

CHAPTER 8

AUSTRALIA'S DEVELOPMENT ASSISTANCE PROGRAM

Introduction

8.1 Although not explicitly mentioned in the inquiry's Terms of Reference, it was apparent to the Committee that no inquiry into relations with Africa could ignore the question of official development assistance to that continent. The provision of official development assistance (ODA) is one of the most practical ways Australia can demonstrate its commitment to the Southern African region and its people, and make a positive contribution to regional security. It must be recognised, however, that Australia is a very minor player in development assistance terms, and therefore the aid must be well-targeted if it is to have the maximum impact.

8.2 The need for international assistance to Africa has been universally endorsed in submissions to this inquiry. In examining the social and economic indicators for Africa, it is obvious that great need continues to exist across most of that continent. By the year 2020 it is estimated that Africa will contain 50 per cent of the world's poor.¹

8.3 The countries of Southern Africa demonstrate a great range of social and economic conditions. It is unwise to generalise about the level of need in this sub-region; however, it is apparent there are enormous disparities across and within the countries of SADC. Of the 47 countries designated by the United Nations as 'Least Developed Countries' (LDC), six are members of SADC - Angola, Lesotho, Malawi, Mozambique, Tanzania and Zambia.² Mozambique has one of the lowest GNP per capita figures in the world (US\$90). Mauritius, South Africa and Botswana in comparison have per capita GNP figures of over US\$2500. Raw figures such as these however may be misleading. As AusAID representatives noted:

The problems in Africa are no more highlighted than in South Africa, a country with around 40 million people, 5 million of whom are whites, the majority of whom have an extraordinary high living standard. But...going into the black townships takes you into the worst conditions in the whole of Africa. You are dealing with incomes of \$US100 to \$US150 per person. You are dealing with people who do not have an education, a water supply, nor any health services.³

1 World Vision Australia, Transcript, 29 September 1995, p. 198.

2 United Nations, *The Least Developed Countries 1996 Report*, p. 31

3 AusAID, Transcript, 25 August 1995, p. 45.

The need that exists in South Africa, the most developed of SADC countries, is further illustrated by statistics that show that white South Africa ranks 24th in the world in terms of standard of living; black South Africa is listed as 123rd.⁴

8.4 Submissions to the inquiry identified a number of common social problems across Southern Africa. These include problems associated with urbanisation, populations that are young, semi-literate and un- or under-employed; inadequate housing; low life expectancy compared to western countries and the growing incidence of HIV/AIDS. Table 8.1 sets out some of the common development indicators for SADC countries.

Overview of assistance to Africa

International assistance

8.5 Global ODA has declined over recent years. As this Committee noted in an earlier report:

Global Official Development Assistance (ODA) declined in 1995, continuing a trend that had been consistent throughout the eighties. In 1982-83 ODA stood at 0.35 per cent of donors GNP. In 1995 it was 0.27 per cent. In 1995 aid fell as a proportion of GNP in 14 out of 21 DAC member countries....The principal factor affecting this decline has been the world economic recession of the 1980s. Budget stringency has dominated Western governments' economic policies throughout the period. However, changed political circumstances and competing demands have contributed significantly to the inability or unwillingness of countries to maintain ODA...⁵

8.6 In the 1996-97 budget, the Australian Government has allocated \$1.45 billion to development assistance, a reduction of approximately 10 per cent on the previous year. The Minister for Foreign Affairs noted that:

...the ratio of aid to GNP in 1996-97 is expected to be lower than in 1995-96. Even so, Australia's aid, as a percentage of GNP, will remain above the 1995 weighted average (0.27%) for donor countries which are members of the DAC...⁶

8.7 In examining Australia's ODA/GNP ration from the early 1970s up to the present, there has been a gradual but steady decrease from 0.55 per cent in 1969-70 to 0.29 per cent in 1996-97.⁷ Even though Australian ODA may be above the DAC weighted average, it is still far below the UN ODA/GNP target of 0.7 per cent.

4 *The Economist*, 20 May 1995, p. 3.

5 JSCFADT, *The Australian Aid Program: Report on Proceedings of a Seminar, 31 July 1996, Canberra*, pp. 2-3.

6 Downer, Hon A., *Australia's Overseas Aid Program 1996-97*, 20 August 1996, p. 10.

7 *ibid.*, p. 66.

Table 8.1 Development Indicators - SADC Countries

8.8 ODA to Africa too has declined in recent years. In addition, the ratio of aid given for emergency relief to that given for ongoing development programs has altered, with more aid now being channelled to emergency relief situations. With a smaller total amount, this has meant that less funds are available for development programs.

8.9 Major donors to Africa are France, the United States, Germany and Japan. Total net ODA, including bilateral and multilateral contributions, to sub-Saharan Africa in 1995 was estimated to be US\$16.9 billion, up slightly from US\$15.4 billion in 1994.⁸

8.10 The Secretary-General of the United Nations announced in mid-1995 that he was setting up a steering committee to 'develop further practical initiatives' to maximise the UN system's support for African development and to raise Africa's prominence on the international agenda.⁹ In March 1996, the United Nations announced a 'special initiative on Africa', whereby it will seek to raise US\$25 billion from the World Bank, donor countries and other sources over a 10 year period. The initiative will fund programs in education, health, food security, governance, sanitation and peacebuilding.¹⁰

8.11 Australian aid to Africa (in 1996-97 A\$105.6 million) is minimal in terms of the total aid flows to that continent, with Australia's contribution being less than half of one per cent of total bilateral funds. United States assistance to South Africa alone in 1996 was US\$122 million.¹¹ It is important therefore, that with little hope for additional expenditure, that the focus of Australia's aid is examined and in this context the percentage of Australia's ODA going to Africa be assessed against the competing demands of other regions. While the Committee acknowledges that it is unlikely that the total amount of Australian ODA is unlikely to increase significantly in the foreseeable future, the Committee believes that the target of 0.7 per cent of GNP should remain.

8.12 The Committee recommends that:

26. Australia reaffirm its commitment to the target of 0.7 per cent of GNP for official development purposes.

Australian assistance to Southern Africa

8.13 Australia has provided development assistance to countries in Africa since the 1960s, both for development projects on a bilateral basis, as well as emergency and humanitarian assistance. The nature and extent of Australian assistance to Africa has undergone periodic review. Major changes arose as a result of the 1984 *Report of the Committee to Review the Australian Overseas Aid Program* ('the Jackson report') which recommended that Australian aid should be more geographically focussed and that Australia should wind down project aid activities in countries outside the Asia-Pacific area.¹²

8.14 Following the Jackson report, there was an attempt to focus the bilateral program on a narrower range of countries, shifting away from project aid, and transferring resources to activities such as food aid, training research, technical assistance and aid through non-

8 World Bank, *World Debt Tables*, 1996, Volume 1, p. 170.

9 *African Recovery*, United Nations, Vol. 9, No. 1, June 1995, p. 24.

10 *Canberra Times*, 16 March 1996, p. 10.

11 'US Foreign Aid Priorities in 1996', in *USIS Washington File*, 21 August 1996, p. 11.

12 Exhibit No 13, p. 2.

government organisations. At about the same time, the Government's development assistance program to Africa shifted to the member countries of the then Southern African Development Co-ordination Conference (now SADC). Overall Australian aid budget cuts in the late 1980s also resulted in a reduction of bilateral aid to east Africa.

8.15 In the 1980s Australia established two special funding programs - the Special Assistance Program for South Africans and Namibians (SAPSAN, later SAPSA following Namibian independence) in 1986; and the Southern Africa NGO Participation Program (SANGOP) in 1987. SAPSAN was aimed at providing assistance to South Africans and Namibians disadvantaged by apartheid, both within and outside of South Africa and was allocated \$41m between 1986 and April 1994. SANGOP provided multi-year funding for community health and agriculture projects.¹³

8.16 In 1992 a review of AusAID's NGO programs in Southern Africa was undertaken ('the Macphee report'). That report recommended that better targeting was required to ensure the effectiveness of NGO programs; supported aid to countries which had some historical or geographical relationship with Australia; and recommended that Australia assist Commonwealth countries and countries on the east coast from the Horn to Southern Africa, and also the small island states of the Indian Ocean. The report supported the emphasis on projects in agriculture and health, and supported continued short term food and other humanitarian aid, as well as envisaging a larger role for NGOs in Africa. Key recommendations of the Macphee report were outlined in the November 1992 ministerial policy paper *Changing Aid for a Changing World*. Subsequent budget restraint resulted in only partial implementation of this program.

8.17 With the end of apartheid in South Africa, Australia announced a \$30 million, three year program for South Africa.

8.18 In 1995-96 Australia provided approximately \$104.7 million, to some 30 African countries through direct bilateral development assistance, refugee and emergency aid and indirect assistance through various agencies and programs. Development assistance to Africa will be maintained at these levels in 1996-97, with an allocation of \$105.6 million. If imputed multilateral assistance is calculated and added to resources directed to Africa, approximately 12 per cent of the total Australian aid budget is directed to that continent.¹⁴ In comparison, Canada gives nearly 50 per cent of its aid to Africa; the Scandinavian countries between 60 and 70 per cent.¹⁵

AusAID's new policy framework

8.19 Following a detailed review of the Australian development assistance program to Africa, the then Minister for Development Cooperation and Pacific Island Affairs, Hon Gordon Bilney MP, released a new policy document, *Australian Aid to Africa: a New Framework*, on 16 August 1995.¹⁶

8.20 The new program concentrates development assistance on a narrower range of countries, predominantly in Southern Africa. The new framework assumes current levels of

13 *ibid.*

14 Downer, Hon A, *op. cit.*, p. 45; and Exhibit no. 67, p. 14.

15 World Vision Australia, Transcript, 29 September 1995, p. 204.

16 Exhibit No. 67.

Australian funding for Africa will be maintained, and focuses development assistance on Southern Africa 'in recognition of the relationship already established between Australia and the countries in the region, and of the considerable progress being made in political and economic reform.'¹⁷

8.21 The program consists of five categories, and the categories of recipients are divided into two types: country focused assistance and other assistance. In brief, under country focused assistance there are three categories:

- Category A: Country program recipients: South Africa, Zimbabwe and Mozambique. Indicative funding of \$20 million per annum. These three countries will form the core of aid to Africa and qualify for the full range of Australian assistance. A further allocation of some \$5 million would be available to fund activities designed to address regional problems.
- Category B: Reconstruction and reform recipients: Horn, and eastern and southern Africa. Indicative funding \$2.5 million per annum. This would be available for low-cost initiatives which would encourage nation-building in those countries with a demonstrated commitment to political and economic reform. Recipient countries would receive forms of assistance which were not administratively intensive, eg. the provision of election monitors or constitutional advisers.
- Category C: Training Aid recipients. Botswana, Ethiopia, Eritrea, Kenya, Lesotho, Malawi, Mauritius, Namibia, Seychelles, Swaziland, Tanzania, Uganda and Zambia. In addition, some of these countries may receive assistance under Category B, and Category A countries also receive training assistance. Indicative funding: \$10.5 million per annum.¹⁸

8.22 Under 'other assistance' there are two categories:

- Category D: Non-Government Organisations. Indicative funding \$5 million per annum.
- Category E: Humanitarian Relief. Potentially available to all countries in sub-Saharan Africa. Indicative funding \$40 million per annum.¹⁹

8.23 The Committee notes that the whole of the Australian aid program is currently under review by a committee headed by Mr Paul Simons. That review, expected to report in early 1997, covers not only the policy context of the aid program, but also the geographic and program focus and the most appropriate aid delivery mechanisms.²⁰ Aid to Africa will, of course, be considered as part of that review and may be subject to further modifications.

8.24 Australian aid expenditure for SADC countries for 1995-96 is shown in Table 8.2.

17 Exhibit No. 67, p. xi.

18 Exhibit No. 67, pp. xi, xii.

19 Exhibit No. 67, p. xii.

20 JSCFADT, *The Australian Aid Program*, op. cit., Appendix 5, p. 70.

Table 8.2 Total Australian Development Assistance to SADC 1995-96²¹

Country	A\$million
Angola	3.826
Botswana	1.4
Lesotho	0.428
Malawi	0.973
Mauritius	2.875
Mozambique	10.763
Namibia	1.667
South Africa	10.929
Swaziland	0.983
Tanzania	1.723
Zambia	1.64
Zimbabwe	5.518
South African NGOs	4.057
Black Communities	0.163
Regional Southern Africa/ Regional South of Sahara	3.085
Total Southern Africa	47.155
Total Africa/Indian Ocean	134.031

Source: Exhibit No. 70.

8.25 It will be some time before any meaningful assessment of the new policy towards Africa is able to be made. The Committee did seek comment from a number of NGOs involved in development assistance to Africa, and the response to the new policy was generally positive. The Executive Director of ACFOA noted:

We welcome the new policy on Africa that the government announced in August, but we would like to re-emphasise that, while we welcome the policy changes, especially the commitment to bilateral country programs in South Africa, Mozambique and Zimbabwe, we regret that no new money was announced for funding increased aid to Africa.²²

8.26 World Vision, while generally happy with the new policy, raised three concerns about it:

Firstly, the accent on civil governance seems to presume a jump in ability to voting for the presidential level. We would like to suggest...that this is something that needs to be taught first..(and) unless we teach participation at the village level...it will be very difficult to jump it through up to the presidential level and let civil governance move right through the whole of society...

21 These figures include assistance provided under bilateral programs as well as humanitarian relief, food assistance, etc.

22 Hunt, Transcript, 29 September 1995, p. 232.

Secondly....we see the move to program countries...as being a good thing, but we are a little bit perturbed as to what this may end up doing, not this year but perhaps next year or in future years, to the work that particularly Australian NGOs have been involved with over the past several years in the Horn and in other countries, particularly other Commonwealth countries in Africa that seem to have never got into the mainstream of our work for Africa...

Thirdly, we are a bit concerned that programming aid may lead to inappropriate development - for example, infrastructure type projects of the type that has become very fashionable in Asia of late and trade support...²³

8.27 Prior to the release of the new framework, a number of submissions were critical of Australia's development assistance to Africa. Criticisms ranged from a belief that Australian development assistance was subordinate to Australian strategic and commercial interest, particularly Australian foreign trade objectives; that insufficient use was made of the expertise of NGOs who worked in Africa; and that the philosophy underpinning the Jackson report should finally be discredited ie that the focus of Australian ODA should be towards those areas of greatest poverty, and not primarily focused on Australia's geographic neighbourhood. While some of these concerns have been met in the new policy document, the issue of the relationship between aid and trade continues to be raised, and is covered in more detail below.

8.28 The Committee did have some concerns about the possible wider ramifications of ceasing the already limited amount of assistance to a wider range of countries in Africa. In evidence before the Committee, Australia's High Commissioner to Zimbabwe, Hon Kerry Sibraa observed:

... we (have) cut scholarships to a number of west African countries. In countries like Ghana and the Gambia...they were saying that some of the best scholarships they got in the country were agricultural scholarships provided by Australia. Even though in the case of the Gambia - I think, there were only two people - they said these are the best trained people - the ones who come back from right around the world after doing these courses, agricultural scholarships in Australia. If you decide to pull out of west Africa, that is one decision. But if you again decide to run for things like the Security Council, the Miller campaign for head of the FAO, it is pretty tough when they say to you, 'What about our two scholarships?'²⁴

8.29 The Committee sought advice from AusAID as to what the reaction from other African countries had been to the new policy announcement. AusAID said there had been no reaction from West African countries, and that the student awards were being run down.

23 World Vision Australia, Transcript, 29 September 1995, p. 196.

24 Sibraa, Transcript, 29 September 1995, p. 178.

Mr Macdonald: ...The four countries concerned have not reacted in any formal sense. The decision has not been conveyed to them in any formal sense.

Chair: That may be why they have not reacted. They might not know about it.

Mr Macdonald: It is beginning to have an impact because the number of awards that are being offered for 1996 will have been run down and at this time of year we are certainly well and truly along that way, so I assume they will notice shortly.

Mr Lonergan: I would not expect a reaction. We are such a minor player in those countries and you are talking about a handful of awards. I do not think we are significant in those countries and we do not engage in policy dialogue with them.²⁵

8.30 Although this type of assistance may be small in terms of the overall aid program, the Committee remains concerned that there may be unforeseen consequences of the limitations now placed on aid to countries in west Africa.

8.31 The Committee recommends that:

- 27. AusAID in conjunction with the Department of Foreign Affairs and Trade examine the new aid policy for Africa, announced in August 1995, with a view to determining its effectiveness and scope.**

Multilateral debt

8.32 External debt is a major problem for many African countries, with repayments failing to keep pace with interest owing. ACFOA described the situation thus:

Some 25% of Africa's export earnings are required for debt repayment and over past years 13% of export earnings have actually been paid as debt servicing... In 1992, Zambia, Tanzania and Kenya had the highest total external debts, but an examination of debt service payments as a percentage of exports of goods and services, reveals that, of the countries of interest to Australia, Uganda (42%), Ethiopia (23%), Zimbabwe (23%), Kenya (22%) and Tanzania (19%) were the worst affected.²⁶

8.33 Sub-Saharan debt rose from US\$200 billion in 1993 to US\$225 billion in 1995²⁷. Sub-Saharan region's share of foreign direct investment (FDI) in developing countries has halved to 5 per cent between 1991 and 1995.²⁸

25 AusAID, Transcript, 25 August 1995, p. 46.

26 ACFOA, Submissions, p. S741.

27 World Bank, *World Debt Tables*, Vol. 1, p. 170.

28 *African Recovery*, United Nations, Vol. 9, No. 1, June 1995, p. 1.

8.34 Of the SADC countries, three - Mozambique, Tanzania and Zambia - have been classified by the World Bank as 'severely indebted low-income countries', in its most recent assessment. Angola is listed as 'severely indebted middle income', while Malawi and Zimbabwe are classified as 'moderately indebted, low income'.²⁹

8.35 Table 8.3 provides details of the debt levels of various SADC countries.

Table 8.3 SADC Debt Levels 1991-1995 (US\$m)

Country	1991	1992	1993	1994	1995 ^(a)
Angola	8,548	9,926	10,026	10,608	11,880
Botswana	620	612	657	691	n/a
Lesotho	436	478	505	600	n/a
Malawi	1,670	1,698	1,816	2,015	2,206
Mauritius	1,035	1,037	990	1,355	n/a
Mozambique	4,486	4,934	5,012	5,491	5,518
Namibia	327	358	420	444	417
South Africa	25,600	27,200	25,560	27,900	30,800
Swaziland	213	208	211	190	175
Tanzania	6,689	6,781	6,963	7,442	n/a
Zambia	7,290	6,960	6,780	6,573	7,190
Zimbabwe	3,436	4,005	4,199	4,368	4,412

(a) Estimate

Source: Economic Intelligence Unit *Country Reports*, 1996; and World Bank, *World Development Report 1996*.

8.36 There have been a number of proposals for debt reduction, and there is a general acceptance among the international community of a need for some action on African debt. ACFOA in its submission advocated that Australia play an active role in the IMF and World Bank to reduce African indebtedness.³⁰

8.37 AusAID acknowledged that 'the magnitude of the debt problem continues to represent a major barrier to sustainable development for many countries in Sub-Saharan Africa'.³¹ AusAID went on to say:

A durable solution to Africa's debt problem will require exceptional measures, including debt stock reduction, together with policy reforms to guarantee the full benefits of debt reduction...Australia...with little exposure to sub-Saharan debt...plays a minor role in rescheduling the region's debt...Proposals for additional multilateral debt reduction measures are currently under consideration in several multilateral fora, including the Boards of the World Bank and the IMF...Australia will

29 World Bank, *World Debt Tables*, Vol. 1, p. 43.

30 ACFOA, Submission, p. S742.

31 Exhibit No. 67, p. 6.

need to continue to monitor the trends and support appropriate initiatives in all relevant international fora.³²

8.38 The Committee recommends that:

28. Australia in international fora, explore ways in which the indebtedness of Southern African countries could be alleviated.

Aid and the electoral process

8.39 As noted earlier in this report (see Chapter 4) Australia has provided assistance to a number of Southern African countries in the area of electoral assistance. The Australian Electoral Commission (AEC) noted:

the AEC's international electoral work is not undertaken in isolation, but is rather an element of Australia's foreign policy and of Australia's overseas aid program. The requirement for prior approval of projects by the Minister for Foreign Affairs and Trade constrains the AEC to operate within the parameters of Australia's foreign policy interests.³³

8.40 The AEC noted that there was 'every likelihood of an increase in the coming years in the number of requests which it will receive for involvement in electoral assistance in Southern Africa'.³⁴ AusAID has supported the AEC operations for two years and looks to AusAID for continued support as its own resources are limited.³⁵

8.41 The Committee commends the AEC for the work it has undertaken and notes that under the new African aid policy some \$2.5 million has been allocated under Category B for low-cost initiatives to encourage nation-building in those countries with a demonstrated commitment to political and economic reform. Under this category, AEC assistance should continue to be provided and might possibly expand.

8.42 The Committee was also interested to learn about the assistance provided by the Australian Broadcasting Corporation (ABC) to its South African equivalent in the period preceding and indeed subsequent to the first multi-racial elections in that country. The ABC has been providing assistance through the South African Broadcasting Development Project, funded by AusAID. The project had a number of components including assistance in the development of 'balanced, unbiased and credible coverage of the elections' held in South Africa in 1994.³⁶ The program also includes customised training; consultancies on broadcasting regulatory policy and technical issues. The project is due to conclude in June 1997.

8.43 An officer of the ABC noted that the relationship with its counterpart, the SABC, has begun to mature and that now:

32 Exhibit No. 67, pp. 33-34.

33 AEC, Submission, p. S34.

34 AEC, Submission, p. S39.

35 AEC, Submission, p. S40.

36 ABC, Submission, p. S714.

...increasingly the recipient organisation has been making contributions to the work we do...we are now very much working in partnership, both financially and in terms of the work...There is also the early stage of dialogue about what kind of relationship we might like to have with one another in future years, and, indeed, the multiplier effects of development of broadcasting in South Africa in terms of other countries in southern Africa.³⁷

8.44 The Committee notes the value of the work undertaken by the ABC so far and would encourage that organisation, after the end of the aid project, to maintain its links with its South African counterpart. The potential exists for the provision of further training and technical advice on a commercial basis and the ABC should pursue this as appropriate.

Aid and Australian business

8.45 As mentioned above, the Australian aid program generally has been criticised for lacking a true poverty alleviation focus, and claims have been made that Australia's trade objectives have influenced the direction of development assistance funding.

8.46 In regard to this the former Minister for Development Cooperation said:

Aid is an integral part of this overall Australian national policy perspective in which our overseas trading capacity has assumed such a central role. By assisting developing country economies to grow, the aid program is expanding markets for Australian goods and services. It is also a vehicle by which to demonstrate Australia's expertise and through which Australian companies can learn how to operate in foreign markets.³⁸

8.47 The Committee has no objection to Australian businesses obtaining benefit from the aid program, provided that the developmental objectives of the program are not compromised. AusAID noted:

On average, 90 per cent of Australia's aid is returned to Australia. That is a figure we are really proud of, and that goes with technical assistance...When we send wheat to Mozambique, we buy the wheat in Australia. Every rice farmer in Australia derives in the order of \$5,000 from the aid program for their own farm. Every wheat farmer gets an amount pushing \$2,000 from the aid vote.³⁹

and

...we dispute that trade drives aid. We are in business because of development and humanitarian reasons. If there is a coincidence between trade and aid, we think it is terrific but that is not a critical factor in our determining where our aid goes. We are in those countries because we believe they need our assistance and we believe

37 Heriot, Transcript, 15 September 1996, p. 138.

38 Bilney, Hon G., *Global Change and Australia's Overseas Aid Program*, November 1995, p. 5.

39 AusAID, Transcript, 25 August 1995, p. 52.

we can make a difference to those countries with modest forms of assistance. Whilst we talk to Austrade and we talk to all the other departments, that is not the driving factor in our being in Africa as an aid agency.⁴⁰

8.48 The Committee believes that while there is demonstrable need for development assistance in a particular country, and that the program is there primarily for humanitarian and developmental reasons, there is no conflict if, at the same time, Australian companies benefit from supplying goods and services for aid programs.

African Development Bank

8.49 The African Development Bank (AfDB) is a group of development financing institutions comprising the African Development Fund (ADF) and the Nigeria Trust Fund (NTF). The AfDB was established in 1963 and began operations in 1966. There are 53 African member countries (including South Africa which joined in 1995) and 24 non-African members.⁴¹

8.50 In 1990, a Memorandum of Understanding for the Reinforcement of Cooperation was signed by the OAU, the UN's Economic Commission for Africa (ECA) and the AfDB. The Bank's authorised capital amounted to US\$500m by May 1994.

8.51 Australia is not a member of the African Development Bank. The question of membership was raised by ACFOA which argued that 'membership could assist Australian companies to procure contracts in Africa....However, should Australia decide to join, in policy terms, Australia should be pressing the Bank for far greater emphasis on human/social priority areas in its investment portfolio.'⁴²

8.52 AusAID, while recognising the value of multilateral organisations, argued very strongly against joining the AfDB at present:

Australia's decision not to join is based on cost as well as concerns relating to the effectiveness and viability of the institution. The political, trade and procurement benefits of joining...are likely to be minor, as Australia's membership of the World Bank can provide a comparable multilateral forum for linkages with Africa....While it should not be ruled out as an option in the future, there are no compelling arguments for Australia's membership at this stage.⁴³

8.53 The Committee does not advocate Australia joining the African Development Bank at present. However, it believes that this should be kept under regular review.

The DIFF Scheme

8.54 The Development Import Finance Facility (DIFF) has been one of Australia's major forms of development assistance. DIFF has provided a grant element to soften the

40 AusAID, Transcript, 25 August 1995, p. 46.

41 United Nations, *The Least Developed Countries Report 1996*, p. 21.

42 ACFOA, Submission, p. S741.

43 Exhibit No. 67, pp. 32-33.

terms of loans extended by the Export Finance Insurance Corporation to low-income developing countries, enabling them to purchase Australian-made, developmentally beneficial goods and services. Since February 1992 DIFF has no longer been available for projects which are considered commercially viable. DIFF focused on public sector infrastructure projects such as education, water supply, water treatment, waste disposal, transport and remote area telecommunications and power.⁴⁴

8.55 Community Aid Abroad, in arguing that the Australian aid program play a role in institutional strengthening, and the subsidising of certain types of investment for infrastructure development in the poorer areas of South Africa, noted that these projects could be promoted through the DIFF, 'which is currently not available to South Africa'. It recommended that the DIFF be extended to South Africa, 'so that infrastructure investments can be supported in poor and marginalised areas'.⁴⁵

8.56 AusAID, in its new policy document on aid to Africa in August 1995, noted that the potential exists for future DIFF involvement in Africa:

While the majority of DIFF funds are earmarked for projects in the Asia Pacific region, 10 per cent of the DIFF allocation is available for use in other parts of the world. As the business environment in Africa stabilises DIFF funding represents a mechanism by which Australian business can gain an introduction to the region's markets.⁴⁶

8.57 Australia has terminated the DIFF scheme.⁴⁷ The Committee noted that the Senate Foreign Affairs, Defence and Trade References Committee has conducted an inquiry into this matter.

44 DFAT, *Annual Report 1993-94*, p. 208.

45 Community Aid Abroad, Submission, pp. S625-626.

46 Exhibit No. 67, p. 38.

47 Downer, Hon A., op. cit., p. 57.