle of the community where this particular biological control had been introduced.

I give those two illustrations because at a discussion of aid, I do not think we can only look at government aid. Indeed, in the last two days I know that non-government organisations have been meeting with the department talking about progress—with a number of you present. I know that there are many individuals and corporations who, in

their ways, provide aid.

There are all sorts of other avenues and connections between Australia and other countries. As one who has had a little to do with service clubs, as have most of my political colleagues, it is remarkable to me the way in which, through their student exchange programs, there is dialogue and an opportunity not for aid in the general sense but for personal development, which allows one of the real attributes, as I see it, of our aid program—that is, the promotion of Australian ideas and concepts of human rights and democratic institutions—to filter into other societies.

When we are looking at aid, it is not peculiarly what the government alone does; it is far more. I think the contribution that non-government organisations—in their many dimensions—make certainly needs to be very much before us.

As to government aid, there are three dimensions. They are always matters of some controversy. If you are looking at the quantum of aid, I can assure you that within cabinet over the years there are few occasions where successive ministers for foreign affairs do not get more excited when they are talking of the relativity of multilateral to bilateral aid contributions. Yet if you look at each, you know that they respectively have a role and a part to play. Determining the appropriate balance and the extent to which, as a nation, we get our value out of multilateral programs is always a matter of some controversy. Yet I know that there are enormous values from multilateral programs.

The third area—again, an area where I have had some ministerial responsibility—is our defence cooperation program. As Andrew Thomson said to me this morning, we are having some interesting dialogue with one of our neighbours with respect to defence cooperation at the moment. It is a difficult area. It has been through a defence cooperation program that Australia has made available quite significant assistance, particularly for natural disasters, to many of the island states of the South Pacific. We should not forget that Australia is also a recipient of aid. We received aid at the time of the bushfires in Tasmania. We have received aid, on occasions, for cyclonic damage, such as that caused by Cyclone Tracy in Darwin. At times of other natural disasters, such as floods, Australia has been a recipient of aid at both a local level and a national level in order to resolve a particular catastrophe. At a government level, aid comes in many dimensions, and I think we need to register that.

There are always problems in the way in which aid can best be delivered. I was fortunate to have attended a conference a week ago with Chris Sidoti, Commissioner of the Human Rights and Equal Opportunity Commission, and Margaret Swieringa of the Joint Committee on Foreign Affairs, Defence and Trade, when a new regional forum on human rights was established. There are a number of ways by which we can therefore work as a government, and I hope that many of those might be pursued today.

I would like to thank Joanne Towner, the Secretary of the committee, for the work

she has put in to making today possible. I hope all participants find the deliberations worthwhile. I can assure you that the parliamentarians participating today will be very interested to hear your presentations. Hopefully we can make some contribution by way of questions and discussions at the conclusion of your presentations.

**Mr ARMSTRONG**—Today's program is very full. We ask speakers to try to stick to their allotted times. I will try to be as tough as I can to call time when the 10 minutes allocated is up. If those who are seated away from the table wish to participate, they are very welcome to do so. We are sorry that you cannot be up at the table. When you want to speak, please come up to one of the microphones at the table. As Ian has said, the proceedings are being recorded by *Hansard* and it will assist them if you say who you are and which organisation—if appropriate—you are representing. Please remember those rules.

The first subject is international trends in development assistance. Deborah Stokes is the Deputy Director-General of corporate development and support of AusAID.

**Ms STOKES**—Good morning members of the JSCFADT and ladies and gentlemen. On behalf of the AusAID executive, I would like to thank the JSCFADT and ACFOA for arranging this event. We certainly share the views that you expressed, Bill, about the value of such a seminar.

I would like to start with some of the facts about development need, because I think that will help explain why we have an overseas aid program and also why we are here today to discuss these issues. 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 two 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, who was recently in Australia, indicated that the unmet infrastructure needs in east Asia alone require \$1.9 trillion in investment over the next decade. So I think that gives us a pretty good picture of the sorts of needs that we are addressing.

Turning to the resources that are available to help address these needs, in the area of ODA—official development assistance—the most recent figures available from the OECD indicate that ODA fell again in 1995. Aggregate ODA/GNP ratio, which is the international measure for assessing countries' contributions to development assistance, fell from 0.3 to 0.27 per cent in 1995. This is the lowest average ever. Aid levels, as measured in those terms, have fallen in 14 out of the 21 DAC/OECD member countries. In addition, in real dollar terms ODA declined by nine per cent in 1995.

There are a number of reasons for that decline. We will be able to identify with

some of them in Australia. Obviously, the budgets of donor countries are under pressure in all directions. There are domestic fiscal problems. There has also been an incredible demand for assistance from eastern European countries and that is not counted as ODA. That has put additional pressure on aid budgets. Another pressure factor has been the enormous increase in demands for peacekeeping. Whilst that is not ODA, it has added yet another pressure on countries' contributions for international causes.

Looking ahead, the prospects for increased aid do not look very bright. Having said that, however, there are some bright spots in that there are new donors: countries that have been successful in their own development and are in our own region such as Korea, Singapore and Thailand. They are establishing their own aid programs and indicating willingness to contribute to international development more generously.

We also need to keep in mind that aid is only one part of the development picture. Private flows and private investment are another extremely important part of the development equation. The very good news is that private capital flows to developing countries have increased substantially over the past decade and now far exceed ODA. It did not use to be like that. Last year, private flows to developing countries were in the order of \$170 billion compared to ODA of \$59 billion.

Turning to the topic of international trends in development assistance, I thought I would discuss what has become a consensus in the international community about development issues and therefore the role that donors can play. You have a copy of a document called *Development partnerships in the new global context*. This is a piece of paper that was endorsed this year by the Development Assistance Committee of the OECD—all of the donor club in Paris—and represents the combined views of all donors who are members of the OECD.

I will quickly run through some of the key features of this consensus. It starts with a very clear recognition that developing countries are ultimately responsible for their own development. This is something that is recognised not only by the donors but also by the developing countries themselves. This is a very significant feature of recent development discussions in a whole range of fora. It was reflected very recently in the OAU summit in Yaounde where many of the speakers repeatedly emphasised the theme of national responsibility. It came through loud and clear from African leaders.

The starting point for other elements of the framework, in terms of the ingredients for successful development strategies, is a sound economic policy framework which encourages the private sector and integration in the global economy; investment in social development, especially health and education for men and women; enhanced participation by local communities; good governance in the widest sense; sustainable environmental practices, and approaches that seek to address the root causes of conflict.

As you can see from such a list, donors these days need to address a very broad

range of issues. This breadth in and of itself has presented a number of challenges to donor agencies. They have had to face the task of articulating their goals, their objectives, in a way that their own communities can understand but also in a way that captures this complexity. Another challenge has been to keep their own staff in the aid agency across these ever complex issues. That has been a challenge that all aid donors have faced.

I now turn to some of the implications in terms of actual donor programs as opposed to the policies. One of the most striking trends in recent years has been in the area of humanitarian relief. One of the tragic results of the end of the Cold War has been the dramatic increase in the number of civil conflicts. These are often based on ethnic differences. This has given rise to a new term: the complex humanitarian emergency, which has involved peacekeeping operations and massive humanitarian operations at the same time as there has been ongoing conflict.

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. It is obvious from that growth in resources allocated to humanitarian relief that that amount has not been available for traditional development activities. So there has been a diversion away from what I suppose you could say is our bread and butter. Another example of that is that in the mid- to late-1980s the World Food Program devoted 25 per cent to 40 per cent of its budget to relief activities and that figure is now over 60 per cent.

These humanitarian demands have also led to calls for an improvement in the United Nations' coordinating role. We have obviously seen many instances where that has been less than effective and, obviously, that is something that constantly needs to be improved. It has also led donors to focus more on ways in which they can try to prevent conflict. So this has been a more recent issue that donors, and the international community more broadly, have tried to address in order to prevent the enormous humanitarian expenditure that is required. Another issue that has emerged that donors need to address is how to improve the integration or the linkage between providing humanitarian assistance and then helping in the transition to a more normal development environment.

Another feature in donor programs in recent years has been increased emphasis on private sector development. They have sought to do that in a number of ways. I suppose a very important area has been policy dialogue with developing countries to help establish appropriate economic policies, but also to help improve the environment for investment—to help create the right laws and facilitating institutions that are needed.

Another area of emphasis is on good governance, including strengthening civil society and human rights. An important subset of those issues has been the enormous growth in the funding for NGO activities. The proportion of total aid from DAC countries channelled through NGOs has risen from less than one per cent 20 years ago to more than five per cent in 1993-94—and in some donor programs it is a much higher percentage than that.

Environment is another area that has received increased attention. An example of that has been the funding that has been given to multilateral institutions, such as the Global Environment Facility and the Montreal protocols, to help address global environmental problems. The Global Environment Facility, for example, has attracted funding of nearly \$4 billion and the last replenishment of the Montreal protocols was \$600 million. So that is an indication of donors contributing generously to environment issues.

There are two other features that I would like to draw attention to. One is in the multilateral area. I think parts of the multilateral system are under quite severe stress, mostly from a funding problem. The overall funding constraints that donors are facing are putting pressure on the contributions to multilateral agencies. This is an area that I think will surely need more attention in the future.

Finally, I would like to mention an issue that Mr Sinclair referred to—in donor speak, if you like—policy coherence. It is this aspect of judging in a sense what donors do, not just by assessing what they do through their aid program, but also by assessing the impact of other government policies on developing countries. This is an issue that is attracting increasing attention amongst donors.

I can tell time is running out. I will leave it there. Thank you very much.

**Mr ARMSTRONG**—I now call on Mr Rollason, from International Development Support Services. I go to say ACFOA because he was their executive director for 12 years. IDSS is the consulting arm of Community Aid Abroad.

**Mr ROLLASON**—May I also add my thanks to Mr Sinclair, the Joint Foreign Affairs, Defence and Trade Committee, CAA, World Vision and ACFOA for organising this seminar. Perhaps the most significant international trend in development assistance is that donors around the world are reviewing the experience of the last 50 years of aid and are searching for a new rationale for ODA. We are not alone in our rethink.

In its recent review of development cooperation, the Development Assistance Committee of the OECD—the report that has been tabled here—concluded that ‘the record shows that development assistance has been an essential complementary factor in many achievements: the green revolution, the fall in birth rates, the reduction in disease and increased life expectancy’.

The first of my five points is that there is a clear recognition that aid works. It is a worthwhile investment of resources. The number of child deaths has halved, malnutrition rates have been reduced by 30 per cent, the percentage of families who have access to safe water has risen from less than 10 per cent to more than 60 per cent, smallpox has been eradicated worldwide, polio has been almost eradicated and so on. Development cooperation and ODA have made a substantial contribution to the improvement of human welfare, but we are only halfway there.



The second set of interlinking global trends that is affecting government thinking and ODA policies also provides unprecedented opportunities to address poverty and international development. The world of today is radically different from that of even 10 years ago in at least three ways. The globalisation of communications has opened up information flows and people's opportunities to participate in that flow of information in ways that we could not have imagined. There are few global problems which do not have their own homepage on the Internet today.

The globalisation of communications has also facilitated the globalisation of the economy with all its positive and negative implications. As the recently released study of the Tobin tax reveals, foreign exchange transactions reached \$1.3 trillion a day in 1995, and 80 per cent of these flows make a round trip in less than seven days—disrupting national economies and taking away developing countries' capacity to manage their own economies.

The third element is that the demise of the Cold War has ended the enormous waste of resources in the arms race and opened up new opportunities for international cooperation. As the 20th century draws to a close, these dramatic changes and others have created new opportunities for the international community to address global economic, social and environmental problems, such as HIV-AIDS, the destruction of the ozone layer, the increase in greenhouse gasses, and Third World debt.

The series of UN conferences—the UN Conference on Environment and Development, the Cairo Population Conference, the Beijing Women's Conference, the World Summit on Social Development—and the conclusion of the GATT Uruguay Round and the formation of the World Trade Organisation over the last five years have led to governments adopting significant and specific objectives for international cooperation and development assistance. We must not now allow domestic preoccupations to jeopardise these new opportunities for international cooperation to achieve global development objectives. Development assistance demands a new mandate and a reinvigorated commitment.

My third point is that, whilst there has been significant progress and governments have renewed commitments, there is a serious gap between the rhetoric and the reality. Deborah Stokes has already mentioned that in 1995 ODA fell to its lowest level for 20 years, the DAC average fell to 0.27 per cent of GNP, eight out of 21 donors cut their aid and a further four only managed to maintain their GNP ratio. Regrettably, Australia has been one of the poorest performers over the past 20 years. Figures in the *Progress of Nations* show that Australia's ODA ratio fell from 0.51 per cent in 1973-74 to 0.35 per cent in 1993-94—the sharpest decrease amongst the 21 DAC member countries, shared only by Belgium.

The recently elected government in Belgium has committed itself to halt the downward spiral in ODA and expects to achieve 0.38 per cent by this year. Equally,

reality has not matched the rhetoric of the commitments made at these various UN conferences over the past few years. Few commitments have been honoured.

My fourth point relates to the unfortunate trend to emphasise the importance of private investment flows, important though they are, and free market mechanisms as though this in some way makes up for the decline in ODA and concerted action by governments. Private investment flows to developing countries have quadrupled over the past five years and are now about \$170 billion a year, which Deborah mentioned in her address.

Over a third of the world's direct investment now goes to developing countries but foreign direct investment is no substitute for aid. The 1996 *Reality of Aid* points out that foreign direct investment is 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 focused on need or on the long-term investment in which people are the key to growth and equity. Africa, for example, has not shared in the dramatic increase in direct foreign investment. Equally, the optimism that the operation of free markets and unfettered economic growth will overcome poverty is being questioned, perhaps nowhere more so than in this year's *Human Development Report*.

The *Human Development Report* points to how the widening disparities in economic performance are creating two worlds even more polarised. Two figures quoted in this report captured my imagination on this problem. The assets of the world's 358 billionaires exceeds the combined annual incomes of countries with 45 per cent of the world's people. In other words, 358 billionaires have more income in our world today than 45 per cent of the world's people and the poorest 20 per cent of the world's people saw their share of global income decline from 2.3 per cent to 1.4 per cent over the last 30 years. The poorest 20 per cent of our world have had a declining share of global income. A hopefully growing trend is the recognition that development assistance must contribute to increasing global equity or, as the *Human Development Report* concluded, development that perpetuates today's inequalities is neither sustainable nor worth sustaining.

My final point is to reflect on three key themes that were repeated again and again during a visit I made earlier this year in May to the World Bank in Washington and to a set of UN development agencies in New York. The three themes were poverty, participation and natural resource management.

In relation to poverty, the international agencies are giving high priority to poverty eradication and at the centre of the concern is poverty in Africa. It seems to me that the new world that is being defined for ODA has poverty eradication as a cornerstone.

Popular or beneficiary participation, sometimes incorporated into the broader concept of governments, is about increasing development impact and effectiveness and increasing sustainability. NGOs have a key role in increasing participation and in

strengthening civil society. Also encompassed in this theme are the issues of enhancing respect for human rights and capacity building and the institutional strengthening for governments and for organisations of civil society.

In relation to natural resource management, the impact of natural resource exploitation on people is a central concern of development and development assistance. Whilst to date forestry, fisheries and mining have mainly been the focus, soils and particularly water are increasingly the focus of concern. As always, there are positive and negative international trends in development assistance. I have skimmed across but a few and hopefully have kept more or less to my time. I hope this review will spark a revival of Australian political commitment to development assistance. To quote the DAC high level meeting, the document which we have before us:

All people are made less secure by poverty and misery that exists in the world. Development and development assistance matters.

Thank you.

**Mr ARMSTRONG**—Thank you, Russell. We have five or 10 minutes for comments, questions and discussion.

**Mr TAYLOR**—Last week, and briefly before this committee in fact, Deborah produced a table of DAC percentage to GNP. One thing that neither she nor Russell pointed out was that, whilst, yes, there has been a big fall, Australia is still above the average percentage to GNP within the DAC. I am just interested in whether you see that as a reasonable situation to be in or whether you would like to see it improved. Obviously you would like to see it improved. But the political realities and the budgetary realities are making that increasingly difficult.

**Mr ROLLASON**—One of the issues that we really should look at in the DAC average is that it is a weighted average. It adds up all the aid flows, all the GNPs of the donors and takes an average. The fact that the United States of America falls short in its international commitments in ODA flows and has a level of around 0.2, yet has an enormous economy, drags down that DAC average, making it a weighted average.

If you take real unweighted average, we are significantly below it. If you take the average commitment to 0.3, or 0.5 or 0.7 of each country and simply take the average of those of the ratios, which is a much fairer way to consider the comparisons, then regrettably Australia is well below that average. The important point is that for the last decade we have been declining at a faster rate. We and Belgium have been declining at the same rate—0.6 per cent decline, I think it is, or 0.16 per cent, I cannot remember the exact figure; but it has been a sharper decline. So, regrettably, our performance has been particularly poor.

What makes it more important for us to address this question is that we are situated in Asia, where still the majority of the world's poor people live. Geographically we are part of that region. So I think that is what makes it much more critical for Australia to address ODA than any of the Europeans who fortunately have achieved the target.

**Dr BLIGHT**—I am wondering whether these ratios have any continuing significance. Their use for us is something to birch ourselves with or to be birched by. The point that Deborah made is that there are now enormous official flows in related areas. I am thinking of the significant official contribution to peacekeeping directed at international wellbeing. The purpose of my question is: has the significance of those ratios really been looked at; has there been a subject to debate in the forums?

**Mr ARMSTRONG**—We might take your questions and ask Deborah or Russell to put them together.

**Mr KILBY**—In those two presentations there was an interesting difference. The DAC report, looking at it in general, gives a fairly up-beat prognosis on the impact of what we call general globalisation, freeing up of trade, information and financial flows et cetera. Russell referred to the UNDP *Human Development Report*, which gives a slightly more down beat analysis. The impact of some of these things include a widening gap between rich and poor and a growing inequity in the world. I think it is something we should tease out a bit more because it seems that the global community is noticing these differences but not the donor community.

The G7 in its report seems to be providing an up-beat analysis of the importance of globalisation, growth, et cetera. It would be useful to have some resolution between those two analyses of the impacts of globalisation and development assistance. On the one hand, people use development assistance to promote growth. On the other hand, there is a view that it should ameliorate the worse effects of growth. It would be useful to have some response to that issue.

**Mr MORPHETT**—I find that interesting, but I did not find it really went to some of the nubs. We talk about percentage of GNP, but we do not talk about the effectiveness of programs. You can put a lot of money into things and still not be effective. I would like to hear some comments on our ability to choose the right projects to be involved in and the effectiveness of our delivery.

**Ms STOKES**—I thought I might just comment on the statistical issue that Denis Blight has raised. It is not the first time that question has come up. The Development Assistance Committee has looked quite closely at the issue of counting peacekeeping and has ruled not to. I suppose one of the issues there is that countries, theoretically, should contribute on a burden sharing basis on a UN assessed scale for that. In a sense, it could be handled that way.

I suppose once you open the door to all sorts of other contributions all sorts of other issues come in; for example, what countries do in terms of their trade policies and the impact that might have on developing countries. I think it would be very difficult to start to assess those sorts of things. Also, for example, some countries are more generous than others in taking refugees and migrants. That is another issue. I suppose the DAC, when it has looked at these issues, has tried not to open the lid on it too much, but that is basically the answer. They have looked at peacekeeping and it is not counted as ODA.

On the issue of effectiveness of aid, I was going to conclude with some comments on that. I think that is a very important issue. It is actually tied up very closely with the issue of public support for aid and seeing value in their taxpayers' dollars being used overseas. I think it is true to say that donors have looked hard at this issue, and even harder more recently because it is so very closely tied up with public support and confidence in aid. The DAC itself, in its evaluation work, is continuing to explore a whole range of performance measures. That is a whole other subject. The DAC itself also has a peer review role on effectiveness issues and has an important role to play there.

**Mr ROLLASON**—On the question of ODA ratios and whether they are relevant any more, I would like to go back to a quote of a few years ago, probably in this place, by Andrew Peacock when he was foreign minister. He used a phrase that it was the 'touchstone' political commitment to international cooperation. I think the ODA ratio still is that touchstone. Countries that achieve the 0.7 per cent target—there are four of them that have consistently—are committed to that concept of internationalism that wants to address poverty and equity in the world seriously. Those that have very low levels of that tend not to share the same sorts of commitments. I think it remains a touchstone and it is the only real measure of response from the 'rich' nations to the needs of poor people in the world.

On the differences between the DAC and the human development report, I guess it is the old question of the glass being half full or half empty. If you get the donors together, they obviously say that the glass is half full. If you get the UN system together—they are dealing with the 20 per cent whose incomes have declined over the last couple of decades—then they tend to point to the other end of the glass.

The DAC report rightly says that commitments still remain, and it is clear that commitments still remain by aid donor countries, and, as I started, things have worked; progress has been made. We should not say that everything is black. Everything is not black. Progress has been made, and the DAC can rightly point to it. But, equally, we have to be seriously concerned that, as the world gets richer, a segment of the world's population is getting poorer and poorer, and that is where the *Human Development Report* focuses; and by developing the human development index it has sought to focus attention on the quality of life of the world's people. So I think that is the difference between the two.

Effectiveness of aid is certainly a key issue. In looking at trends, I could not really get into that. I suppose the one issue that I would draw out is that I suspect the ODA role, because of private flows and all the rest that is going on, is increasingly becoming focused on addressing poverty. But it is the one tool that governments have internationally where they can seriously address poverty.

The interesting thing that happened last year is that, at the World Summit for Social Development, the governments, in their wisdom when they gathered together, changed the words to 'eradicating poverty'. No longer was it just alleviating poverty or reducing poverty. At the Summit for Social Development, they argued long and hard and eventually agreed that they could accept the term 'eradicating poverty'. So the new thinking of governments when they get together in their best moments is the idea that the world can now eradicate poverty.

I think that the role of ODA becomes possibly sharper and clearer. No-one is saying that economic growth is not fundamentally important to eradicating poverty—the distribution is also a key question—but there are so many private financial flows that can start to address these questions that the ODA role becomes much clearer and sharper on eradicating poverty, and in that participation becomes a key question where the poor people themselves are going to participate in that process.

**Mr ARMSTRONG**—I would like to move on to the next session.

**Mr ANDREW THOMSON**—No-one, I think, has mentioned the role of recipient governments. It seems to me, to be blunt, quite a useless discussion about what any government donor can do without mentioning the role of what the recipient government ought to do at the same time. But we might discuss that later on.

**Mr PRICE**—With regard to peacekeeping, governments have put a lot of time, energy, money and personnel into decisions about peacekeeping. We do not handle the transition from peacekeeping to reconstruction very well. Actually, there is no commitment to reconstruction, and that was a tragedy, I thought, in Somalia. We tried to address that a bit in Rwanda. If governments are going to make a commitment to peacekeeping, at the time of that decision they should start thinking about reconstruction and making at least a proportionate commitment to reconstruction, particularly when we are putting Australian lives at risk in that endeavour. I think it is an insult not to.

**Mr ARMSTRONG**—I think that is an extremely important point, especially in peacekeeping. Its connection with development is one that I think is not done very well anywhere. Before we move on, I just wanted to make one comment, and that is that with a lot of these issues it depends on where you are sitting when you are looking at the issue. It is important to know where you are sitting.

There is a Chinese proverb that says that the frog sitting at the bottom of the well

thinks that the sky is only the size of the mouth of the well. I think we really do have to discover where we are sitting when we are looking at all these issues. Can we move to the next subject on the way ahead.

**Ms HUNT**—Thank you for the invitation to speak this morning, and particularly to the joint committee for hosting this seminar. Some of what I am going to say has been touched on already. In addressing the question of the way forward, I think we do have to remind ourselves of why we have an aid program. There are three simple reasons: despite the huge achievements, there remains immense poverty; because we do have the resources; and because it is in our interests to contribute to a better world for our children to inherit. As a nation, we rank 18th in the world in GNP per capita and 11th in the human development index. We are in the richest 10 per cent of some 200 countries. Certainly, we have our own poor, but we must have the national capacity to get policies and programs in place to deal with that within our own resources.

As has already been said, the 1.3 billion absolutely poor people in the world, most of whom are women, many with children, are mostly in this Asia-Pacific region where we live. Increasingly they are in Africa as well, which is the continent where poverty is growing most rapidly. We also live in an era of globalisation in which the rich-poor gap is, as Russell said, widening dramatically. The human development report shows that 89 countries—only three of which are developed countries—are worse off than they were 10 years ago and about 1.6 billion people are worse off than they were 15 years ago.

Infant mortality is on the rise again in some countries. This is simply tragic in human terms. The 1980s—the debt crisis—was called the lost decade for development. Unfortunately, that decade shows no sign of ending and I wonder whether the 1990s will be lost as well. Aid is simply a humane, moral response to this global inequity. This is the fundamental humanitarian rationale for aid. It has been well restated in the Coalition's aid policy, but I think it needs to always be at the front of our minds when we think about the way ahead. This is particularly so when we look back at where we have come from in setting our forward course.

In terms of the level of aid, as Russell said, we are starting from a history of considerable decline in the ODA/GNP ratio. Starting from here, we certainly have to take a different path from the one we have been on. As Bill said, this is particularly so when we realise our geographic location. We are virtually surrounded by developing country neighbours in a way most other donors are not. Some 60 per cent of Australians think aid should remain at 1995 levels or increase. So there is community support. It certainly could be strengthened, but my concern today is that there is not sufficient political support on either side.

The way ahead will require political leadership. I would argue that this should be bipartisan, that in the future aid should be quarantined from cuts, should be on an agreed path of growth and that should be accepted as a national responsibility by all major

political parties. In other words, we should take aid out of the domestic wrangling over budget priorities. It should be accepted as something which is undeniably Australia's global responsibility in the budget context, with an agreed increase each year as a percentage of GNP, until we do reach that 0.7 per cent. That is the aspiration of both major parties. Once that is done, the vice-chancellors, the diesel fuel rebate supporters and all the rest can slog it out for the 99.3 per cent of our national cake.

Aid to address global poverty is also very much in our own enlightened self-interest. In Asia, we have potential markets larger than any in Europe. Development is in our long-term economic interest because it will enable us to expand our exports. This is an economic virtuous circle. As developing countries gain more prosperity, so do we. It is an investment in our long-term economic security, but we do not have to shape our aid program to this end; it will happen anyway.

It is also in our own interests to live in a more stable world, one in which dramatic gaps in wealth and poverty do not cause major political upheavals and instability. The so-called new security agenda includes addressing the insecurity caused by social upheaval and disintegration, expansion of the drug trade and international terrorism. Poverty breeds this type of threat. It is also in our self-interest that global problems of environmental degradation, population growth and dramatic population movements, as well as the trans-boundary spread of disease, are addressed by concerted global cooperation. Aid is not only the moral thing to do; it is the smart thing to do. It is an investment in the kind of world that we want to live in and we want our children to inherit.

I want to move on to the relationship between growth and human development, which has already been touched on a little. Much of the Australian aid program in the past has been predicated on the assumption that aid which contributes to broad-based economic growth will benefit the poor. If by benefits to the poor we mean improvements in their quality of life in terms of access to income, education and good health—three relatively simple measures of well-being—and ability to achieve one's human potential, we know that the quality of growth is critical.

The last *Human Development Report* has made a careful analysis of the relationship between growth and human development. It makes clear that there is no automatic link. Growth can take place without human development. A number of countries are cited which have achieved growth, but the benefits of that growth have not flowed on in terms of investment in better quality of life for their people. Pakistan is one such example.

More importantly, the report demonstrates that it is likely that such countries will not sustain their growth rates, simply because they have not invested in developing human capacity. On the other hand, countries which had slower growth rates in earlier decades, but which invested in human development—in particular, in things such as education and health and equitable distribution in terms of productive assets, such as land and credit—



have now achieved faster rates of growth and sustained them. A country such as South Korea is a prime example.

Further evidence of the importance of developing people's capacity is coming from the World Bank, which is currently trialling a new way of measuring a country's wealth. Their valuation methodologies are certainly still being refined. But their preliminary assessment for 192 countries reveals that physical capital accounts for only 16 per cent of national wealth and financial capital accounts for 20 per cent, but far more important is human capital, which accounts for 64 per cent of national wealth. So investing in people is an end in itself, but it also makes economic sense in conventional terms.

So what directions do we go in? Development cooperation has a specific role. It must assist in those countries which are not attracting significant private flows, and it must promote equitable human development. Many countries, especially the severely indebted low income countries and particularly African countries, as Russell said, cannot attract private capital flows to stimulate their growth. 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 New Guinea. Significant aid should not be necessary to countries experiencing sound private flows, except perhaps as part of global efforts in a specific sector which would not attract private capital—for example, in the areas of HIV-AIDS or environment or limited technical cooperation to help develop policies or trial approaches to equity and human development issues.

Development cooperation funds should always be targeted to sectors which will not attract private investment. Aid must help countries address equity and human development through the development of policies, institutional arrangements and programs which will help eradicate poverty, reduce malnutrition and maternal and infant mortality, improve health and education and give people some control over productive resources. The recently agreed OECD/DAC goals are about precisely these objectives and they are to be very strongly supported.

Furthermore, development cooperation should be seen as part of Australia's commitment to human rights: civil and political and economic, social and cultural. Aid can and must help promote both. The Right to Development—now an accepted right internationally—of course links the two types of right. Australia's aid program should demonstrably contribute to the attainment of human rights.

Coalition policy places great emphasis on these human development and poverty reduction goals. It also strongly supports the promotion of human rights. The key now is

to translate that policy into practical programs, building on some of AusAID's earlier initiatives in things such as health, family planning and basic education. There is room for considerable expansion in all these areas.

Such a program must also address environmental sustainability. That means that land and marine resources and fresh water, in particular, must be used wisely at rates which can be renewed. Soil degradation, deforestation and overfishing are major threats to long-term food supply. Energy needs must be met in ways which do not conflict with global efforts to reduce greenhouse gas emissions. Renewables must have high priority.

A future program must also recognise the relative roles of the state, the market and the civil society, or the community sector. Each has an important complementary role to play. The role of aid should be to help governments set the right frameworks with adequate community participation to enable people to contribute effectively to and benefit equitably from the social and economic development which takes place. Aid should help communities develop the self-help structures and organisation to make the most of local resources.

Finally, the way forward is to learn more about the effectiveness of what we are all doing. We need to evaluate rigorously not only the outputs or outcomes of our programs but their real impact on human development over the longer term. Then we will continue forward on the right track.

**Mr KANALEY**—Earlier this morning we discussed international trends in development assistance, the decline in volume and the complexity of the development agenda—the increasing number of topics which aid is addressing. We all think of aid in terms of water supply, sanitation, health and education but that agenda has rapidly broadened to environment, good government, civil rights, trade facilitation, child labour and complex emergencies.

I would like to move away from this global type of discussion and have a look at the Australian aid program and the way ahead. I am doing this partly because Dr Simons is here as the chairman of the Aid Review Committee. I think it is useful to think about what particular issues the aid review should address and where it should put its focus.

In listening to Janet Hunt's talk, there is obviously an enormous range of things the aid program could be doing. The range is so large that you really have to think about what our priorities are and what we should be undertaking because there is a massive divergence between what you could possibly spend funds on and the size of the budget. So the bottom line as an aid administrator is bringing these two things into some sort of alignment.

I will start off with questions the aid review might address. I am going to raise them as questions because I am not going to provide answers. Hopefully they will

encourage some discussion. I think the aid program's objective needs to be looked at first.

We have had a long period now since the Jackson report. The aid program's primary objective, as stated by that report is humanitarian but it also advances foreign policy and commercial objectives. This has led, I think, to considerable debate in the Australian community, particularly over recent years, as to whether our objectives have not become confused. Possibly either the commercial or foreign policy objectives have started to outweigh the humanitarian objectives. I do not personally believe that is true, but if you read the press of Australia's aid over the last three or four years I think it does point to the fact that at the political level, and possibly more generally in the community, there is some concern about what are the objectives of this program and what it is trying to achieve.

Let me chance my arm. The aid program should be primarily directed to reducing poverty and improving the quality of people's lives in developing countries through sustainable development. I think the aid program needs a very clear statement of what it is about and what its primary intention is. In saying that, I do not believe we are ever going to get away from the foreign policy objectives of aid or from the trade objectives of aid.

The very nature of the Australian aid program—we are located in the middle of the developing world—is that what we do in aid we do with foreign governments and foreign peoples. So whatever we do through aid, by definition, has a foreign policy impact and that cannot simply be ignored. On the trade side, even if we tried to avoid any trade impact of the aid program entirely, the very fact that we are often working with partner governments in our immediate region who are also substantial trading partners with us means that the aid program has a trade impact.

If GNP per capita increases in Indonesia, then it seems to me quite clear that opens trade opportunities for Australian firms and is in Australia's trading interests. This occurs more widely as we look at the countries to which we provide development cooperation. So there will always be a trade impact from the aid program. Secondly, to the extent that we have a tied aid program, that impact will be more direct. We are not suggesting that we should completely untie the aid program. I think we need a very clear statement of objectives of the program. We also need to recognise some of these other subtleties on the foreign policy and trade side.

The second point I think the Aid Review Committee really has to battle with is this issue of the development process. In looking at development issues, aid budgets are under pressure. If the program is to improve the quality of people's lives, then the committee needs to focus on what is essential to achieving this. In looking at this question of process, I think that probably now, more clearly than at any other time that I have been involved with development issues, there is a pretty clear international consensus on what is required for development to take place. Let me outline those major conditions.

There is a need for, first—this gets back to the point that Mr Thomson made—sound and stable policy frameworks in developing countries; second, market based policies which encourage integration with the global economy; third, an emphasis on social development, particularly health and education; fourth, participation by the local population, notably women; fifth, good government, in the wider sense of that word; sixth, policies and practices that are environmentally sustainable; and, lastly, a general set of societal mechanisms that are able to accommodate and resolve conflict.

I will emphasise two related issues here. Patrick Kilby referred to some of these earlier. The first is globalisation. The second is the role of private capital flows. If countries are to develop and poverty is to be reduced, developing countries need to adopt policies which integrate them into the global economy. I think all of the records show that countries which have experienced development have found ways to integrate themselves more generally into the global economy. I do not believe countries can quarantine themselves from globalisation. If you quarantine yourself from globalisation, you will simply quarantine yourself from private capital flows and become completely dependent on government flows. Given where government flows are heading, that would be a recipe for disaster.

If countries are to develop, they need to attract private capital flows. In saying that, aid has to be seen as a complement to the globalisation process and to the process of private capital flows. This has quite interesting implications for what the role of aid should be as we look to the future.

Aid should be used to provide the basic social services—health and education; physical infrastructure, whether it be water supply, sanitation, waste management, some transport facilities; and a government framework of policies, laws and institutions which are essential to attract private flows and which cannot be financed through such capital flows. You do not want a situation where, in a sense, we are using scarce aid funds directly in competition with private capital flows. I think this point was made earlier by Janet Hunt. You have to be looking for where aid can be used as a niche instrument to complement these other forces that are going on.

I want to move on to the sectoral focus of aid, another issue I think the Aid Review Committee has to address. I think we have to understand that Australian aid does not act in isolation from domestic resource allocation by recipient governments, or from other donors. So in looking at sectoral allocation, I do not believe we should be overly prescriptive. We should be looking at things such as: what are the highest priorities of recipient governments? What are the policies of those governments? Will what we are likely to attempt be successful?

I raise this point because it gets back to an earlier point raised by Mr Sinclair about cooperation and partnership. We are essentially working with other governments or with other people. I do not think the starting point in terms of sectoral focus should be

prescriptive. It should be to deal with what are the highest priorities, with the caveat I made earlier about not trying to compete in areas where private flows would be effective.

The second thing we need to consider in looking at sectoral allocations are questions such as competition from other donors. Often, where we provide aid, we are a very small fish in a very large sea. We need to be concerned with what other donors are doing and with making sure that we are not simply duplicating where other funds are being provided.

Lastly, we need to be very careful about getting into areas where Australia does not have any particular expertise or skills. It is saying the obvious, but there is no point in our trying to be involved in areas or sectors where we are not able to provide the appropriate technology or services that are required. It is too simple, for example, to say that we should only focus on areas of direct humanitarian needs—basic needs—direct poverty reduction or things like that. We need to be keeping in mind priorities of the recipients and the fact that there may well be niches where Australian assistance can be particularly effective in reducing poverty, which may not appear particularly attractive at first glance.

An example is assistance for a government joining the World Trade Organisation. It might, over a period of time, create more jobs and have a greater effect on poverty than working directly on areas such as latrines or basic education. It might be a far more efficient use of our resources to put them into that sort of activity than to put them into areas of, say, basic education. The recipient governments can then switch their own money from the issue of WTO entry across to that area, where they may be far more effective in providing that service.

We should not be too prescriptive on the forms of aid; another area the Aid Review Committee has to look at. There are questions of grants, loans, NGOs, private contractors, and use of multilateral channels versus bilateral channels. Once again, all of these forms of aid have particular strengths and weaknesses. The real issue is: what are we trying to achieve in a country and sector, and what is the instrument that would be most effective in achieving those objectives? We can fall into the trap of being overly prescriptive rather than keeping the full range of arrows in the quiver that can be used to meet the objectives that we want to achieve.

With geographic focus, Janet Hunt made a very strong plea in terms of aid to South Asia and Africa. I do not think anyone round this table is going to debate the fact that there are major development needs in those regions. However, the geographic focus of Australian aid is probably where politics, foreign policy and aid most directly come head-to-head. We could spend the full Australian aid program—all \$1.5 billion of it—on water and sanitation works in Indonesia. We would not fix the water problems of Indonesia for quite a considerable period of time and the aid would be directly targeted at poverty.

We need to keep very much in mind that the more we simply spread funds, the less likely we are to have influence with the recipient governments with which we are dealing; and the less we are likely to get the policy settings that we require for the aid we provide to be effective. I am not saying that there is not an urgent need in the countries mentioned, but I think we have to put this geographic focus question through a sieve. That sieve really is: are we likely to be more effective by a broader spread or by concentration? If we concentrate in one country alone, we probably could spend the whole Australian aid budget and have it directly targeted on poverty.

Another issue for the Aid Review Committee is program effectiveness. With program effectiveness I believe the aid program has moved a considerable way in the last ten years on this issue, but it is one where you never get to the finishing line.

Again, I come back to this issue of the objectives of delivering activities of one form or another in developing countries. At the end of the day the Australian public will judge aid activities by whether or not they have been effective, whether they have clear objectives and whether they have been effectively delivered.

That is all I want to say. There is a range of issues there which the Aid Review Committee might address.

**Mr BRENT DAVIS**—That was probably one of most sensible, straight-forward and decisive sets of issues I have heard. In fact you almost stole my thunder for later in the day. One of the things we started to think about before we came here is why we provide aid at all. Mr Kanaley has hit it on the head as far as we are concerned—that is, for the benefit of the recipient. When I heard some of the previous speakers talking in quantity—I agree with the others who question its efficiency—I start to feel that aid has been provided for the benefit of the supplier rather than for the benefit of the recipient.

Listening to Janet Hunt, I wish to put a second question to her. I heard a very rich regiment of requests, although I have knocked one on the head. I think the chance of being totally quarantined from any budget process is about zero. For the government to have everybody quarantined for everything would make the life of Treasury and Mr Costello easy, but I do not think it is realistic.

I will turn to a second point. What are the three most important projects that could be carried out? I wrote down about 11 or 12 from your list. Can you identify the top three priorities? If I was listening to you correctly, you said investing in people, which is obviously education, and also health and mortality amongst mothers and newborns. I think that is obviously sound. The third one that I would perceive as greater is private sector capital flows. Could you give us those three most important ones—picking up Mr Kanaley's point that you cannot do everything.

**Ms HUNT**—I will comment on the quarantining issue. The reason I am saying that

there is a case for quarantining aid, as against quarantining any other area of the budget, is that in global terms we remain a rich country, despite the difficulties that we have. As I see it, we have a national responsibility to poorer countries. It is quite different from the fights we have internally about how we allocate our own domestic resources. That is the reason I am saying that. You may say that it is pie in the sky, but we have to do something about addressing the decline. I am putting it forward as a proposal which, hopefully, political parties might consider because we cannot go on the way we are in my view.

As to the three most important projects, you have really hit them on the head. The first is investing in people. The *Lessons for human development* report is very clear about investing in people. In terms of what you mean by investing in people, education and skills training is absolutely essential, particularly literacy for women. So many women remain illiterate. Two-thirds of the world is illiterate. It will help people to find their own solutions if they have greater education.

The second project is health. Unless you are healthy, you cannot really be productive. They are just fundamental things. If you are constantly exhausted because of anaemia or overwork, you cannot be really productive.

The third project is access to the productive resources that you need—whether that be credit, land or the qualifications to be employed in a job. They are all forms of capital that are required.

In my view, and from the evidence of the *Human Development Report*, those are the critical things. I take what Trevor says on board—of course you have to coordinate different priorities with other donors and so on. But I do not think there will be any problem coordinating the other donors about contributions to education, health, water supply or sanitation. They are so low internationally. There is scope for many donors to do a lot more without falling over each other. Obviously, that has to be negotiated and agreed, but I think they are absolute priorities. It does not rule out infrastructure. Infrastructure is required for water supply and sanitation, which is necessary to achieve good health. The greatest investment in public health is water supply, sanitation and waste management. They are essentials. So they are part of that picture.

**Ms CASWELL**—We seem to be talking about private capital flows in the big picture, government based—that is, the taxpayer's dollar and what we do with that. We have not really talked about—I guess we will later in the agenda—the dynamics of how investment and government based aid relate to the NGO dollar and what the trends really are in community and individual giving. It seems to me it is very important that, up-front, the committee looks at the dynamics from those various sources of dollars to bring it back to absolute basic realities.

I would like to add another issue which we skirt around—I do this too; and maybe

we need to separate it out a bit. I refer to dollars from the corporate sector that are non-investment flows, that are aid per se. In the Australian context, as I understand it, both as individuals and as capital players, we are not terrifically generous yet in terms of the OECD scheme of things. No-one has really mentioned that, but I think it is a key factor in how we see our overall aid program if we are going to maximise individuals' commitment and understanding of the aid program. So it is not just the dollars that we give as individuals to our favourite charity: it is the politics of it and it is what the various agencies are good at doing.

During the day I would like speakers to indicate what the producers of dollars—I think there are about four—are good at. The dynamics of the interrelationship between those sectors are absolutely crucial. We are not interchangeable. You cannot expect Plan International to do the same kind of really good infrastructure development that some private company might be able to do. On the other hand, we can do lots of things that a private company cannot do—whether it is with the private company's aid dollars or whether it is with its investment dollars.

We need to accept the complexity of what we are talking about, especially if we are looking at partnerships that are more and more complicated. This is a crucial time for a committee to be looking at those. Certainly, Plan International is very interested in looking at that sort of complexity. We would like to work in partnerships but it has been really hard going in the past.

**Prof. DUNCAN**—I want to address the question of the number of absolute poor that has come up several times. Deborah mentioned a range 800 million to 1.3 billion. I notice Janet took the upper limit of 1.3 billion. Actually, the range that I have seen is 300 million to 1.3 billion. As someone who has worked at the World Bank and participated in trying to arrive at these numbers, you have to realise that they are just enormously uncertain and that something like 300 million to 1.3 billion is probably a reasonable expression of the range.

My own preference is for somewhere around 300 million to 400 million. We have seen tremendous economic growth in Asia, China, India. It is just not consistent for that number to stay about the same, as it has for quite a number of years, when we have seen the growth in China and India where the largest share of populations of the world are.

**Mr PRICE**—I want to make a couple of points. I have seen a couple of bureaucracies get their defence, peacekeeping and telecommunications industry policies tied up in this issue about what should be our priorities in the world. Australia needs to accept that we have got rid of the notion that we are a colonial outpost and understand the importance of our immediate region. But particularly in this area, and I think all other areas, we want to be world corporate citizens. I think aid, just like anything else, really needs to reflect that.

In some earlier contributions, although it was not specifically stated, this issue of



best form of aid was raised. I think it is a preposterous proposition to use an example saying that our whole aid would not fund the water for Indonesia or the sanitation or medical needs or something else. The best form of aid, I think, is empowering aid. There is always going to be a need for us actually to do something, whether it is of an infrastructure nature or whatever. But the best form of aid, obviously, is one where, if you get involved in sanitation projects, at the end of the day you have left the country capable of doing its own sanitation or its own water. There is the example of being able to provide that initial funding that gets them involved in private enterprise activities and maybe getting an indigenous organisation then capable of taking that over and running with it. If we are going to prioritise aid it is this empowering aid that is the best form of aid.

**Mr ARMSTRONG**—We will begin the next session, which is on aid delivery mechanisms.

**Mr BRUCE DAVIS**—I will concentrate on two main points. One is that bilateral and multilateral mechanisms are highly complementary. We need not see that there is any sort of dichotomy, particularly in terms of bilateral and multilateral channels. The other point I will highlight is the extent to which Australia's position in the world does influence the way in which we deliver a program.

Bilateral, regional and multilateral mechanisms are all almost invariably utilised to some extent in any comprehensive aid program. As I have said, we do not want to start this discussion with any sense that we are talking about one as a greater or more important form of assistance than others.

The geographic position of Australia, being one of the very few developed countries surrounded by the developing world, clearly has a major impact on the delivery of our program. The strong development of political and economic relationships with the developing countries in our region clearly has a strong influence. That extends through to what mechanisms we use. That has led to a strong emphasis on bilateral forms of aid with a very important regional element attached to that and then, compared to many other donors, a smaller multilateral component. I think there are clearly good reasons for this to have emerged as the pattern for Australia's program. Our relationships with our regional neighbours mean a close engagement with those countries. Our interests in their development are tightly integrated with our other national interests.

Australia also has a substantial capacity, as the leading source of expertise in the region, to assist these countries directly. Indeed, we are looked on by many of the countries as a major source of know-how in many sectors, particularly in areas like Papua New Guinea and the South Pacific. It applies equally in countries in east Asia, even considering their strong development progress.

Furthermore, Australia does have a strong record in making effective bilateral development interventions. In this context, Australia has an ability to select from a wide

range of highly relevant domestic capabilities to apply to bilateral development activities, whether this be agricultural, infrastructure, vet science, rural health, remote education, public service management or many more areas. To pick up on a point that was made just after the break, to ensure activities are made in whatever sector, we have to have a strong sense of sustainability in any intervention we make. So regardless of sector, regardless of country, clearly a key interest has to be in building local capacity to ensure that we do leave a good product and that, in this sense, a strong emphasis on strengthening local institutions should apply.

Bilateral assistance can be broken down into many and varied delivery mechanisms within that broad rubric. I will not try to go through these in a comprehensive way, but I will highlight two: projects and training. In terms of projects, we do follow a comprehensive set of steps in designing, appraising and implementing activities and these projects, in the main, are implemented by Australian firms which have in turn been selected by an open tendering process. Projects typically are complex activities comprising many components, whether they be research and analysis, provision of goods, technical advice, developing local capacities, construction activities or provision of local services.

Training has been an area of particular emphasis in the bilateral program of Australia for a long time and we have a long history, particularly in providing opportunities for tertiary education within Australia. That remains a focus, but we are working particularly hard now to see how that can be significantly diversified for example in provision of short-term training, distance education and much more emphasis on basic education.

There are many other bilateral mechanisms that I could mention, but just working through bilateral channels is not going to be the answer to every development issue. Many development issues are regional in nature and, for this reason, regional aid instruments also play a particularly important part in Australia's aid program. In many ways, regional activities are both an extension of bilateral aid and a concentration of multilateral aid. This synthesis has proved to be a highly useful means of pursuing aid interests which are shared by several countries but are specific to a discrete geographic region. These interests may be broad economic, trade, health or environment concerns, or resource management issues.

At the same time, regional activities have a capacity similar to that of bilateral programs to utilise and showcase Australian expertise through a direct aid relationship, but one extended over several countries. One good example of this form of activity has been the way in which Australia's assistance to South Pacific fisheries has occurred. As a major regional resource sustainable management of ocean fisheries is obviously a key issue for that region and one where our best intervention is through regional channels.

In both bilateral and regional programs, an important emphasis and opportunity provided by our engagement is the ability to engage in policy dialogue with our

neighbours. Full discussion of economic and social issues is a key feature of any mature aid relationship and it adds considerable depth to our broader engagement with countries in the region. The priority given to policy dialogue also recognises that appropriate domestic policies are a prerequisite to successful development and to successful development assistance. Again, Australia's contribution to policy dialogue is greatest in our own region—PNG and Pacific—and to countries in South-East Asia. However, policy dialogue should not stop within our region. It should be an issue that is of importance in our aid relationship with all partners.

Turning to the multilateral segment of the aid delivery continuum, it is important to acknowledge the valuable role that multilateral aid mechanisms do play for us in what is, when compared to many donors, a fairly bilaterally and regionally focused program. I think that it is clear that multilateral aid bodies have a strong influence on the effectiveness of our own activities. The best example of that at the moment is the World Bank structural adjustment work in Papua New Guinea. I think it is a clear example of how a multilateral intervention can augment our own bilateral activities.

Multilateral contributions complement our own bilateral activities by extending the reach of the aid program in financial and geographical terms. The role of the World Bank and the UN system in Africa is one example of that. It also involves an enhancing of Australia's capacity to participate in and influence the international debate on major development issues; provides returns to Australia through procurement; and promotes Australia's national interests internationally.

I think there are other strong interests in focussing on multilateralism as well. Multilateral institutions are instruments of international cooperation with broad international membership and are, therefore, able to set international policy benchmarks and directions, and engage in the most comprehensive of policy dialogue, whether it be on matters of poverty, basic needs, social development, human rights, good governance, health, population and so on. Clearly, multilateral mechanisms can also mobilise very significant resources beyond those that any individual player can do.

One key issue for us—and it gets back to this sense of our inputs being very much on a continuum through bilateral, regional and multilateral channels—is that we place a high priority on seeing how our contributions to multilateral institutions can have a particular impact on our own region and ensuring that these institutions do remain actively engaged in areas of high priority to us. An area like the Pacific, for example, is by virtue of its small size often an area that does not attract attention from the international community. By our own engagement through the multilateral system we are able at least to ensure that there is some interest shown.

With regard to the balance of multilateral funding within the aid program, it is clear that the multilateral development banks do stand alone amongst the multilateral institutions in terms of the scale of their development activities and their policy

development capabilities. They have a major role in our region and, as I have mentioned, do provide substantial assistance to regions that we cannot have major programs in, like Africa.

Similarly, I think Australia's strong interests as a major provider of food aid underpin priority in our program for the World Food Program, while our more modest contributions to the UN and the Commonwealth are in part based on interests in policy and capacity building that those institutions pursue. Another activity I mentioned earlier which I think is often best undertaken on a multilateral basis is the coordination of international responses to large-scale emergencies and disasters, and there are many examples of that.

To conclude, it is important to stress that the forms of aid used through the Australian program, and in the main the extent to which we engage bilaterally, regionally and multilaterally, does need to be based on an assessment of which combination of mechanisms will contribute to our overall aid goals. While the specific nature of our interests and objectives means that bilateral and regional mechanisms are the most prominent elements, all forms have a place in our comprehensive efforts to overcome poverty and to promote economic and social development.

**Mr HOBBS**—Ladies and gentlemen, I am pleased to be able to speak at today's seminar, which I believe to be a very important opportunity to look broadly at the role and future of our Australian aid program. I particularly thank Mr Sinclair for offering to chair such a meeting.

I have been asked to address the distinctive nature of NGOs as an aid delivery mechanism. I will do so from the viewpoint that meaningful solutions to global poverty—perhaps the central problem facing the planet over the next century—require a new understanding between governments, business and the non-government sectors. Understanding that will lead to the best use of our particular comparative advantages in ways that complement each other and increase our impact on poverty reduction. I am very pleased, therefore, that we have such good representation from all sectors here today.

NGOs are not simply aid delivery mechanisms. In fact, I do not think we would see ourselves as such. NGOs arise from altruism or voluntary involvement in society by ordinary citizens. The philosophical basis of any NGO reflects its historical routes and the values of staff and volunteers who belong to it. The healthier and more democratic the civil society, the more NGOs you will find, whether in the developed world or in the developing world. That is why Australia has an abundance of NGOs which cherish their independence and why it is easier to do high quality development work in a country such as India, where NGOs are thick on the ground, and why in Africa it is so difficult because NGOs in most African countries are not well developed and barely tolerated if they exist at all.

Given that NGOs tend to be very informal, small organisations held together by bits of string and low budgets and prone to be pretty bolshie, why do governments of most political persuasions these days talk about increasing the taxpayer funding to go through NGOs? In general, NGOs run at low costs, they do not have to produce profits for shareholders or pay company tax, and the ethic and philosophy behind them means that they pay way below market rates for staff. They also get access to in kind support for such things as airfares, computers and cars which is simply not available to the corporate or public service organisations.

Organisationally, NGOs tend to be very small and flexible, responsive and able to work very directly with beneficiaries. Perhaps the best example of this is how NGOs mobilise in emergencies. The obvious example that comes to mind is Rwanda. For months, the NGOs, through their programs on the ground and close relationships with village people, local bureaucrats and other agencies, were warning of impending disaster. Our sister organisation, Oxfam UKI, even published a book saying just that just before the massacres. Our intelligence and analysis were accurate and timely, but ignored. After the first massacres we predicted that an exodus would occur unless the UN took clear action, which it did not, and the result was a cataclysm at Goma.

Our decision making about advocacy and our capacity to mobilise resources were very quick and our delivery systems were generally far cheaper than those of the official agencies. If you compare the Oxfam water systems—with large corrugated iron tanks, gravity fed through sand filtration systems, actually built by the refugees in the camps themselves—which we and the Australian government funded, with the expensive military equipment sent by both our own military and the US, which were simply not designed to supply millions of people, you can see the difference in effectiveness and cost benefit. In fact at Goma, after a considerable tussle, the US army in an unprecedented way ceded control over the overall water program to Oxfam. That was a bit of a first I think.

Of course there were problems with the NGOs in Rwanda: there were too many of them; they were not always well coordinated and not always of high quality; many jumped on the fundraising bandwagon without a clear idea of what was needed. But it is still true to say that, without NGOs, very little would have been achieved in any of those camps.

NGOs can also take risks and be innovative. 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—and there are none in this room—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.

We can also deliver assistance when governments cannot do so for diplomatic reasons, when we are operating in war zones, as we do. During the Ethiopian civil war in the early eighties, Community Aid Abroad became a channel for Australian government aid to the Relief Society of Tigray, now the government. Our government still officially recognised the Mengistu dictatorship, which was denying access to humanitarian relief for Tigrayan civilians. We have taken the same role in Cambodia and Vietnam. More recently, we have channelled funds on behalf of the Australian government for NGO human rights organisations in Indonesia, which of course is particularly apposite this morning.

All these comparative advantages are not about our activities. They relate to our role, which we see primarily as building local capacity or, in simple terms, self-help and self-reliance. Most development NGOs reject the notion of welfarism and dependency, even if we have various ways of defining it and various degrees of success in achieving it. More often than not our delivery mechanism is to work in partnership with local organisations. For example, if you are trying to do something about female genital mutilation in African countries, the idea of using expatriate or even official doctors who are male surely points to the benefit of using the kind of NGO approach which involves training traditional birth attendants from the village who are known and trusted by local people.

Another example in Tigray is our shallow wells program, which has also had AusAID funding and is one where local villagers are trained into well digging teams which dig wells of up to 100 metres by hand. They are really only about this wide and they are lined with stone. The people in the teams go down for five minutes, dig one bucket of soil and get pulled up again, due to the amount of air in the well. This year we will dig 100 of these wells servicing 800 villagers each at a cost of \$4,000 per well. That is about \$5 per head for permanent clean water and 20 per cent of the cost of each of these wells is contributed by the community themselves. The lives of women who previously walked several hours each day for water are revolutionised and the deaths related to waterborne diseases have plummeted.

This low-tech, low-cost sustainable approach makes a phenomenal difference to people who will never benefit from the global economy in their lifetimes. As a project approach, it epitomises self-reliance. It logically follows that successful projects such as this should provide some useful lessons for the big actors in development. The big actors are governments and the multilaterals. A crucial part of our role is to influence the development debate and development approaches in a world littered with development failure and wasted money. It is no accident that the World Bank, the Asian Development Bank and many governments now demand that the concept of community participation be built into project design, a point NGOs have been hammering for 20 years.

Beyond influence of methodology, NGOs play a critical role in advocacy. Some

shy away from advocacy. Others, like Community Aid Abroad, are well-known for it. An argument runs simply that there is not much point running poverty alleviation projects to correct bad policy. Prevention is better than cure. Two examples here will suffice. The recent campaign to ban landmines, which cause such devastation in the developing world, would not have occurred without a concerted NGO international campaign. We were delighted with the government's support on this issue.

On the matter of Third World debt—arguably one of the key impediments to real development in the poorest countries—NGOs have successfully got debt relief on to the World Bank/IMF agenda. Again, we were pleased with both the previous and the current governments' positive role in this issue.

Finally, in broad terms, NGOs have a role in maintaining and building a public constituency for aid. We have the difficult job of persuading people to give up their income in favour of people in other countries. We are salesmen; we are marketers. We do that simply by fundraising in the marketplace and also by campaigning and educating in Australia. NGOs are the public face of aid, even if we are very small players in the overall picture. To hammer home the point, we are supported by millions of Australians every year.

From my perspective, there are two major challenges for development that we must all address. 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. How do we ensure that the new market economies like Vietnam achieve growth with equity rather than produce more poverty?

Secondly, the related issue of sustainability, which Mr Price touched upon, remains a huge problem for us all. Very few projects can demonstrate long-term sustainability, particularly large ones. In the crudest terms, we are talking about a lack of dependence on donors. The point is that none of us has the answers and we need to work together to find them. This requires better cooperation with, and understanding of, each other than I believe exists at present.

The dangers for NGOs in working closely with government relate to our independence and our capacity to take risks. Risk taking is critical to learning and improvement. If contracting with government leads to writing risk out of the contract, then I would argue that neither the government nor the NGO—and ultimately the poor—get much benefit. No-one would argue against proper accountability, but a pure focus on financial performance through audits can work against risk taking and learning.

There is no point in NGOs becoming cut price contractors because governments

believe that this will simply lead to cheaper delivery. That does not utilise our comparative advantage. Likewise it is too simplistic to measure NGO effectiveness or base our role in overseas development assistance on our capacity to raise funds from the Australian public. Australian community linkages are very important. They give us legitimacy, but what is more important is what we have to offer on the ground and how good our programs are.

Similarly, NGOs need to work better with business so that we can engage constructively on issues like codes of practice and encourage economic investment on the basis of our local knowledge and local linkages. Business needs to understand that we have become more sophisticated, less adversarial and may have things to offer.

NGOs are undergoing major change in a difficult economic environment and in a period when the whole notion of aid is under threat. We are well aware of our faults, and I hope that you will see NGOs becoming more professional, more rigorous and more open. We are changing and we think and hope that you will agree that you need us just as we need you. Together we can make a difference.

**Mr SINCLAIR**—I agree with you that NGOs all have their essential charitable base. They are all different. What sort of coordination do you think it might be possible to achieve in the work of NGOs? Do you think that is even desirable? Roger Price was talking before about our peacekeeping. In many instances, there is no doubt that your people on the ground knew far more about the situation than anybody, yet there seems to be in many situations an overlap between the different NGOs. Some NGOs are not based in Australia; they operate from other countries with people from other nations. Is it desirable to have a greater coordination of effort between NGOs and, if so, how should it be achieved?

**Mr HOBBS**—I think there are two issues in that. Firstly, in complex emergencies you need very good command. The refugee camp in Benaco up in Tanzania is an example of where UNHCR got its act together and had very good coordination—there was complementarity. I think people were less certain about that capacity in Goma, but that relates to the quality of people. It is a bit like coordinating peacekeepers and how good your command structure is.

Secondly, there is a need for change for NGOs in fund raising. We actually have to learn not to compete with each other in quite the way we do. I think we end up confusing the public and end up making it harder for ourselves. But as an industry that is an issue we are taking on board pretty squarely with this code of conduct business. I think there is a maturity in NGOs now and we see that we should not compete in all things. We actually have to be more intelligent about increasing the market of people who are prepared to support our activity. That is something we have to do together not against each other.

**Mr ARMSTRONG**—One comment I would like to make is that if you look and



examine Indochina, Vietnam and Cambodia when the NGOs were asked by government, because it was outside government policy, to work together, you would see a very effective working relationship in developing the programs in that part of the world. I think to look at what happened once the bilateral and multilateral programs came in is worth a thought.

I think to some degree the fact that we have to live in a compulsory competitive tendering environment at the moment is having quite an impact on the ability of NGOs to continue to work in such a cooperative way. I think it is one of the key issues for us in the NGO community. It is what I tried to say at the beginning. We want to look at the ways in which we can be cooperative and in partnership rather than being thrown into competitiveness. Of course, that does not mean that we do not want to be accountable. But I think your question is an important one.

**Ms HUNT**—In Australia, a fair degree of information sharing about where NGOs are working and what they are doing occurs through ACFOA through its various regional committees and so on. Internationally, ICVA, the International Council of Voluntary Agencies, is also working to try to develop cooperation mechanisms in a number of countries, particularly in the situations prior to these complex humanitarian emergencies such as Rwanda, Bosnia and so on, and trying to encourage mechanisms which local NGOs, with international NGOs working in the situation, can actually coordinate together. So I think there is certainly growing recognition among NGOs of that need for coordination. Some effort is being made internationally, as well as here nationally, to do that. It is a very difficult problem particularly at the beginning of a major emergency.

**Mr SINCLAIR**—It has been my impression that some NGOs do coordinate their efforts and others stand to one side. Often the difficulty is that those who stand to one side tend to get a growth profile and difficulties sometimes flow from that. I suppose my question, in part, was: does the government have a role in trying to introduce some coordination, because, inevitably, one way or another, the government is involved in direct or indirect funding and in associated work in the field?

**Ms HUNT**—I guess the government's role is to support the efforts of the bodies who are trying to do that coordination work, to encourage those who may stand outside of that to get involved and to make it very clear that government seeks the cooperation among NGOs as a requirement.

**Dr BLIGHT**—I am interested in Jeremy's concept of the NGOs as the marketers for aid. I took what he said in terms of marketing for fundraising for themselves, but NGOs certainly have a role in encouraging greater public consciousness and support for the aid program generally. I think it is fair to say that the NGOs have not always had a good record here. It was relatively easy for government to cut funding back in 1986-87 because that was the beginning, in my view, of a public disenchantment with the impact of aid, fed in part by programs such as *Four Corners* and, in turn, fed in part by publicity

by the NGOs against a couple of big projects in the Philippines.

On the other hand, obviously we cannot stultify public debate on those issues. We might well have been wrong in the design of those projects, but it had the consequence of contributing to a decline in public support for development assistance. I think we are seeing a comparable thing now with the confusion over DIFF, for instance, and all those aid trade issues. The noise being generated, in part by the NGOs and by the business community as well, is actually contributing to a decline in public support. It will always be easy for governments to cut in those circumstances.

**Mr HOBBS**—I think that is a pretty hard argument to measure empirically. Support for aid actually increased.

**Dr BLIGHT**—The DIFF debate has given profile to the aid budget in a way that it has never had. Every year we have this struggle to get the aid budget into the media's agenda. It is impossible.

**Mr SINCLAIR**—You mean it was all deliberate?

**Dr BLIGHT**—It had nothing to do with us.

**Senator HARRADINE**—I can relate to what Jeremy said, at least as to the Tigray wells. I was able to see a couple of them in late June. My question follows Bruce Davis's comments and also, to a certain extent, Janet Hunt's comments relating to multinationals. Bruce Davis's observations tended to be somewhat uncritical of the multinational organisations. It appears that we happen to have an international consensus about this question of development assistance. We seem to have an international consensus arising from an OECD-DAC meeting that was held earlier this year in May.

My brief experience with the OECD leaves me with the impression that it is a huge bureaucracy, though not as huge as ADB in number or the World Bank, but it is a bureaucracy. It does not, in my view, seem to take into account particular circumstances—cultural and other factors—in the developing countries. It seems to be a club which decides the priorities in aid, and proceeds to implement them. Perhaps I could have a comment on that. They do say that they consult with G7 and various United Nations organisations. In this document they say that. It might be interesting to hear from AusAID about that.

**Mr BRUCE DAVIS**—I will make a comment first on the multilateral development institutions. Deborah might like to comment on DAC. I think we are anything but uncritical about the multilateral development institutions. The work we do through the executive boards of the banks and the degree to which we have been particularly active in the policy reform work in the UN system, and continue to be, is an area where Australia has taken a very active role. No program is going to have a 100 per cent success rate.

However, the work that I mentioned that the World Bank is doing in PNG has been a great benefit, not only to PNG but to the broader development effort and all those donors, including ourselves, that are engaged in that process.

**Ms STOKES**—I do not know the exact size of the organisation, but the Development Assistance Committee is a relatively small part of the OECD. The documents that are on the table today reflect very much the views of the member countries. In fact, the member countries drafted the bulk of the words that are there. So the DAC clearly provided almost secretariat services and I think that applies to most of the work of the DAC. The DAC's work very much reflects the views of the members. It is not the same as a multilateral institution in the sense that it does not deliver programs.

**Senator HARRADINE**—That sort of confirms my view, if you just have a look at who isn't in the DAC. I want to go to the issue of influence. In estimates committees I have sought to obtain information as to how effective Australia's influence is on certain multilateral organisations—for example, the WHO HRP program. Clearly it has very little influence.

If taxpayers' money is going to these organisations, how influential are they? In any event, how influential are we in getting a return, say, in trade? In relation to the World Bank situation, I believe Australian industries get very little in the way of contracts with the World Bank in this area, in the Asia-Pacific area.

**Mr HOBBS**—I think the criticisms are valid. But certainly our experience of lobbying the bank is that it is in a process of major reform which is necessary and it needs the support of our government. The executive director—who is actually a Kiwi—of the bank has played an incredibly important informal lobbying role in trying to get some of that change, particularly on issues of delivery, effectiveness and efficiency and, for example, on the issue of debt. But I think it requires a lot of political pressure. If you did not have the bank, you would have to invent something like it; and we all have to work very hard to improve it.

**Mr DOUGLAS**—My question is directed to Jeremy Hobbs. At the end of your address, I think you were alluding to a closer relationship between NGOs and business. First of all, am I right in this assumption? Secondly, how would you see better cooperation between NGOs and business in Australia?

**Mr HOBBS**—Two ways. One is that you could give us more money. Apart from that, last year we ran a very successful seminar in this building looking at the possibilities of trade and aid in Africa. World Vision and we put all that together. We are looking at the possibilities of trying to introduce businesses to areas where we think there is potential development for investment. We introduced some Ethiopian cabinet ministers to Western Mining and made those sorts of linkages.

It is a funny position for us to be in because sometimes we are in conflict, as with OK Tedi. But, more recently, BHP have come back to us and said, 'We would like to discuss with you a code of conduct so that we can be more effective in the way we relate to people in situations such as that.' So it is a two-edged sword. We have to be careful to maintain our independence. To the extent that we can help, make introductions and point out opportunities—I know that World Vision are involved with BHP in a pipeline in Brazil and are helping them with that—those sorts of things are very valuable and possible.

**Dr McCawley**—Senator Harradine mentioned the ADB. I cannot help but be stunned by that. He glanced at me when he said it, no doubt intending to cause trouble. I was taken by Senator Harradine's comments about the OECD and the banks. No doubt there are different views on this. I found spending four years at the ADB a good deal more interesting—and this is a personal comment—than sitting in DAC committees. One important reason for this, I believe, is that the DAC is very largely dominated by rich countries. It is a rich man's club and largely a man's club too, by the way—I chose the words carefully.

It is a curious thing to attend DAC meetings and to hear the DAC talking at great length about partnership, which it does in the document before us, for example. Yet as an organisation itself it has very little dialogue directly with developing countries. There is some dialogue. When you go to an organisation like the ADB where the developing countries—China, India, Indonesia and ASEAN countries—are strongly represented, they signal very clearly that their agenda is rather different to the sort of agenda that tends to come through DAC documents. Their agenda is about growth, investment, volume and to some extent opening up markets—but they want to do that cautiously. Needless to say, they do place considerably less emphasis on the items that float to the top of the DAC agenda.

Behind all of this is a great world debate about priorities, volume and those sorts of things. I must say, given the importance of partnership, I found it more interestingly to have considerable extended direct contact with the developing countries. I recognised when I listened to these people that the DAC tells me are my partners that they were saying things very clearly that tended to contrast with the sorts of things that I heard from the DAC.

Both organisations have a role. I think we can be effective in all of them depending on how we play the game. A lot depends on how we play the game. We can be effective, but we have to be focused and we have to know what we want. There would be different views on this bill, I must acknowledge. There would be quite different views in the aid community. This is just my view.

**Mr Overland**—In a sense Brian asked the question I was going to ask Jeremy, but I would like to make a few comments. It seems to me that the NGOs have been poor

marketers of their services to business, because in many instances the only contact that businesses have with NGOs is when the NGOs are seeking to raise some funds. So there is a knock on the door, 'Here I am. Could you give me \$1 million for this project or that project.'

That is generally doomed to failure because businesses are in the business of doing business. Its funds are not the company's funds; they are the shareholders' funds. Any company that starts giving away shareholders' funds is very quickly out of business, as I am sure Mr Simons would readily acknowledge. I think the NGOs have to become better marketers of the product that they can offer to the business community so that each is in a win-win situation.

I will make another comment, if I can. It has been my experience over the years—and this goes back to a comment of Jeremy's about the very basic technology that they were introducing to those people—that too much of our aid is on the premise that we the giver are going to give you a level of technology which we think is good for you, but in many instances it is a level of technology which is two or three steps beyond where those people are.

For a lot of our aid programs into Africa, where we are delivering grain to starving people, part of the program was to provide them with Mercedes Benz trucks to cart it from the port to wherever the aid had to be delivered. Once the truck broke down, the program, to coin a phrase, was bugged because they could not get the product from where it was to where it had to get to. So I think we have to be very careful about that too. I just make those couple of observations.

**Dr HUNT**—My point is also about this international consensus and its relationship to aid delivery mechanisms. Something which I do not think we have addressed yet is the fact that parts of this international consensus have quite significant implications for the what and how of aid delivery mechanisms, particularly a commitment to social development and participation.

Incorporating women as decision makers and beneficiaries, and empowerment have huge implications for the way bilateral and multilateral aid is delivered. It does not just mean 'Let's do it through NGOs.' I do not think we have addressed that. I would like to see that on the agenda of the Aid Review Committee because I think it is really one of the biggest challenges that we are facing.

The problem that we faced with AusAID and its predecessors—with all bilateral and multilateral donors, and I think we have already said this—is that the rhetoric does not meet the reality. The practice does not meet the policy. There is a huge gap there. One of the reasons for that gap is precisely the willingness to say, 'We have an international consensus about these critical things'—such as social development, including women, empowerment and participation—but the goals of the program, the objectives of the

projects and the nitty-gritty of how projects are designed and delivered changes very slowly and quite incrementally. I am not saying there has not been any change, but I think there is still a huge amount of work to be done there.

I agree with Russell—aid does work, but we should not just assume that there are always winners from aid projects. There are not. People are disadvantaged. There is a huge documentation of evidence on the ways women, for example, have been disadvantaged by aid delivery processes. They continue to be disadvantaged despite the best efforts of many people within bilateral and multilateral donors to get across that.

My last point—and I say this with respect to Mr Kanaley—is that I had a sense of *deja vu* when he was talking, having been a student and a critic of AusAID and its predecessors for some time. While the international framework of what you were saying has adjusted a bit—in that we have taken on some of the rhetoric of participation and social and human development—the actual nitty-gritty has not changed much at all. So some of the things you said really reminded me a lot of pre-Jackson as well as post-Jackson.

**Mr KANALEY**—The sectoral distribution of Australian aid over the last five years puts paid to that argument. It is as simple as that. With the amount of money that is going into basic education and health care, and the amount of effort that is put into participation in projects—both in the design phase and the way they are later implemented—I do not believe that argument would stand close scrutiny.

I would make a more general point to do with Jeremy Hobbs's contribution. When looking at the NGO community, one has to be very careful about seeing them as a community. I have been a longstanding supporter of NGOs and of Australian government funding of NGOs, but we see them as a continuous body almost, although it is not really the way they are in practice. They range 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.

If you look at particular NGOs, that becomes apparent. They are on a continuum from very small to very big, and their strengths and weaknesses vary as you go down that continuum. From my seat, I have always found it very hard to think of the NGO community. I see them as a very diversified market. They have some things in common, but very few.

**Mr BRENT DAVIS**—I will just give two answers. The first is to Mr Hobbs on how to get money out of the private sector. Do not just turn up and ask for a quarter of a million dollars to shove into a black hole. Turn up and say, 'I want a quarter of a million dollars and here's a defined project'—a maternity ward in Somalia, an eye surgery in Burundi or whatever. Then you will get a more sympathetic hearing, which picks up the point made by Malcolm Overland.

The second answer is to Senator Harradine: why does Australian business do so poorly out of multilateral agencies? Quite simply, the problem is multilateral agencies are very poor at informing business. We get their traffic on the end of our international division, so I see a lot of it. A lot of it is out of date by the time it lobs onto our desk and I am the prime contact in Australia for a lot of this. If they could go Internet, that would help us greatly. Secondly, it is excessively onerous for other than the very top-end companies to get into it. For a small company to get into one agency which will remain nameless, the minimum submission is 200 pages. For a small company, that is not on. You can only get three goes over a certain period, thereafter you are locked out. So Australian businesses, other than some of the top companies, do not have the resources to contribute and a lot of these agencies are exceptionally poor communicators. That is the hard reality.

**Mr HOBBS**—In response to my friends from business, when we market projects we are very specific. We never ever put forward a black hole because it is stupid. The point I make is 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 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.

**Mr ARMSTRONG**—Thank you.

### **Luncheon adjournment**

**Mr ARMSTRONG**—We will move to the next document—*A poverty focused aid program*. I will call on Peter McCawley, Deputy Director General of AusAID, to open the bowling.

**Dr McCawley**—The topic is poverty in Asia. We economists think that we have the answer, so I am going to share it with you. In one word, it is economic growth. This will split the field nicely. Since it is ultimately a divisive issue, I might as well nail my colours to the mast. It will not surprise you to which side of the mast I will nail my colours. I want to talk first about growth and economic policies in Asia, and at the end briefly mention the role of international aid.

There has been much talk in recent years of the success of the so-called Asian tigers and of countries such as China, Malaysia, Thailand and Indonesia, which have now achieved either near tiger or potential tiger status. What is less well known is that rapid overall economic growth in most of these countries has been accompanied by sharp and dramatic reductions in the proportion of the population living in poverty. Progress in reducing poverty has been particularly rapid in China and Indonesia. In almost all countries where poverty has fallen rapidly in Asia in recent decades, overall economic growth has been high. In Indonesia, for example, overall economic growth averaged almost seven per cent per annum—and of course the figure is real—for over 20 years. In China over the same period the rate has been somewhat higher. By any standards, these are remarkable performances.

One important effect of this rapid growth is, as I have said, 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. We can talk about measurement figures, but the trend is clear. If you choose different measurement figures, you will get slightly different levels, but the trend is clear. In Indonesia the initial level of measured poverty in 1970, reflecting the experience of the Sukarno years, was much higher than in China. The proportion of people living in poverty fell from nearly 60 per cent 20 years ago to around 15 per cent now. There were similar falls, although generally not as dramatic, in other nearby countries. I refer you to table 1 of the data that we distributed.

Never before in human history have so many people climbed above the poverty line so clearly, so quickly. Any discussion of poverty needs to focus on this central fact. The lesson from the experience of these and other developing countries is clear. It is high and sustained—I do not say ‘sustainable’—economic growth that counts far more than anything else. This point is therefore central to those who are concerned about poverty. 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.

As one World Bank discussion paper put it recently, the impressive reduction in poverty incidence in east Asia is due mostly to consistent and relatively rapid broad-based



and efficient growth. Countries with high economic growth have reduced poverty incidence the most by lifting the poor from under the poverty line.

Another recent survey which I thought was extremely interesting appeared in the *Economist* a couple of months ago. It was on growth. It says:

Understanding growth is surely the most urgent task in economics. Across the world, poverty remains the single greatest cause of misery; and the surest remedy for poverty is economic growth. It is true that growth can create problems of its own (congestion and pollution, for instance) . . . But such ills pale in comparison with the harm caused by economic backwardness of poor countries . . . The costs of this backwardness, measured in wasted lives and needless suffering, is truly vast . . .

To its shame, economics neglected the study of growth for many years. Theorists and empirical researchers alike chose to concentrate on other fields, notably on macroeconomics . . . But over the past ten years or so, this has changed. Stars such as Robert Lucas of the University of Chicago, who last year won the Nobel Prize in economics, have started to concentrate on growth. As he says of the subject, "the consequences for human welfare . . . are simply staggering. Once one starts to think about them, it is hard to think of anything else."

The reason the growth is so important is that in the long sweep of history the single most important anti-poverty policy known is high and sustained economic growth. The reason there are high living standards in rich countries such as ours today is that, on average, rich countries have had sustained rates of economic growth for at least 100 years and, in some cases, for close on 200 years. Those of us who are concerned about mass poverty should, therefore, be closely interested in the subject of how we promote high and sustained economic growth.

How, then, does one promote growth and how can aid policies be used to do that? I will concentrate on the first question. In broad terms, the main things that governments in developing countries need to do to promote growth are clear enough. First, they have to establish the right overall enabling environment, as is the current jargon. Secondly, they have to improve the flow of inputs—land, labour and capital—into domestic industries and take a range of steps, especially through facilitating technical change and encouraging better management, to improve productivity. In case all this sounds too vague and theoretical, let me briefly expand them. As far as the enabling environment is concerned, there seems to be two aspects of the overall enabling environment which have been important in the successful Asian countries in recent years. These are, firstly, stability and, secondly, appropriate macro-economy and micro-economy policies.

Stability: Western observers often seem to be suspicious of the talk of the need for stability in Asian countries. It is obviously true enough that stability itself does not guarantee success, but a moment's thought will suggest that a reasonable degree of stability, defined as a reasonable degree of peace and of law and order in the political and legal environment within a country, is a precondition for successful development. That is, it is clear enough that a reasonable degree of stability is a necessary but not sufficient

condition for success. I discussed this just last week with Professor Widdodo, one of the great economy architects of the Indonesian success story. Just last week he mentioned to me how concerned he was about the prospects of Indonesia.

Macro and micro policies: bad policies in the macro or micro area can go a long way towards frustrating the growth process as well. The macro-economic areas where a tolerable degree of stability is needed are the usual ones: more or less orderly monetary and fiscal policies, reasonable foreign exchange rate policies and so on. Micro-economic policies are more tricky, precisely because of the potent mix of law, economics, politics and ideology which tends to influence policy formation. The main generalisation which has emerged from the Asian experience in recent years—this is an amazing change across Asia—is the now familiar one that pro-market policies are best. Broadly speaking, the acceptance of pro-market policies has been strikingly widespread across Asia since the beginning of the 1980s.

Inputs and productivity: the other set of actions which governments need to focus on to promote growth in Asia involve, on the one hand, increasing the quantity of traditional factors of production in the economy—land, labour and capital. Adam Smith spoke about them and I am not sure that we have made an awful lot of progress since he wrote *The Wealth of Nations*. On the other hand, it involves improving efficiency: in technical jargon, total factor productivity.

Land: for a quite wide range of reasons, land is often used inefficiently in many Asian countries and there are many things in the aid program which we can and do do to help that. Problems include ill-defined property rights and inefficiently defined property rights, but inefficient use because the land is state owned or there is inefficient private ownership. There are poor planning procedures, there is poor information and poor markets in land. Many elements of the aid program tackle these.

Labour: the efficiency of the utilisation of labour is very variable across the region. There is still great scope for more efficient utilisation of labour and this is an important part of the Indonesian success story as well. The most recent World Bank report on the Indonesian economy has a detailed survey of changes to the labour market in Indonesia. It is clear that a reasonably free and flexible labour market has been a powerful generator of jobs in Indonesia and has gone a long way—Megawati Sukarnoputri aside—towards generating widespread benefits to the growth process in Indonesia.

Capital: the need and scope for increased inputs of both physical capital and human capital are vast in Asia. In terms of the stock of both physical and human capital, Western rich nations are much richer, often by a factor of 20 or 30 times or more than developing countries. We are at the beginning of a huge process of capital formation across Asia and I expect this will go on for at least 40 years. To give you just one figure: here in Australia our average consumption of electricity is roughly 9,000 kilowatt hours per capita; in Indonesia it is 300. The ratio is 30 to one and that sort of figure can be repeated across

Asia. For the next three, four or five decades there will be a huge process of capital formation. That, in itself, will go a long way towards powering growth.

Some figures relating to the boom in infrastructure are given in table 2. If you look at table 2, the figures are quite stunning. They have implications for the developing countries; they also have implications for us. Our future is in that table, if we care to focus on it.

There are some other factors, of course. I have spoken about the quantity of growth. The quality of growth is important. Janet Hunt spoke about that, and I agree entirely that the quality of growth is important. Targeting and the development of safety nets are needed. Aid programs help with these as well. Targeting is often done badly. I lecture the ADB board incessantly about the need for it to target its own policies better. Safety nets need to be designed as well. The countries of the region are in an early stage of formulating safety nets and, through our aid programs, we can help.

Finally, does foreign assistance help the poor? I believe it does. Two main points might be made. First, the great bulk of foreign assistance provided by donor countries throughout the world helps the poor either directly or indirectly. Of course, better policies and better targeting will help and there are many ways we can promote the growth process and, hopefully, improve the quality of growth.

Second, although aid has been important in helping reduce poverty, the total world volume of foreign assistance is relatively small. With such small amounts of funds, \$60 billion world wide does not go very far. Last year the Asian Development Bank, a bank which has as its biggest borrower China, lent China \$1.2 billion at near market terms. That is \$1 per capita. You do not get a lot of leverage or a lot of influence for \$1 per capita. Overall, given the volume of the international aid effort, it is surprising how much we achieve. Our failures are not surprising; it is surprising that we do so well with such flimsy tools. Thank you, Mr Chairman.

**Mr ARMSTRONG**—Thank you, Peter. I welcome Ms Beris Gwynne from World Vision.

**Ms GWYNNE**—Thank you for the opportunity to speak to this very important gathering of aid practitioners, academics, policy makers and opinion makers on this very important issue. If we take as given, continuing chronic poverty for one-fifth of the world's population, the billion without access to clean water, sanitation and adequate food; if we take as given, the widening gap between rich and poor, with the resultant heightened threat to global stability through conflict and refugee movements; and if we take as given, the environmental impact of land degradation, contamination of precious water, deforestation and desertification, negating levels of assistance, we believe that there is urgent need for re-examination of the issue of global poverty, its root causes, the role of economic growth and the need, to quote Peter, for safety nets, while the international

community addresses the longer term macro-issues.

At the same time, we believe that there is urgent need for re-examination of our motives and approaches to facilitate a greater and better targeted effort on the part of the international community. The Simons review is a most timely initiative in this respect and, I think, underlines for us the importance of a very healthy and robust dialogue among groups such as this.

For many years the rationale for the Australian aid program was explained in terms of a response to Australia's humanitarian concerns, foreign policy and commercial interests. In recent years, not only in Australia but throughout the donor community, adverse economic conditions have led governments to give greater priority to short-term national interest at the expense of longer term global objectives. We have been seduced into believing that, because it was easier to defend a policy based largely on self-interest, we were protecting the aid program.

If I could refer to Russell's comments about the ODA/GNP ratio being a touchstone, I think we have to accept that we are using the wrong average. It is no source of encouragement to us that we are able to claim we are still meeting the DAC average when, in fact, the appropriate average for us to use shows us as having slipped quite a considerable distance.

At the same time, economic rationalism and pressures for smaller government have favoured efficiency over effectiveness. We have found ourselves with less and less time to look at the root causes to develop poverty focused programs and more and more concerned about aid administration with excellence measured in terms of throughput, risk minimisation and the advantage for the Australian contractor. These conditions are not conducive to the achievement of poverty alleviation objectives within official aid programs.

A former director general of AusAID used to speak of trying to manage the multiplicity of objectives and agendas as trying to ride a chariot with 12 horses. One of the concerns that I have about this discussion today is that we already have seen evidence of a severe polarisation, a lack of middle ground, a willingness to tell only half the story. What I think we need to do is re-establish dialogue to ensure that all of the horses are running in the same direction and that we are using our combined might to meet what I agree is an enormous scourge on our global society.

So let me make it quite clear: I am not talking about idealism or pie in the sky. Indeed, few of us would suggest that national interest, efficiency and commercial benefit are not important considerations. What we are suggesting is that we need to redefine our national interest in terms of the longer term global imperatives that we face, particularly with regard to sustainable economic growth, protection of the earth's environment and our increasing interdependence as nation states. I feel for the chap riding the chariot of 12

horses: it will always be a matter of balance; it will always be a matter of prioritisation. Even a simple definition of the aid program's objective will not take that pressure away—I am sorry, Trevor.

Given that aid funds are such a small proportion of total flows directed to economic growth and development from private and governmental—including multilateral—sources, we welcome the government's recent statements to the effect that the aid program needs to refocus on its fundamental purposes: to quote the minister, to assist developing countries to help meet the basic needs of their people, and to assist in achieving a more secure and equitable international order. Indeed, it was recently acknowledged that the most vital lesson learned has been that development cooperation is only a complement to the efforts of the people, the institutions and the governments of developing countries.

I agree with some of the speakers who have gone before that the aid program should be used where private flows are manifestly deficient not to perpetuate the widening gap between the haves and the have-nots. Thus, we believe that activities that directly target poverty should be given higher priority within the Australian aid program, helping to reduce vulnerability, building local capacity through appropriate technologies, and promoting a fairer distribution of the benefits of economic growth in sustainable livelihoods. In this way, while the developing countries are transitioning in response to the pressures of globalisation, we can provide some of the safety nets to which Peter referred earlier. How would such a program look? Here are some examples.

Health: we have welcomed AusAID's increasing investment in health. But with a more clearly poverty focused program, we would expect to see even more resources allocated to primary health care with greater emphasis on preventive care, maternal and child health, immunisation and nutrition. Indeed, the recent WHO—World Health Organisation—report suggests that we are losing ground in a number of these very important areas.

World Vision's Alor project in Indonesia is an excellent example of the way in which contractors, including NGOs but not exclusively NGOs, not only are able to make an impact at the grassroots level but also can influence national government policy—in this case, in relation to immunisation. With regard to the HIV-AIDS pandemic which knows no international boundary, it is clear that the best approach is through prevention and community based home care. We would hope that a poverty focused aid program would provide more support in that area.

Education: of funds allocated to education, the greatest percentage is allocated to support tertiary students studying at Australian educational institutions. The development effectiveness of such training has not clearly been demonstrated, with some studies showing that there is, indeed, a low correlation between the declared objective to assist the development of the countries concerned and the actual outcomes. A significantly greater

contribution would be made, in our view, not only in support of economic development but also in terms of lessened vulnerability and increased participation, if we were to increase the emphasis in the aid program on basic in-country literacy, numeracy and vocational extension programs.

Gender: much has been written, much has been said and Australia, of course, has signed a number of international instruments committing itself to moving towards a better go for women. We speak of the feminisation of poverty. A poverty focus program would, in our view, not only place a much greater emphasis on improving conditions to enhance the life of women in developing countries but also work to improve their levels of participation to ensure that there is a female contribution to decision making at all levels. I would refer in this context to the conflict situations around the world and express the fervent hope that one day women would be able to be counted in making the decisions about how those situations should be resolved.

Food security: collaboration between the relief and development and agricultural science constituencies shows great promise in terms of Australia's contribution to better food security, a major factor in improving health and productive capacity in developing countries. This is clearly an area where Australia has significant comparative advantage. World Vision has recently seen an example of this in Rwanda where ACIAR and the International Centre for Tropical Agriculture were able to identify appropriate seed technology to assist recovery in Rwanda. Further, strategic use of food aid is an important vehicle, provided it is used in ways that assist survival and recovery at the community level, with accountability and effectiveness best guaranteed by using Australian contractors to deliver such assistance rather than to channel yet again through multilateral agencies.

Environmental protection: in the Ansokia valley what started as emergency relief in the mid-1980s has now transformed a whole valley, creating a micro-climate that has substantially reduced vulnerability to drought and famine. In Nepal, an AusAID funded program—our ANUTECH colleague and I were referring to this earlier—has, through community based forestry, greatly reduced land degradation. Both of these projects demonstrate environmental management for sustainability. An appropriately targeted green DIFF would be another important element in addressing environmental problems, both urban and rural, in developing countries.

Micro-enterprise: very quickly, the terms 'economic growth' and 'economic development' are widely used but tend to be used in global or macro-economic contexts with particular meanings. A poverty focused aid program, in my view, would allow space for more to be done at the micro-enterprise development level, particularly using micro-credit.

Participation: a program targeting poverty alleviation would be much more people focused. I was delighted to hear Janet refer to the 64 per cent human capital which is the greatest asset that a large number of countries have. There is increasing recognition that

good governance and sustainable development require higher levels of participation. Greater emphasis on people or community centred development would provide opportunity to build awareness of political, economic and social rights, strengthen local institutions and assist value change, particularly in relation to environmental sustainability, gender and harmful traditional practices.

Conflict prevention: all of the foregoing, by reducing vulnerability, by addressing injustice and inequity, would hopefully deal with some of the root causes. We agree though that more needs to be done to ensure that any of our emergency relief moves quickly into sustainable reconstruction and rehabilitation phases; the kinds of things we would expect to see in a poverty focused program.

Finally, to deliver such a program, development practitioners face a number of very real challenges—and I think it is important for us to realise that this is a challenge not faced exclusively by any one sector. First of all, we believe that there is need for leadership and, one would hope, bipartisan support for more effort to be done to promote understanding of the issues. I think you are right, Peter: you have drawn very clearly the dividing line, and there would be quite a healthy debate about some of the determinations on economic growth which you have outlined.

We have spoken this morning about consensus. In several cases I doubt that that consensus exists, but there is need for more work to be done in that area. On funding, we want more, and we want it more directly targeted. On mechanisms, we believe that we need more alliances: NGOs working with private consultants, academics, scientists, et cetera. In terms of quality, we must emphasise that there has to be greater investment in program quality with more emphasis on impact, not outputs.

In our geographic focus, we think an aid program based on the above priorities would lead to a significant shift in terms of geographic focus within developing countries where we are currently working, within South-East Asia where we would see a more rapid transition away from the more economically advanced states to which Peter referred, but also with larger programs, perhaps even some DIFF, in Africa and South Asia.

Thank you again for this opportunity. I look forward to our continued discussion.

**Mr ARMSTRONG**—Thank you, Beris. I now call on Ron Duncan from the National Centre for Development Studies.

**Prof. DUNCAN**—Mr Chairman, thank you for this opportunity. Like Peter, I would make clear at the start that I am convinced the best way to help the poor in low income countries is to help them have faster economic growth. The history of development does not support ideas of a trickle-up hypothesis of economic growth from targeting the poor.

Jim Ingram, a former AusAID director general, has made this point by noting that prior to 1986 China's anti-poverty program was mainly based on targeting assistance to malnourished people, without much visible success. From 1986 the strategy was changed to improve infrastructure to help people get goods to market, agricultural inputs to farmers and research and extension to farmers, as well as promoting education and health. As he said, from 1986 to 1992 the number of absolute poor in China fell from 125 million to 80 million.

The evidence for placing the priority of assistance to the poor on faster economic growth points to the necessity for development of good economic policies and institutions. But I should point out that this package of policies and institutions is very comprehensive. As well as macro- and micro-economic policies ensuring low inflation, openness to trade and investment and efficient performance of government enterprises, it also involves a high share of government expenditure going to development of the country's physical and human resources.

Moreover, one cannot argue that one of these is more important than another. Without roads, bridges and telephones, the benefits of better education and health will not be realised. Without better education and health, the benefits of roads and bridges cannot be realised. Without openness to trade and investment, the benefits of roads and bridges and education and health cannot be realised. The important and difficult fact to absorb about developmental policy is that the total package has to be implemented.

I think it helps to look at various issues from this integrated viewpoint. For example, in recent years there has been an increasing emphasis on having NGOs deliver services to the poor on behalf of donor governments and multilateral institutions. This emphasis stems from a correct perception that aid transfers have not been having the desired impact of improving the living standards of the poor. Therefore, so the argument goes, it would be better for the aid to be delivered directly to the poor via the NGOs who have closer contact with them than the governments.

But this conclusion misses the point that the poor are not gaining the benefits from the aid transfers going through the normal channels because the country's policies are so poor that no-one, except perhaps some rent seekers and bribe recipients, are receiving any benefits. Trying to assist the poor directly through NGOs under those circumstances would likely not help them either, except perhaps if they were to receive direct cash payments.

Basically, the poor need jobs. The resource they have in most abundance is labour, and they need the opportunities to put that labour to work. Only sound economic policies create jobs. Most poor people, indeed most people in most developing countries, live in rural areas, and that is where job creation has to begin. Underemployment in agriculture is only defeated by creating more competitive agricultural activities. This leads to increased incomes in rural areas and increased demand for consumer goods. It also leads to increased savings which can be used for investment in agriculture and industry.



There have been many years of failure of what might be called a top-down approach to job creation through import substitution policies of protecting industry. However, too many politicians still have not learned how fruitless those policies have been.

With respect to the delivery of public aid via NGOs, there are additional questions which have to be answered. The proliferation of donor aid being delivered by the rapidly growing numbers of NGOs, now that this form of public aid delivery has become so popular, has raised questions about what one writer has described as their extraordinary lack of accountability and transparency and about the legitimacy of NGOs almost wholly dependent upon government funds.

Fortunately, some NGOs are responding to these concerns and looking at measures such as channelling public funds to NGOs via an independent public institution to protect them from undue donor influence. They are experimenting with mechanisms for setting performance indicators and monitoring progress. As with government business enterprises, we have to develop mechanisms for ensuring good performance if we are to go down this path.

Another single issue linked to poverty which has been focused on is family planning and population control. Some go so far as to suggest that reducing population growth will assist economic growth. In fact, the evidence points in the opposite direction. Raising family incomes leads to lower fertility and lower population growth. In those cases where we are seeing sustained high rates of population growth, countries are not generating good economic growth in order to move through the demographic transition quickly.

Cleaner water and improved sanitation have led to lower infant mortality and longer life expectancy but without lower fertility. Therefore, the population growth is high. The lower fertility comes only from higher household incomes and raising women's productivity in and out of the home, which increases the implicit cost of procreation. Again, family planning is only part of the package which leads to faster economic growth and more equitable income distribution.

Finally, what is the best way for aid to be used to assist recipient countries? For those countries which do not have a good package of policies, institutions and investment programs in place, assisting them to see the benefits of such a package seems to me most appropriate—especially as it is unlikely there will be much of a pay-off to any aid transfers until then. In these cases, the pay-off to the transfer of a good idea is much more valuable than money. However, in order to transfer good ideas, it is important to have an educated recipient. Moreover, in order to get a seat at the table to discuss ideas, it may be necessary to put up some money in the form of an aid project.

Once countries have a good program in place, there will be a struggle to maintain

it in the face of both domestic and international pressures from interest groups which may have been benefiting from earlier policies. So there will be a need for continuing assistance, with research and education about what constitutes good policies and appropriate institutions. Hence, technical assistance and assistance with education will continue to be important. As policies improve, capital will become more readily available at lower costs, but aid transfers will still be useful, especially for those public purposes for which it is difficult, if not impossible, to obtain private funds.

From this view point, 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. Without that, the pay-off to aid transfers is much reduced.

**Mr KILBY**—I would like to nail my colours to the opposite side of Peter's mast. A lot has been said about the Asian tigers. Peter omitted a couple of things which the World Bank report on the Asian tigers talks about. One important part was the role of the state in their success. They refer to the principles of shared growth.

For one reason or another, the bulk of the Asian tigers had a lot of investment in basic education, a lot of investment in basic housing—what we would call a basic needs approach. They actually did subsidise certain industries. Japan is a classic case of that. They involved very active land reform. The land reform did not leave it open to markets but to actually ensure that users had land rights. In fact, even though they were not very favourable towards unions, they promoted a harmonious relationship between industry and labour. These are some important principles, which comes back to the role of the state.

I come back to the earlier point about globalisation and how that 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. China was used as an example. It seems to be omitted that there is now 100 million people in China on the move looking for work because of the disinvestment in the rural areas in the remote parts of China. The situation with China is such that it will fall apart because of the inequitable and uneven growth across the country.

I think when we talk about whether a top down or a bottom up approach is better or worse we should come back to some analysis of the role of the state, the role of regulation, the role of achieving equitable growth. I come back to the government's aid objective, which so far nobody from the government has actually mentioned, which is to assist developing countries to help meet the basic needs of their people. I think that is important. It is about assisting developing countries do the necessary thing and to achieve a more secure and equitable international world order.

I think we should dwell upon those three principles. It is about a partnership with developing countries, it is about basic needs, and it is about equity and a secure world

order. Until we reflect upon those three objectives and look at the implications for the aid program I think we are going to have some rather arcane debates about growth and the role of the market, et cetera.

**Ms MACKAY**—I welcome the emphasis that has been given by some speakers on building the capacity of people, the human development angle, in order to empower them to take responsibility for their own development and, in that context, the concentration on education, health and on women and children, which has been coalition policy that is to be welcomed. In March this year in New York I was participating in a discussion on poverty in which experts from around the world from each of the major regions of the world, together with the World Bank, were speaking about poverty and, without exception, the emphasis was on the fact that poverty has a feminine face.

The *Human Development Report* of 1995 gives great emphasis to this fact that the only way to address poverty is to address the fact that it is women, together with their children, who are the greatest sufferers of poverty today. I would appeal to both the joint committee and to any inquiry into Australia's aid program that they do not overlook the fact that policies and programs have to be directed to women if development in its fullest sense, including economic development, is to be achieved.

**Mr PRICE**—It could be embarrassing acknowledging that I agreed with a little of what Peter said, that Australians tend to underestimate in Indonesia the economic growth that has occurred or the stability. I guess where I strongly disagree with Peter is a subtext of that which suggests that human rights are somehow counterproductive to good central government and stable government or that human rights are inimical to economic growth. I don't follow that argument at all.

**Mr ARMSTRONG**—Do you want to comment Peter?

**Mr McCAWLEY**—I do not think I mentioned human rights. I guess I think jobs are a pretty important part of human rights. I remember that the labour movement in Australia through the Great Depression placed an overwhelming emphasis on human rights. The burst of economic growth in Indonesia has been a tremendous job generator for women. An unprecedented number of millions of young women have moved in from rural areas—and this is the point that Ron was talking about—to find jobs in the burgeoning manufacturing sector. The figures are stunning.

That is a very important stride forward in human rights for women. They have got out of the traditional grip of rural areas which they find stultifying. They have moved to the urban areas where they believe they have far more freedom. They have voted with their feet. This is part of human rights as well.

I have been under the impression that for 100 years in Western countries the labour movement has spoken of the need for jobs. If there is one consistent theme that has come

through from the labour movement in Western countries for a century it is the importance of jobs. This burst across Asia is generating an astonishing number of jobs.

**Mr PRICE**—And also the dignity of labour.

**Mr McCAWLEY**—It helps to have some money in your pocket when you are talking about dignity.

**Mr PRICE**—I come from a poor electorate, so I understand all about the issue of jobs. But I do not think a decent package of human rights is going to lead to instability in Indonesia given its various ethnic groups and diversity. In fact, I think it strengthens it rather than weakens it. That is going to be the challenge in the post-Suharto era. I do not see anything about human rights which suggests that having strong growth is counterproductive to human rights. I think human rights is too easily dismissed in our region as being inimical to some of the important objectives of government. Maybe we have not taken the time or trouble, I do not know, to actually fashion it in a language and in systems that they see as important. But in Australia we should not compromise.

**Mr HOBBS**—Very briefly, on Ron's point about NGOs, I think you have missed the point that we are not big players. We are not really very important in terms of those transfers. There are lots of them and they are very small. I think the point I was trying to make earlier is that our role is to be influential in good practice, but I do not really think that we are the main game at all. As part of the current aid program, we are about \$70 million; we are peanuts. To suggest that NGOs are a significant deliverer of aid is just not right.

**Prof. DUNCAN**—I don't think I said that.

**Mr PRICE**—We will check the *Hansard*.

**Mr HEWETT**—I think the argument is not that growth is important to poverty eradication or not. I hope the debate has moved beyond that. It may have been the case in the past that some sections of the NGO sector were critical of the reliance upon growth as the only way forward, but I think the debate now is on the nature of growth. That is the crucial thing and that is what, to a certain degree, was missing, particularly from Peter's contribution.

What was missing in particular was the costs and benefits of particular types of growth strategies that are pursued. Picking up the point that you made about the differences between sustained and sustainability, I would also say that there is also a question of the sustainability of growth. There is little point, in one sense, of having growth which is sustained for only a relatively short period of time—20 to 30 years is a relatively short period of time. 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.

Can I suggest that we try to move beyond the paperman arguments about whether we are for or against growth but look more at the nature of growth, the quality of growth and the sort of growth that should be encouraged? That is more likely to be a productive discussion and debate than what I fear we could end up going down this afternoon.

**Mr ANDREW THOMSON**—If you are going to go on with this debate about growth, I fear you are going to hit a brick wall, which I describe as realistic ambition. There is very little that we can really do with our aid program to bring about some of these outcomes you speak of. I think it is foolish, frankly, for a government—NGOs are different—to try to achieve things in terms of policy changes and what not in recipient governments. That is frankly beyond us.

When you talk about the equitable distribution of the wealth that is produced from the growth that we are trying to encourage, that is perhaps the most difficult thing. 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. It is more often brought about by pressure in the media and other things like that rather than delivered through an aid program.

The gentlemen and ladies who administer AusAID so capably do not really sit around trying to figure out ways to bring about this sort of thing happening. We are much more concerned about how to deliver the most efficacious projects. In that sense, our horizons are nowhere near the sorts of things you spoke of. It is very important that I introduce that element of reality into the debate.

**Mr HEWETT**—I think that is an important point about recognising the limitations of an aid program—\$1.5 billion is a relatively small amount. But there are certain things that can occur through the aid program—things which actually do not cost a huge amount of money. The attitude and the approach which AusAID could take to high level policy dialogue and the involvement of NGOs from the Australian side and indigenous NGOs could help build a more equitable approach.

I think an indication of the approach that could be taken to particular types of projects which receive priority and particular types of programs has already been given. How the amount of money is spent on their tertiary education sector as opposed to basic education is an example of how you can have an approach which assists equitable growth. While we have to be aware of the limitations of an aid program, we should also be aware of the potential of that program. I think we will push that sort of approach in those sorts of programs.

**Mr ROLLASON**—I think one of the benefits we will gain in having this debate is that assistance is not the be all and end all of development. Development is a process that people have said depends on the developing country's government or any country's government in the world—we are all going through a process of development. So the national government has a key role.

There is a key role for international investment, and it has multiplied seven times in the last five years. There are various other international policy settings, for example, the role of the International Monetary Fund, the exchange rates and all those sorts of macro-economic things that play roles. There is also the small role that aid plays—the \$50 billion to \$60 billion that Peter mentioned. The difficulty is that when we start talking about development we kind of merge all those things in together and we cannot quite work out which is which and sort ourselves out.

I am in the consulting game these days. These sorts of tables and figures are mouth watering for consultants. There are billions of dollars at stake, particularly in South-East Asia. It reminds me of the old Texan joke of a billion here and a billion there and pretty soon we are talking about real money. This is what the infrastructure stuff in South-East Asia is all about. What I try to work out, and what I think the committee is going to have difficulty working out, is: where is aid's role in all of that? It is a relatively small amount of money. It seems to me that I could build on Peter's arguments and say that Asia has made remarkable progress. I think we would all acknowledge that the growth in Asia has been quite remarkable and poverty has been reduced in Indonesia in ways that we would not have believed 20 years ago. I can agree with that, and it is the same in China. Therefore, should the aid program now focus on Africa?

What is the aid program about? Is it about backing winners or is it about helping the people who fall between the stools? It is a fundamental question. We have to get it in our own minds where we are going to get that balance right. I think it is about helping the people who fall between the stools, frankly, because investment will help those who are the winners. Investment is going to flow to Asia. Who in the world is not going to invest in Asia if they get half a chance? They can see the growths occurring there. So does the aid program follow that path or does the aid program have another particular role?

The other question that keeps coming back to my mind all the time is: what is capital? Capital is these mouth watering figures, but we are also told a few sentences later that capital is people. How do the two fit together? We have seen a lot of growth in Western countries over the last 20 years and through that same period of rapid economic growth we have seen a rapid increase in unemployment.

What is capital? How are we going to create the kind of world that creates jobs for people that addresses the 20 per cent of the world's population who over the last 20 years have got poorer. They are the people that I think are the fundamental focus of the aid program, but the aid program is only one small element in the process of development in

which there are lots of other elements that have an equally critical role.

**Senator HARRADINE**—That is a very interesting matter that has been raised. I would not like to interrupt. I was going onto another matter.

**Mr ARMSTRONG**—I think you should go onto the other matter at this stage. One of the problems with this is that there are so many interesting matters being put on the table and there is so little time to discuss and debate them. We are over time already in this session and there are two or three others who want to say something.

**Senator HARRADINE**—I will be very brief. In one sense the question of accountability of NGOs to their private donors and to the taxpayers has been raised. How best can this accountability be discharged? How best can the function of full disclosure and transparency also be honoured? I would also ask AusAID: do you see the current accountability, for example, through estimates committees and so on, as being adequate in respect of these matters?

**Mr ARMSTRONG**—Trevor, perhaps you can touch on that because you are next after Janet.

**Ms HUNT**—I will pick up on that quickly. I was going to respond to what Andrew Thomson raised. The most obvious accountability is, if donors do not like what you are doing and do not like your answers to their questions, they withdraw their money. But the more serious answer, or the more long-term answer, is that we have actually been doing a lot of work on that as NGOs, and developed a new code of conduct for NGOs, which will be going to the ACFOA Council this year at the end of August.

That code will require NGOs who sign onto that, and it will be like a good housekeeping seal of approval, to be open and transparent about all their programs and be financially open and transparent as well. So if there are any concerns they should be allayed. If an NGO is not signing onto that, one would want to ask why. So that is probably a fairly recent development to upgrade our previous code of ethics to a fairly rigorous code of conduct.

I wanted, though, to answer what Andrew Thomson raised. It is very difficult to get governments to change their policies over things like taxation and so on. I was reminded of when I visited Papua New Guinea two or three years ago. I was watching a literacy class there right out in the back blocks of Sepik. What was most interesting about that very large literacy class—there were about 80 people in the literacy class—was the incredibly heightened awareness of those people to the accountability that their politicians and their public servants owed to them as a result of their literacy program.

I think in the end that is what has to happen. The accountability, the transparency, the requirement for equity will often be driven by internal pressures, and those can be

assisted by gaining literacy, where literacy means a little more than just how to read your ABC. It actually means how to read your world a bit. I think that is where aid can play a part to assist people to leverage resources in their own community.

I have also witnessed, in the Philippines, that women organised have managed to access local government resources to meet their own needs. A little bit of aid to enable people to be aware of how they can do that, and how they can call to account their own elected representatives and officials is actually money very well spent. I just offer that as a partial solution—not a total one, I realise.

**Mr KANALEY**—Listening to the discussion around the table, my impression is that people are really saying the same thing but often choosing to use different language to say it. Very early on I made the point that, from my point of view, aid should be used to provide the basic social services—health, education, physical infrastructure, some transport facilities—and government framework of policies—good government—which are essential to attract private capital flows and which cannot be financed through such capital or through domestic savings of the recipient government. I think that answers partly what Russell Rollason was saying about where do you target aid. They are the sorts of areas that, if you like, fall between the stools. It is where people miss out.

Listening to Beris Gwynne talk, I went through the list of things that she raised. She mentioned greater resources to health, HIV-AIDS, basic education, women's programs, food, security, environment. She had a long list of things where she thought we should increase the focus of the aid program. Again, I believe over the last few years that focus has increased in all of those areas. In fact, I cannot see one where the focus has not increased and increased substantially. I am not saying that it cannot be increased further, but I am saying that there is an opportunity cost to doing so. It is easy to increase focus further in the sense of providing more money if your budget is in a period of expansion. But we know with international ODA and the state of international ODA that it is unlikely budgets are going to be growing rapidly in the foreseeable future.

In terms of opportunity costs, you also have to then say, 'Okay, what things are going to be cut out if we are going to put more focus into these areas?' It is not simply a matter of either the Australian government or Australian NGOs or Australian public servants saying, 'We'll do more in health.' One of the first things raised here was this question of cooperation and partnership, working with recipient governments. So one of the first things you need to engage in in discussion is: what are your highest priorities for assistance? I am not saying you should always fall into line and simply fund what their highest priorities are, but you really have to start with some of these basic issues of dealing with foreign governments. Even if you are not dealing with governments, if you are dealing with local communities, the same things apply. What are the highest priority items?

As I said, I can see a reason for moving the focus in the way you have said. I think it has already happened, but there are strict limits to it. The opportunity cost of



doing so is one of those. Sometimes you also have to accept that you can achieve an objective in a fairly circular way. It may be very good policy to keep Australian educational assistance aimed at tertiary education. I am not saying that this is necessarily true, but it could be so. The reason is that many developing countries themselves are putting their own resources into basic education and they simply do not have the foreign exchange or other resources to produce high quality tertiary educated students. Those resources are also required to provide technical assistance to their private industries and to their governments.

So you can make quite a cogent argument that Australia focusing on what we do best, which is providing tertiary education, and recipients focusing on what they do best, which may be teaching Swahili in outlying villages, is a sensible allocation of resources overall. It is not enough—I think Russell Rollason was making this point—to simply look at the aid package and say, ‘Aid should be doing more of these things.’ You have to look at the total package of what is taking place in the country. Aid might actually be spent in a slightly different way, but the overall effect is to free resources so that these things can take place. Just listening around the table, I am not sure that there is really that much disagreement. There is general support for growth and general support for concentrating on things that aid should do, which is not going to be picked up by private capital or domestic resources.

Senator Harradine made a point about accountability of non-government organisations. That is an issue which we have been dealing with over the last number of years. Particularly over the last few months we have been working very closely with the NGOs as to the sorts of arrangements there should be for the accountability of government funds. I think we need to go back and look at our arrangements for working with NGOs to ensure that there is this accountability and also to ensure that the government—in this case through AusAID—is not putting restrictions on NGO activity which are unnecessary.

There are two sides to this accountability question. Jeremy Hobbs raised these a little earlier. There is a need for NGOs to have a degree of independence and ability to experiment, which a government agency cannot do. By the same token, there has to be accountability for the use of public funds. I think both sides—the NGOs and AusAID—certainly accept that. We are looking at ways of how we might strengthen those arrangements.

As a concluding point, in looking at the Industry Commission report on charitable organisations, one of its conclusions was that the arrangements in the 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 a range of 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. Together we intend to take those further ahead.

**Prof. DUNCAN**—To pick up on Andrew's point, I think he is being far too pessimistic about what role aid can play. Similarly with Russell. As I said, getting policies right is really the transfer of a piece of knowledge, which just takes a bit of convincing. As Trevor said, one thing that Australia does very well is tertiary education. They are the people who go back and change the policies. At the moment, for example, the National Centre for Development Studies is training the largest group of Vietnamese doctoral students in economics in the world. They come from the two leading economics universities in Vietnam and the leading research institution. They were previously trained in Moscow or Budapest. There is a whole re-education process going on. They will go back and, hopefully, transform the ideas over there. That is really cheap, but it will have a powerful impact.

**Ms GWYNNE**—My concerns still relate to the gap which I see in the debate. I think we are coming to the same point, but there is still some way to go. I pick up Peter's point about women flocking to the cities. I think that is a great picture if we reflect on the number of young women, particularly in prostitution in Asia, who are not learning skills for self-reliance. So I think the job creation we need to talk about is a different kind of job creation, and can be better done elsewhere.

**Dr McCawley**—One of the things which we poor economists suffer from—I do not know that I will get a lot of sympathy—is that we do not talk about human rights. It is a curious thing. Frequently when we talk about the economy people stick up their hands and say, 'What about human rights?' I am quite happy to talk about that on some other occasion. The reason I did not talk about it today, and the reason that economists often do not talk about it, is that it does not seem efficient to talk about every subject on every occasion. Clearly, there are links and, clearly, there can be important links. But economic freedoms are as important as political freedoms. It opens up a whole debate which I would certainly be happy to enter into, but I did intend to enter it on some other occasion. That is the only reason I did not focus on it.

**Mr ARMSTRONG**—We will move on to the next session on business and aid. I invite Brent Davis from the Australian Chamber of Commerce and Industry to address us.

**Mr BRENT DAVIS**—I did not come along with a speech to read out. I thought I would absorb the debate. When I sat down I asked myself what to say from a business point of view. I started in a very analytical way. I am an economist, like the previous speaker, but maybe not as vigorous in my presentation.

I asked myself: what is the objective of aid? I, like many others, picked up very quickly that the objective of aid is to alleviate poverty—that is, it is for the benefit of the recipient. An outside observer may say that a lot of our aid programs appear to be driven by the supply side—that is, what is in the best interests of the provider or the politician who wants his photograph taken with a bridge and a plaque that the locals cannot read or an NGO who wants to go to the Philippines.

The first thing we have to define in any of this is what is the objective. We also need to be clear on whether we are dealing with a cause or a symptom. A lot of the discussion I have heard today seems to bounce around between the two. Some of the things are symptoms and some of the things are causes. I have written down what I perceive to be the four primary causes.

Illiteracy is obviously the first cause. That means education. Health and medicine is the next. Better medical care is needed. If you do not have your health, nothing else is relevant. Military and political instability seems to be one of the driving causes of poverty around the world. You will never get ahead if you are worried about another ethnic group shooting you, taking power or anything else. The fourth one, which I have not heard much about at the moment, is government corruption. If you have government to government transfers and a lot is getting ripped off in the chain, no matter how much we might give, it does not get to the person at the end of chain and it is hopeless.

The most obvious case, if you cast your mind back to the 1970s in the Philippines, is you could have pumped any amount of money in through official causes and not much more would have got to the person at the end of the day. I will chance my travel liberties and say that if you did the same with Nigeria I do not think you would do a great amount better by quadrupling your vote.

I think the other thing we need to do is focus on the need of the particular case. The people of Burundi do not need an airport or a bridge; they need a regiment of people to stop someone coming in in the middle of the night and hacking their heads off. The people of Cambodia probably do not need an airport or bridge either. They need someone who is going to dig out the land mines. The people of Somalia have similar basic needs. We need to know what is in the interests of the recipients and tailor our packages accordingly.

Someone mentioned aid fatigue and why is the money drying up. I think there are two reasons. The first is that governments around the world are being called to account and they are bringing down their deficits. Taxpayers do not have a bottomless pit of money and governments have realised that once you get beyond a certain point—and it is bipartisan in this country—of the taxpayer burden the taxpayer rebels and puts the other lot in. We are seeing governments and taxpayers now questioning whether this money is actually making a difference. Are we actually producing an outcome that is materially different or are we just shovelling it into a black hole that does not change the circumstance?

To contradict Trevor Kanaley, maybe we have to focus all our money on one project that really makes a difference for one person—in other words, be something to somebody rather than trying to be everything to everybody. Corruption is a problem there too.

It was interesting to hear that there is a role for the private sector in all of this. It is not a matter of throwing money at it. The more money you throw at something in a cash sense the more likely you are going to encourage corruption and therefore the more counterproductive your effort is going to be. There is a resonance in the views that have been put that the government, through its ODA, can do those basic things that the private sector will not do—that is, provide basic health, basic education and probably in some places put in place a rule of law. We have been fighting with the OECD over a bribery agreement. The sentiment is right, but the mechanism is wrong.

There is a distinct role for the private sector. There are some things that the private sector will never do. As Mr Thompson and others said, there are some things that government probably should not do and it is a matter of getting those down together. It is a matter of recognition.

So you feel that I am not just speaking from a detached point of view, I point out that the Chamber of Commerce and Industry has several irons in the fire in the aid area. We contribute a number of people to the AESOP program. It was traditionally run from our organisation and is now run from a separate body. It sends retired business executives, especially from around the South Pacific, to, if you like, hold hands and give experience to those who are learning the ropes.

We take about 40 to 50 aspiring business people from east Europe and Russia each year. We bring them down here, host them through the chamber and put them out into businesses to teach them how business is done. As you can appreciate, a lot of people coming from Russia do not really want to go to the United States to learn how to do business. As was mentioned before, those who learnt English through Radio Australia have a high opinion of us, so we host about 40-odd of those people a year.

We are doing a lot of work in the Indian Ocean rim. It is very basic stuff, such as trying to show some of these developing countries how to do a customs document. You cannot trade your way out of poverty if you cannot get the paperwork right. You will not trade your way out of poverty if you do not understand international standards and conformance arrangements. Your best effort to export will come to a screaming halt.

There are about three or four other things we are doing. The last one, which AusAID will probably be aware of, is that we are attempting to develop a regional group of chambers of commerce around the South Pacific. It is like training the trainer. We propose to bring about a dozen to 15 of them to Australia on short-term placements and put them into business and our chambers so they can learn how to do it themselves. As I say, we have a self-help focus.

I will go back, if I can, to policy coherence, which is an interesting idea. There seems to be a lack of synchronisation between aid policy and trade policy. On the one hand, we have an aid policy that says, 'Get into self-help. We'll train you and help you,

we'll give you lots of money, so you can grow your industries, your firms and the like.' Then whack! As soon as you get to a certain level of development, you get a lot of tariff barriers and non-tariff barriers. So we are patting them on the head at one time—we are encouraging them, because they are doing the right thing—and as soon as they are ready we go along and kick them in the crutch.

We need to obviously look at how some of the World Trade Organisation processes can better help some of these people. Can we liberalise our trading environment so that when they are ready to help themselves, rather than having a handful of cash, we say, 'Trade your way up'? As Peter McCawley said, it is part of the growth strategy.

In fact, one of the ideas which we are toying with at the moment—and we will put it to the Simons review—is a multilateral agreement on foreign aid. What sort of global rules base system could one put in place that would help the aid program globally? How would that dovetail in with some of these aid and trade issues? We do not have any answers at the moment, but we are toying with it.

I totally agree with Peter McCawley on growth. For a lot of companies, globalisation is their best chance. How do they get their place? That means liberalisation. I agree with Jeremy Hobbs about the NGOs and SMEs. In fact, commercial opportunities have already presented themselves, and we will have a chat to him about how commerce can follow the missionaries into the darkest parts of Africa and make mutual benefit.

He has already alerted me to several opportunities. In the true spirit, I have advised him that if he negotiates carefully he could get a percentage cutback for his own organisation. I might charge him a fee for the rest of the details.

I guess the last two points I would make are on the corruption question. We heard a lot before about the quantity indicators—that is, we have to meet this or that level of GDP. I then married that up with the question of corruption and other issues. One of the things I would like to lay in front of Mr Simons and his colleagues is this: of every dollar that goes out in aid, how much actually lands on the plate in front of the recipient? If we have a dollar in aid and 15c lands on their plate, what happens to the other 85c? Does a dollar go out and 30c land on their plate? What happens to the other 70c? Where does it go? Is it administrative costs? Is it miscellaneous expenses? Is it graft and corruption? Where is it lost?

I guess, if we are looking at increasing the benefit to the final recipient, we do not go after doubling 0.3 to 0.7 of GDP. Maybe we say, 'Why can't we turn 15c into 30c, or 15c into 50c?' We should close that wedge between what goes out and what lands on the plate in front of them. I do not know the answers to that. Obviously others might have a better guide.

The final point is the question of a Tobin tax. That to me is total glue sniffing.

Quite simply, the idea of taxing international financial transactions is the loopiest idea I have heard in a long time. The greatest advantage to any developing country would be to say, 'Everybody else go and do it. We'll be the one who stands out. We won't have any tax,' and you watch the global capital markets race off to that country. Whether it is Botswana, Surinam or the Cook Islands, they will be there like a shot. I would suggest that, if the Australian government wants to talk about a Tobin tax, they should encourage everyone else to do it and then stand back at the last minute and say, 'Not us,' and watch the capital markets beat the track to our door.

**Mr ARMSTRONG**—I think that is the first time I have heard Jeremy referred to as a missionary. In introducing John Wurcker, I would like to put in a plug for him. John is an example of a roundabout way of achieving your objectives in the Australian Volunteers Abroad program. John was a volunteer with us in the mid-1980s. He is now the Managing Director of Hassall and Associates.

**Mr WURCKER**—I have been asked to speak on the links between business and aid. As the head of a consultancy firm which works closely with AusAID in the development and delivery of Australia's aid program, I welcome the opportunity to discuss our experiences and express some views on the program. I would like to begin by outlining the contribution that consulting firms make to the program, then move on to some comment on the future direction of the program and finally comment on a particular area of concern relating to the criteria for selecting contractors. I do not claim to speak on behalf of the consulting industry as a whole. However I did take the opportunity to obtain comments from other consulting firms on the issues I raise.

Since the 1960s, AusAID has used the private sector to implement a large proportion of the Australian aid program. Hassall and Associates is one of a number of specialist Australian firms which supplies AusAID with the necessary expertise to staff and manage the often complex development projects which are the foundation of the aid program. Most of these firms are small to medium sized private sector businesses. For example, my company employs 80 permanent staff and around 30 to 40 specialist subcontractors in providing services internationally and across eastern Australia.

Over time, the consulting industry has to adapt to the changing needs and priorities of AusAID. For example, after initially establishing ourselves as rural development specialists, Hassall and Associates now works across a wide range of fields covering nature resource management and conservation, and community development, including poverty alleviation and community health.

The consulting industry has also diversified into the international marketplace. For example, from an almost total reliance on AusAID for international work, Hassall and Associates now derives approximately 50 per cent of its overseas work from other sources. By way of a couple of examples, in Yemen we are currently undertaking a major marine and coast resource assessment for the UNDP. In Uganda we are rehabilitating and

privatising a major factory producing low-tech tools and implements with UNIDO funding. In central Asia we are undertaking extensive work for the UNDP in the efforts to combat the Aral Sea disaster. In Uzbekistan we have been the principal advisers to a British company in the design and implementation of the first foreign joint venture in agriculture in that country. For the Asian Development Bank we are currently providing technical assistance in protected area management in the Philippines and in three community development projects in Indonesia and Bangladesh.

I just penned something in reply to the suggestion that we do not get a looksee into some of these multilateral organisations. By my count, over the last three years our company has lodged, mostly as a lead firm, 13 proposals for technical assistance projects with the Asian Development Bank. My count is that we have won eight of those. I think, if you are really willing to go out there and look for it, there is actually substantial opportunity. It is a bit harder for the procurement side but certainly I think on the technical assistance side there is plenty of work there for us.

One of the main factors in being able to win such work in this international competitive bidding environment is the experience we have gained implementing AusAID projects. I also believe that Australian consultants have the advantage of an international reputation for quality and cost-effective work. The expansion of the Australian consulting industry into these other markets is, I believe, a legitimate commercial spin-off from the Australian aid program.

Australian NGOs also play a vital role in the delivery of the Australian aid program and in fostering the strong reputation Australia enjoys within the international development community. They have a distinct comparative advantage in the delivery of small scale, grassroots projects. There is a growing number of partnerships between consulting firms and NGOs. In fact, some of the larger NGOs are establishing their own consulting arms to compete for larger projects. By way of example, Hassall and Associates are currently associating with a prominent NGO in the delivery of two large AusAID projects in China in the areas of poverty alleviation and women's health.

I believe that both NGOs and the consulting industry are primarily made up of people who have a commitment and enthusiasm to improving the conditions in developing countries. In fact we have a substantial interchange of personnel between NGOs and the consulting industry. As Bill said, I spent two years in Borneo as a volunteer some years ago. Also three of my senior staff are ex-ACFOA staff members, and very valuable.

Moving on to the direction of the aid program, I think it is both inevitable and necessary that political and commercial considerations will influence the aid program. However, humanitarian considerations must be the clear priority. Accordingly, as a company, we strongly support the government's stated priority of poverty alleviation and related activities. Australian consulting firms and NGOs have a strong reputation for delivering effective humanitarian and poverty alleviation aid, often in difficult and harsh

environments. I believe that the consulting industry is comfortable with the government's policy and is also in a good position to respond to the community development issues embodied in it. I would also see that much of this being undertaken in partnership and cooperation with NGOs.

I turn now to an issue that I do not think anyone has talked about in detail. One of the first tangible acts of the new government was the abolition of DIFF. I personally do not have a problem with the concept of DIFF. It has changed over time, but I still believe, as it has a major trade development focus, that it should not be funded at the expense of more humanitarian aspects of the program. The government has a number of dilemmas and hard decisions to make on DIFF. However, I hope it can hold strong on the principle that there are greater priorities in the aid budget, especially if their funding cuts are unavoidable.

Finally, I would like to briefly touch on a specific issue which I believe has the potential to affect the capacity of the consulting industry to consistently deliver successful projects. As service providers to AusAID, we are conscious that the success of a project is primarily determined by the quality of the team and the project management support that this team is given and that this success can be jeopardised by even a marginal decrease in quality. Accordingly, it is imperative that AusAID's selection procedure for contractors does not negatively impact on the quality of teams in project management.

In the latter half of 1994 AusAID introduced a 30 per cent price component into the evaluation process of contractors. The introduction of this price component of contractor selection has certainly produced a number of benefits. It has focused contractors on the need to ensure that project management and implementation systems are both efficient and cost-effective. It comes back to this area of accountability, which does not just apply to the NGOs. We certainly also have to be accountable for the aid dollar that is delivered through us. However, I think there is growing concern that in its present form the price component is increasingly becoming the determinant factor in contractors' selection and there is the potential for detrimental effects on the quality of projects.

I believe that price should remain an important factor in the process. However, I think that a review of the process could come up with some useful modifications which would ensure that the quality of projects was not jeopardised. Through my contact with other consulting firms, I believe that if AusAID were to conduct such a review they would receive a very high degree of cooperation and participation from us as contractors.

In summary, I would like to reiterate my support for the government's stated priorities and objectives for the aid program. I believe that the consulting firms and NGOs who currently implement much of the aid program on behalf of AusAID are already well prepared to make a success of the initiatives outlined in the government's policy. I believe that Australia has a strong and internationally competitive consulting industry. I look forward very much to being part of a vibrant and effective Australian aid program.



**Dr BLIGHT**—I agree with the points you mentioned, John. Just to make sure I have understood them, let me restate their position.

**Mr ARMSTRONG**—We are listening carefully.

**Dr BLIGHT**—We have got to keep it simple. We are making it far too complex. Along with one or two other people in this room, I was an unsuccessful applicant for Trevor's job.

**Mr McCAWLEY**—Denis, there was a 30 per cent price loading.

**Dr BLIGHT**—In that case I definitely should have joined. However, at this time of the afternoon, I am pretty happy I didn't get the job.

We have to keep it simple. Aid is about development, and the more we cloud and confuse that with other objectives and priorities, the harder we make the task. Other benefits will follow. Trade benefits will follow. But, if we try to distort the nature of the aid program in our design of activities to induce those benefits, we will not get them. Hassall and Associates is a very good example.

I was around in 1975 in the aid program when we started the process of contracting out to consultants. We did not do it because we thought that would give them trade benefits. We did it because we wanted to administer the aid program more effectively. Hassall and Associates achieved those successes. Of course, aid was important. Trade benefits flowed from that, but they were not built into the design.

The same applies to us. We are now a very successful Australian middle sized company bidding for Asian Development Bank projects. Our strike rate is not quite as good as yours. We got there because of our experience in the aid program. But that was never in the mind of Sir John Crawford when he set us up in 1969. What was in his mind was to do aid better. That is what we have got to be about. The other benefits will flow.

**Ms PHILLIPS**—I am from UNICEF Australia. I want to pick up on a comment from Mr Davis, who referred to aid fatigue and taxpayers and the foreign aid budget and so on. I also want to follow along with Mr Thomson's comment. I now need to reduce the big picture to something a little smaller, which is a little more relevant for my participation in this debate and review.

It goes without saying that Australia is going to reserve some of its budget for foreign aid. It is a policy imperative, and we are not likely to back away from that. The level of that foreign aid is really not something that this forum is determining or really has much of an influence on. So how that will either remain static or decline—or go up, with any luck—is something that is for debate outside of this chamber.

I want to look at something more fundamental; that is, do non-government organisations add value to the aid program? I think that is the question that this review needs to substantially focus on, because foreign aid is simply going to be there, from an Australian point of view. It is the NGO perspective of it that I am most interested in. Speaking as an NGO, I think NGOs do add value to the aid program. Although it is probably stating the obvious—my apologies if that is the case—I need to bring it down to something that is a little smaller and more manageable so that I can try to have some impact on the debate.

I think we can add value in two ways. One is by providing a capacity for the delivery of aid which, if the Australian government had to reconstruct or duplicate, would cost them a great deal more than their current aid budget. So they can piggyback on existing infrastructure that NGOs provide. That is a cost saving to them.

The second value that we add is in the multiplier effect. This multiplier effect works in two ways, in that we can engage the broader community. NGOs have for a long time been talking to their individual donors about the multiplying benefit that their dollar contribution on a personal level will make if it does win some triggering funds from AusAID, and there is a multiplier effect in their donation. That is a valuable contribution.

Similarly, the Australian government also wins in this scenario, because it is a small budget we are talking about. We are not talking large amounts of money. The Australian government contribution is enormously boosted when you add in the private dollar contribution from individual community members. So the NGO community is a multiplier for the Australian foreign aid budget. I think we sometimes lose sight of that relationship, and that is an important element of this debate.

From my point of view, we have to get beyond asking: is foreign aid a good thing or a bad thing, what is its focus globally, where are the numbers shaping up in terms of human development globally? I reduce it to: what am I doing, what is my agency doing, in this foreign aid implementation? But, I would have to say, providing capacity and adding a multiplying effect are two valuable contributions.

**Mr HOBBS**—I just want to touch very quickly on Brent's concern about corruption. Trevor, is it 80 per cent or 90 per cent of the budget that is actually sourced in Australia? Most of the money you are talking about is actually spent here, so it is a good argument for a bit more.

**Mr KANALEY**—Most of the Australian aid budget is spent directly hiring Australian contractors, consultants, NGOs or whoever to deliver particular activities. So the scope for corruption in the program is actually very small provided you have a high opinion of the Australian community. So the actual direct scope for corruption is limited because it is by nature a tied aid program. Other parts of the program go through multilateral channels such as, say, the World Bank and the Asian Development Bank. In

those cases there are very clear and transparent procurement practices also associated with their work.

I would be the last person to claim there is no risk of corruption in aid. There certainly is, and we put a lot of effort into looking into the risk of corruption. The bottom line is that the scope for the Australian taxpayers' money running off to a Swiss bank account is very small.

**Mr SINCLAIR**—Bill, I just wanted to look at those dimensions that we have not yet addressed. It is those that, in part, still worry me. When I opened I talked about some of those non-AusAID, non-foreign affairs concepts in aid. I am sorry that we have not perhaps introduced some of them. Brent was talking a while ago, and several of you have mentioned, the basic concerns we have in trying to alleviate poverty.

If you accept growth as part of them, you still have to look at primary health, education and infrastructures. If you look at those three, there have been a number of players from whom we have heard very little, although to a degree, Ron, you are representing part of them—the first universities. Our aid program really began post-World War II with the Colombo Plan. As far as I am concerned, we got far more value out of the Colombo Plan and educating those who went back to their own country who then became total disciples of the Australian thing in all its dimensions. Perhaps today that is recognised.

From that, the universities in their different ways had an enormous involvement. I remember when I first became involved in aid programs in the 1960s that people such as those from my own University of New England in the ag science and rural science field were very much involved in all sorts of programs in Indonesia. I do not quite know what has happened to them, whether they pulled out or not. They had an enormous liaison in the days gone by. Some of the work that you and Hassall—that is, the individual as distinct from the company—were initially involved in was those basic programs. The same could be said for state departments. I remember that a lot of the work we did in North Africa—in countries like Libya, for example—was done by the South Australian Department of Agriculture because they had experience in dry land agriculture that was almost unique.

We can then look at the health field. I remember years ago we seemed to have some excellent nurse training programs. I do not know whether we still do, but it was partly education related and was also very much hands-on at a lower level. They were teaching people so they could go back and start to develop health programs in their own countries and, again, almost educate the educators. In our discussions we have looked at contractors in general, particularly in this last section.

It seems to me that there are a number of people who still need to be looked at in terms of whether they have sufficient priority within the total package of AusAID. Some

of them might well be within other departmental responsibilities, but essentially, as far as I see, they are very much part of AusAID.

I opened by talking about Radio Australia. I think the work that can be done in education, and certainly distance education, through programs such as Radio Australia should not be dismissed. Again, you can query whether that comes under the AusAID umbrella or whether it ought to come under an education umbrella, but I think if you are going to look at the overall field you cannot dismiss it.

Then we get to infrastructure. One of the charts that was distributed to us shows the growth of Telstra. We were, I think quite properly, told by Russell that we ought to think about the billion plus a billion, and then you are starting to talk about real money. But Telstra has been a major player as a contractor. I am not sure, when we look at some of these major contracts, whether we look at the aid component and the fact that communications are so important.

I remember in days not so long ago that the best thing that ever happened to a lot of those developing countries was the introduction of transistors. Suddenly, people who had absolutely no contact with the outside world had a transistor and were able to hear another language, another voice, another culture and find out what was happening outside their own village. I wonder whether in our major international companies who are doing work, Telstra being in that general category—our mining companies are others—we should not try to see whether there is a relationship in the work they do and the contracts they are doing which might be able to extend and perhaps help achieve our objectives.

While we have looked at a number of dimensions, I think there are many others we have not addressed. Certainly, we have not had the time to do so, in part because we have been talking about the relationship between business and aid in this last session. I think there are quite a number of dimensions of the past, but there are also, particularly in the environmental field, many for the future that we have not addressed. I trust that when perhaps Mr Simons is looking at his review and when you and AusAID are looking at your aid packages you think of those other dimensions.

**Mr WURCKER**—The expertise of contractors such as our firm is in project management. That is where our value is to the aid program. I talked about partnerships with NGOs, but our partnerships are across a number of types of organisations. At the moment for AusAID we are implementing quite a large project in Hainan Island in China, helping them develop their land information management systems. We are doing that in a partnership with the Department of Land Administration in Western Australia and with the University of South Australia. Our expertise is in bringing the people together, be it from NGOs, government departments or universities. There is not so much the opportunity yet for partnerships with the general business community, but certainly a lot of our procurement goes that way.

**Dr ROSS**—I would just like to add to Mr Sinclair's list another perspective that has been left out. As we know, the way we see the world is largely formed by where we get our information. I think one of the advantages, to add to Gaye's list, of NGOs having an additional perspective is that we work directly with organisations that represent the poor, who are supposed to be the recipients of Australian aid in developing countries. Their perspective is often quite different from that of governments or the organisations that lent Peter McCawley his perspective when he was at the Asian Development Bank.

It is also often the case that governments in developing countries, and in others, do not essentially represent the perspective of the majority of their subjects. I think it is very important to add to the picture of aid those perspectives of the multitude of non-government organisations and community based groups in the developing countries. At international meetings that we attend, which they also attend, the perspective that they present about the cost of rapid economic growth to the people at the bottom of that society does not reinforce the view that economic growth is the be-all and end-all of everything.

**Mr ARMSTRONG**—Thanks, Edna. We will take a break now for 10 minutes. Then we will come back for the final session. I am sorry, I know there are a number of people who want to speak. We will try to fit everyone in.

### **Short adjournment**

**Mr ARMSTRONG**—To commence the final session, it is an opportunity for people—we are not going to pull together the discussion—to feel they have had a chance to have a say. Firstly, I would like to introduce the chairperson of the AusAID Review Committee, Dr Paul Simons.

**Dr SIMONS**—After a session like today, it is always rather tempting to put yourself over as an instant expert. I learnt a very long time ago that it is very much better to listen. Certainly, for the first half of the period that we have to do such a review or any exercise of this sort, it is very much better to listen and to hear everyone's opinion quite carefully before expressing any sort of opinion. So I am not going to say very much. Anybody wishing to catch the 4.15 plane will have ample time.

I found today to be very interesting, being a newcomer to the aid scene—I will not say the aid industry because that is not correct—and having met so many of the people that are playing an important role in the delivery of aid as part of the Australian aid program and others from the NGOs who play an important role in raising much of the money that goes in that direction.

The committee that I have been asked to chair is quite a small one. We are lucky to have here today Gaye Hart—Gaye could not be here this morning, she had a commitment in Sydney, but she came down on the plane at lunchtime—who is a member

of the committee. She is a director of the Hunter Institute of Technology and a former executive director of UNICEF in Australia. Therefore, Gaye brings some understanding of aid to our small committee.

The other member of the committee is Professor Cliff Walsh, who I believe is well known to quite a number of you. Cliff is from the South Australian Centre of Economic Studies. Peter, you would be pleased to know that we have an economist. We have a humanitarian, we have an economist and we have a retailer.

I was interested in Senator Harradine's comment outside while I was having coffee that the Hyatt was going to charge the committee \$2 for three biscuits. So the committee sent one of its members down to Woolworths, and I think you did quite well there. It is a lot better than \$2 for three, isn't it, Brian? Thank you for that bit of extra business. There is no conflict of interest, is there? No.

As I have said, the committee is a quite independent one, made up of quite independent people. The review is to be a wide ranging exercise, looking at the overall priorities, objectives and focus of the program, and examining how the program can best contribute to sustainable poverty reduction while also serving Australia's interests.

Copies of the terms of reference are available from the AusAID secretariat for anyone who is interested. They cover the policy context for the aid program, the geographic and program focus and the most appropriate aid delivery mechanisms. The terms are broad. However, the time frame is only six months. So we are going to have to work quite quickly. We hope to be reporting our recommendations to the minister, Mr Downer, early in the new calendar year.

We are not to make recommendations on the volume of aid—how many dollars or where the dollars come from. We are simply looking at what we consider to be the best ways of delivering aid to those projects which are in the interests of the poor and also Australia's interests.

There are many issues to address. The key issue is to establish a clear statement of objectives, which Trevor alluded to when he was speaking earlier. We need a clear statement of objectives for the Australian aid program. Obviously, a lot flows from this before we determine clearly what those objectives are. So far in the committee's deliberations the question of objectives has been quite widely discussed. There are plenty of opinions on what they ought to be. We will no doubt continue to deliberate throughout the process.

We have already had some meetings with people from the World Bank, including Mr Cheetham, who passed through recently. We have met with a representative of the International Red Cross who was here. We met Ms Chen from the United Nations fund, who is delivering aid in southern Africa. I have had a meeting with an Indian auditor

appointed by the Indian Home Affairs minister, who was auditing NGO activities in India. He was very interesting. We met only for a couple of hours. He did not have time to tell me everything. It was quite interesting to obtain from him where he thought aid would be most useful in that country, which has a very large percentage of the total number of poor in the world.

The process that the committee is following in this review is one where we hope to achieve as wide a range of consultations as possible, given the time that is available. We are seeking inputs from both within Australia and internationally from those with an interest in the future of our program. To this end, the committee advertised for submissions in the national press on 6 July. Submissions are to be received by 6 September. We chose that date because by then the budget will have been brought down, and that will probably tell us the amount of money that is allocated to aid. So that will take one of the questions out of the discussions that follow. We have also sought, via our overseas embassies, inputs from aid recipient authorities and from multilateral and regional aid delivery bodies.

Once the submissions have been received and considered by the committee, we will hold selective consultations with various organisations or individuals to follow up on some of the issues raised. This will probably be in October. The committee will also take the opportunity to visit some of the key recipient countries of Australian aid in order to gain a first-hand impression of the aid program in the field and to consult with recipients.

The first trip will be to Papua New Guinea and the Pacific and Fiji and Kiribati, which will be from 3 September to 13 September. I will go on that and I will be accompanied by Cliff Walsh for the first part. Then Gaye, who has a commitment in the United States with the disabled olympics people, will be back and will join us for the second part of the trip. In November we are planning a similar visit to some of the recipient countries in South-East Asia.

So far in the process, there has been a high level of community interest in receiving copies of the terms of reference for the review, but we have no way of knowing the number of written submissions that we may actually receive. When the Jackson aid review was done 10 years ago, they received 422 submissions, which is a lot of paper and a lot of talking, I guess.

I have outlined the nature of the aid review task and indicated the process that the review committee intends to follow. I have not commented on the major issues that the committee will be considering in this process, and nor will I during the review period, as this would not be appropriate. The review has been commissioned by the minister and we will be making no comment until the committee has finalised its report and submitted it to the minister.

It is rather like in business: if one is commissioned to do something by a company,

then you keep it to yourself and hand it to the person who is paying the bill. The report will go to the minister and then, of course, it will up to him to decide what he wishes to do with it. That is pretty much all I want to say at this stage. I would be happy to answer any questions as long as they are not serious.

**Mr BRENT DAVIS**—What do you think of the performance evaluation? I have been through this ad nauseam with the productivity commission. A lot of it comes down to international benchmarking. Will you be looking at how other countries deliver their aid programs for guidance on how well we perform and how we could do it better?

**Mr SIMONS**—That is one of the things which the secretariat is able to assist us with. Whenever any member of the committee or I have asked for information on how this country does that or whichever, I find that there is a load of paper that comes in like this—barrel loads. They have an enormous amount of information at AusAID, all of which is very interesting in a review of this sort. There is no shortage of information or material upon which to benchmark. And I must say that the people in the department are very efficient too.

**Mr HEWETT**—I think that you visiting some of the recipient countries is excellent. You talk about receiving feedback from the authorities who handle the funds in those countries. Are you also intending to meet with representatives of NGOs and community based organisations who may be affected by some of the development projects that AusAID undertake?

**Mr SIMONS**—I understand this in the program.

**Mr ARMSTRONG**—If there are no more questions, we will move to open the discussion to anyone who would like to make some comments about any of the issues on the table today.

**Mr McDONOUGH**—This morning, when you opened up the discussion, you mentioned the partnership idea. I am not sure whether people here are aware of the term partnering, but it is a technique that is now coming in to Australia for service delivery type contracts. It was started in the construction industry and it was designed to remove the adversarial relationship between the client and the contractor. I believe what I have heard today—that is, that we are saying the same things in different words—may be facilitated by having a partnering workshop run by an organisation that has no axe to grind in this activity. There are facilitators who run these types of workshops. Bringing together the government, the NGOs and industry to talk about what the aims might be and where we are going individually and coming up with a concerted plan may help the Simons committee to arrive at some of these issues from an internal point of view. I do believe it would be worth while to get the group together and thrash out some of the things that have not been able to be thrashed out today so we can overcome this language problem that has crept in.



**Senator HARRADINE**—Prior to afternoon tea, Ian mentioned a number of things that we perhaps should look at as well, and I just want to add one more. It is in our interest—and, of course, in the recipients' interest—for developing countries be able to compete on the world market. People have been talking about that. I am just wondering whether we should raise the question about the appropriateness of the Australian government supporting patent and intellectual property systems which tend to require substantial payments in royalties by developing countries. I just throw that in as one of those extra things that might need to be considered.

**Ms HUNT**—I want to comment on the question Mr Sinclair raised about students studying in Australia. I think there is clearly a role for that in the aid program. The comments that NGOs have made about that show that the bulk of our education aid has been in that area—it is overwhelmingly so. About 95 per cent or more of our education aid has been of that nature.

The evidence is very clear internationally that the best educational investment in return to development—both economic and social returns in terms of improved infant health and so on—is the education of women, particularly education up to at least the primary level. Taking into account some of the things that Trevor said, I know that sometimes the developing countries are dealing with that themselves. In other cases—and there are a number in our near neighbourhood—there are still clearly huge gaps in literacy, particularly where women are remaining illiterate.

I think you have to balance off what proportion of the educational aid goes into that tertiary sector. There is no question that there is a role for that when developing countries do not have the necessary facilities and expertise. Indeed, there are opportunities for Australian tertiary institutions to develop partnership arrangements with institutions in developing country, and that can be very valuable. We should be strengthening the institutions in the developing countries.

We have been concerned with the balance of that. About 1.5 per cent of our aid is actually primary education. I do not know what the current figures are, but about 12 to 15 per cent of the total aid program is in tertiary education—at least 10 per cent anyway. That is the issue; it is about balance.

**Mr ROLLASON**—Monash University has now opened a campus in Malaysia. So the whole development of relationships that began with the Colombo Plan with students coming to Australia has gone a considerable number of steps further. The comment that I raised my hand about and wish to point out is that I have recently been to the World Bank looking at how to find one's way into winning some of these enormous, juicy contracts that they keep telling us about. Having been to all the AusAID seminars where I have been told about these billion dollar carrots, our modest little company thought, 'Well, we ought to go looking for some of these carrots.'

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. That is principally because the World Bank is based in Washington. The big money is in the loan, but there is a whole lot of preparatory stuff in the early stages. If you really want to have a chance at the loan, you have got 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 do not 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 actually 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.

We have used Austrade extensively, and I have no criticism of Austrade. The dilemma is in how the information flows about these opportunities that are there. It is Australian money that has gone to the World Bank for development assistance, and Australian consulting companies clearly are not winning what might be considered their fair share of the contracts that emerge from the bank. It is an area where there are a lot of expectations by the Australian government, and they seem fair and reasonable to me. But there sure is a heck of a lot of dilemma about how Australian based companies can access something which, in the early stages, is Washington driven by people that are fairly inaccessible. So, apart from it being a nepotistic, personally driven system, I must admit that it is quite often.

There are a whole lot of questions that I cannot go into in detail now. I think there are some real dilemmas on how Australians get involved in the delivery of multilateral assistance, particularly from the World Bank.

**Prof. DUNCAN**—I think that is a very naive way of looking at things—to say we have got 11 per cent being spent on tertiary here and one per cent on primary there—but we should balance it, in some sense. I think what Trevor said previously was the right way to look at it. The amount of money that has to be spent in a primary education sector is so large relative to any reasonably sized country with respect to the AusAID budget. We could hardly hope to make any impact in a primary education sector, except, say, in one of the small South Pacific islands. So it is really a matter of where the best place is to spend the dollar. Basically, I think if you put it into the primary sector it is so trivial that you are not going to make any difference, whereas if you put it into the tertiary sector and train a few people at a high level you make an awful lot of difference.

**Ms HUNT**—The question is: what is making the difference? I do not know that there has actually been an evaluation of the difference that is made by tertiary education. I am not quibbling that there is a need to have opportunities for tertiary education in the aid program. But there is plenty of evidence about the difference that is made through primary education.

You have said 'Maybe in some of the smaller Pacific countries'. Well, why not in some of the smaller Pacific countries? They are our immediate neighbours. We have got very high illiteracy rates, particularly for women, in some of the Melanesian countries. Why don't we have a go at tackling it there? Sure, we might not be able to take on India, but let's take on some of the smaller countries and really help make a difference in those countries. That is the sort of thing that I think we really could do. We can mix it with the tertiary, because we can help with the training of the teachers. It should be a package. We could really make a difference.

We are being asked to demonstrate to the Australian community that this aid program can make a difference, can actually change indicators. That is what will get us a broad constituency in this country for foreign aid. We have to admit that, even though we can trot out the statistic that 60 per cent want the same level or increases, there is a degree of cynicism. There is certainly declining political support. We have witnessed that in the last few months. We have to address that. We cannot go on with the same aid program.

**Ms YOUNG**—What does make the difference? Has this meeting made any difference? I would like to ask a question about process. We have heard from Paul Simons about the aid review, and it is great that that is happening. I know Janet from ACFOA will get us all together so we can discuss what has happened here. What have the members here of the joint standing committee got out of this meeting? What are you going to take away? Are you going to meet again? What are you going to discuss?

**Mr SINCLAIR**—I was going to sum up at the end of the proceedings by explaining that we will get a *Hansard* record of this meeting. Copies will be sent to each of you who have made a comment and you will have an opportunity to check what is there against what you believe you said. We will hopefully consider the proceedings within our committee. We will look at the comments and see whether or not we table them in the parliament as is, whether we want to add to it or whether we want to offer views on it; but that is a matter for the committee to consider.

So it will be presented to a meeting of the full committee, which I should explain consists of 32 members of both houses of all parties. It is quite a significant committee in its size at least. We will consider whether it should have any comment added at the time it is tabled. I would hope that at least it would be tabled and probably discussed in the Main Committee of the parliament, which is a room about this size and is a second chamber where we have the opportunity for some parliamentary debate.

That tabling will, of course, be after the budget. The budget session commences on 20 August. It cannot therefore be tabled, nor would we consider it, until after the budget has come in. I expect that we will have an opportunity within our committee to consider it and probably to table a volume which will consist of those comments that have been made here and then there will be an opportunity for us to talk to it within the parliament.

**Mr KILBY**—The Australian aid program for the last three or four years has been making some rather definite if not tentative steps in the direction of moving the program to basic education. One of the things which has come out of the *Human Development Report*, which was released a couple of weeks ago, is that there appears to be a lag between cuts in expenditure and basic education and equity and growth indicators. That lag is about 10 years, which sort of makes sense.

It is a bit glib to say that we need to focus on what we have done or the niche which is tertiary education. I think real issues in primary education are emerging, and will emerge over the next decade. Australia can make a difference in little countries, also in big countries and in certain regions of big countries.

So I think an important part of this aid review should be a look at how we can make a change in that basic education area. That does not mean sending thousands of primary school teachers off somewhere. It is about strengthening the capacity of countries to deliver that. The big issue in the next century will be basic education, the impact the decline that has occurred since the mid-1980s will have on the future and growth of those countries.

**Dr KWARTENG**—I am sorry Brent Davis has gone, but I want to comment on the role of business in the aid program. This is just picking up something Jeremy mentioned earlier about good global citizenship, corporate business being good global citizens. It is all very well for us to expect the Australian government to be good corporate citizens in the world and to contribute to the aid program, but is it totally unrealistic, for example, to expect a business which is—to use not a very popular word—exploiting natural resources in a particular country to actually contribute to the development of the area that they are working in?

It makes perfect sense to contribute to the development of people wherever they are working in the basic social development of education and health. I would really like to hear from businesses as to how they see their role in that kind of development in the countries where they are actually working.

**Mr ANDREW THOMSON**—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.

In every country where we deliver aid, there is a sovereign government. The more that we as a donor try to prescribe for our individuals or companies, the less it allows, if you like, those governments to make their own decisions about what should and should not be developed. Provided that there is some reasonable connection between the needs of the people and the government that governs them in these recipient countries, we feel it is up to them to decide what should be developed and where—rather than companies or

individuals doing business in those countries doing it for them.

**Mr MORPHETT**—I have listened to these comments and I am starting to think I am living in the wrong world. I am a contractor to AusAID. I find that they have pushed village and community education, although I would not use the term primary education. They have pushed formal education. They have pushed short courses in rural development, in women in developing countries and so on. They have made us do it in Australia, and they have made us do it overseas. My only view is that they think they are probably balanced. I am only worried that they are going to cut the education vote and cut this out.

I say that because it takes a long time for education to stick—a long, long time. We are in fact in two countries and, because we have educated people at all levels, and credibility, we are involved in writing policy documents for government. That is happening in two countries right now. We do that, although I do not know whether we are allowed to. This is what education does over a long period of time, but you have to do it at all levels, by all genders and, by all means, in country and out of country. I cannot go back into history, but my view at the moment is that AusAID has a reasonably good balance.

**Ms HART**—I do apologise that I was not able to join this group this morning. If it was like this afternoon, I am sure it was very beneficial. Being part of the Aid Review Committee, one thing that is very clear is that in the decade post-Jackson there has been this enormous global change. That is stating the obvious, I suppose. The implications of that global change—whether of poverty alleviation, environment or security issues—will probably take more of the review team's time than any other single matter.

As the issues have changed over that decade, so too has the debate. So we really have only a few remaining vestiges of the old aid versus trade debate—but those vestiges do remain. We have them in an informed group like this. When you move outside this group, and I think this has struck me more than anything since the review began its work, you become very aware that the average view of the average community representative—if there is such a thing, and I am sure the Simons committee does not intend to survey them—has not changed dramatically. The old issues are still the issues that are uppermost in the minds of most people. What concerns me is that that is the public perception. The public perception becomes very important because it does have, I understand, quite an influence on the political considerations and on the amount that goes into aid.

One of the things that is outside this room and outside this forum is the real challenge of—whether you are a consultant, whether you are an NGO, whether you are the aid review or whether you are a politician—how do you actually bring about that change in community perception, and people's perceptions, within Australia? Without having an understanding of that, I do not believe that aid can do much to facilitate people-to-people communication between countries.

If the debate is to go forward, that question of community awareness and developing a better information base out there—particularly if we are looking for additional community support for what Gaye Phillips referred to as the multiplier effect—is going to be absolutely crucial to Australia's role in aid in the next decade.

**Mr DOUGLAS**—I was heartened to hear Paul Simons lend some emphasis to the fact that the review will be conducted with a notion that there would be some benefit accruing to Australia. Certainly we have not discussed it very much today, but I think the role of overseas aid and benefits to Australian business are not necessarily incompatible. Certainly the Jackson report lent emphasis to that and I would not like to see us lose sight of that.

It is appropriate that Australian business be involved in Australian aid, and the challenge for us is to explore those areas where Australian business can meet the government's goals in providing overseas aid. Perhaps it relates to the gentleman from Transfield's concept of partnering in that process.

**Mr OVERLAND**—I just want to make a general comment which Ian Sinclair made just before we broke, and I spoke to him during the afternoon tea break about it. Aid is delivered through the aid stream, but aid might also be delivered through other streams of activity. It relates to the question here about what contribution can business make. I am mindful of, for example, the work which CRA did at Bougainville when, through education systems, they trained people to become fitters and turners, to become truck drivers and to become a whole range of things. They did the same thing at Kalimantan and Sumatra. White industries at Piparwar in India did exactly the same thing.

We have legal firms which bring people from developing countries into Australia where they sit in legal firms here and learn something about how we process the law. Banks do the same. Whilst you can argue that business is motivated by a commercial desire, it has the effect of delivering an aid program which does not cost the taxpayer a penny.

When Paul Simon and his group are writing their report, although they will not spend an inordinate amount of time on this aspect, I hope that they might at least acknowledge that aid can be delivered through other streams of activity—not necessarily motivated by that aid desire, but by other desires, and, nevertheless, you produce the same result at the end of the day.

**Mr HASLAM**—I am from Coffey MPW Pty Ltd. We are a public listed company with about 300 employees. About a third of our income is from international business. I have been involved in the development scene for about 23 years, 10 of which I lived and worked in Asia. I would like to endorse Ms Hart's comment about the perception of the public about aid generally and, comment on the support of the politicians in aid generally, and the importance of a forum like this for a truly informed debate. While there are strong

ideological differences which have obviously come out in the debate today, I find that one of the important gaps and one of the biggest ideological swings is quite often at the political level. We have seen this with the DIFF about-face recently. This kind of forum is very important to ensure continuity through the program. It is very complex, but there is great need also to keep the whole thing as simple as possible.

I would just throw in a couple of other things to think about. Our relationship with Indonesia is perhaps best described at present as 'constructive engagement'. Is there any scope for similar constructive engagement with places like Myanmar to influence what goes on? Finally, would it be constructive to compare our budget for ATSIC and the activities of ATSIC with our budget for aid and what we are achieving in each area? Thank you.

**Mr ARMSTRONG**—One last comment, Ian.

**Mr CURTIS**—I have been encouraged today I think by what has been a very good day all round. I think the debate has moved so much, certainly since Jackson, in the way referred to by Gaye. But I am a little mystified as to why we are still in so many areas at least positing an either/or situation. My understanding, I think from a reasonable degree of knowledge of the debate, for the last five or six years has moved towards a both rather than an either/or. I am a bit perturbed that we are still perpetrating—and for whatever reason, I cannot even begin to guess—the sort of false dichotomy that has perpetrated so much of our discussion today. That bothers me. I see it in primary health care, I see it in education. It is not either/or any more; it is both.

To me, the old trade aid, the old-growth versus trickle up, trickle down sort of stuff is old hat now. We are talking both. The discussion even about DIFF is more about balance than whether or not it should exist. I think we still have some work to do quite clearly in more and more of these types of discussions to make sure that we bridge what I think is a gap that no longer exists and move forward constructively.

I welcome the participation of business today. Business links are an interest of mine. Certainly I think we have a long way to go in that area. We have a challenge in the way we put the needs of both the Australian domestic situation and the overseas domestic situation to help Australian business understand that that is win-win all the way round.

Secondly, Gaye, I share your concern about perceptions. I was a little surprised. I think it was you, Janet, who this morning talked about one of the polls that showed that most Australians feel we spend twice as much on overseas aid as we do. That staggers me. In my 13 years of public meetings in Australia, I have only found one person in the thousands whom I have addressed over that period who believes that we spend more than \$50 million a year. Then when you tell them how much it is, suddenly the swing is away from, 'Well, I don't think we spend enough' to 'That much!' You get an absolute 180 degree turn.

It is only when you go on to help them realise that \$1½ billion really is not much compared to the \$45 billion spent on health, the \$1 billion we spend on ice-cream or the \$2 billion spent on the health industry. You have to move into comparisons to help the Australian public generally begin to come to grips with what government expenditure is as a whole. I think there still remains an incredible challenge for all of us to begin to help the public understand just what it is. I do not have any answers to that. We send out something like 200,000 magazines four times a year. In terms of survey work, our estimate is that 75 per cent of them never get read. So how we do it, I do not know.

But there is a challenge there for all of us to begin to educate the Australian public as to what our aid program is, what it does and the fact that nearly 90 per cent of it gets spent in Australia anyway, instead of this old 'charity begins at home' line. We need to work on that and, if we can find some magic ways to get that message across, I think we will have discovered the ark perhaps.

**Mr ARMSTRONG**—Thank you, Ian. In conclusion—and I will leave the final words to Ian Sinclair—I would just say thank you to you all for participating. In no way am I going to give you the answers as a result of today's dialogue. I think what we have done is begun something which is very special in the Australian aid community—and I think I will leave it at that word. We have begun to talk to one another. There have been a few bumpers bowled, and that is important.

I think the important question now is the one that Marguerite asked before: where do we go from here? We do not want to drop the ball at this stage. A number of us have a responsibility to pick it up and keep going. We have the standing committee's ongoing work. We have the review committee, of course. We have Don's suggestion about partnering and working together much more. A lot of these ideas have been put forward.

I think the most important thing out of this is that the various sectors of aid and development and those concerned and interested in the whole question sit down and talk to one another more and have the chance to be quite honest with one another about what we think we are trying to do. Quite often in the aid field we all think we know what we are trying to do, but we never tell each other what we think we are trying to do. So the starting point is too far ahead. We do not bother to really reveal to one another what it is we think we are doing. That is always a bit tough because it has an ideological edge or some personal edge to it.

I think we have begun that process here today. I just want to thank all those—the standing committee, Ian, World Vision, Community Aid Abroad, Joanne and all those others—who have made this possible. I have an image at the moment, Trevor: with those 12 horses you are trying to ride, you can actually sit in the back just at the moment and hand the reins over to Paul Simons, Gaye Hart and the other members of the committee and let them ride the 12 horses for the next few months and see if they can get them in step. If they can, then they can hand them back to you and let you take it from there. I



thank you very much everybody for participating and being here today. I hand over to Ian to say some final words.

**Mr SINCLAIR**—Thank you, Bill, and thank you everybody. First, I would just echo the thanks and say thank you to you, Bill, for chairing the meeting. I do not know that it will be that Trevor can sit back and have a pleasant ride in that chariot of his; I think the road still has a few corrugations, particularly as the budget comes down on 20 August and Paul's report does not come out until next year. On behalf of each of us in the joint committee though, I thank you all for making yourselves available and for making your contribution, and to Andrew, Paul Simons and Gaye for joining us. I think this is a subject which does require far more public exposure.

Gaye spoke of perceptions. I can tell you as a parliamentarian that there is still a large number of people out there who wonder why we are involved in foreign aid at all. Particularly when there are alternative areas of expenditure, the questions rise: why should money, whatever its percentage, be spent other than on our own domestic requirements? There is a selling task to be undertaken, as Ian Curtis has said. I think it is important that there be as wide a debate as possible to allow people to understand the issues—and that, of course, has been part of the purpose of today.

The difficulty we have in our committee is that there is too little time to really study the full dimensions of the responsibilities we cover. I hope that we might well have other seminars or one-day forums of this type because they do allow, in a relatively short time, for dialogue, for exposure of views. Certainly we do not get to the same point we get to with a full inquiry. But whether it is in partnership, whether in relation to business and the NGOs, or whether in relation to NGOs and human rights, there are any number of subjects that might emerge from today that we could have a look at. But we will, without doubt, have a number of other one-day seminars of this type—and this has really emerged because of the success of the one that was held last year with respect to Africa which I thought was worthwhile.

As to where we go from here, I think it is important that the debate not finish—and that is really the final thing I want to say—that this really should be the opening not the end of the debate. I think it is very important for us all that there be a greater understanding of each other's perspective. From there, we might perhaps be able to deliver for Trevor an easier chariot ride than might otherwise be the case. I thank you all very much for your participation. To you, Joanne, and all those who have made it possible, I say a particular thank you because it has been worthwhile.

**Seminar concluded at 4.16 p.m.**