

CHAPTER 3

Strategic framework



There is a danger that developed countries' aid programs can become diffuse, unfocused and uncoordinated — a long menu of disparate interventions that try to be all things to all people. The Government took decisive steps to bring some long overdue cohesion to the aid program in 1997 through the *Better Aid for a Better Future* policy statement. This has served Australia well.

However, with the increasing complexities and regional uncertainties of the environment in which Australia provides its aid and the goal of doubling aid volume by 2010, it is necessary to update the Government's aid strategies. This will also require more clarity for the increasing number of Australian Government agencies and other private, academic and not-for-profit organisations becoming engaged in aid delivery. This White Paper provides a clear strategic framework that will guide the direction and delivery of Australia's aid program over the next ten years. It takes into account the regional development context, reflects lessons learnt about development and aid, builds upon the aid program's achievements and embodies those values and characteristics that Australians expect of their aid program.

The framework consists of an overarching objective, four program themes around which the Government will organise its aid implementation and four strategies to ensure even greater effectiveness of Australian aid (see also Chart 1). The Government has provided a clear geographic focus for the aid program since 1997: the Asia-Pacific region. This has been recognised internationally as sensible and appropriate and the Government does not propose changing this focus. Australia will continue to be a leading donor to the region (Chapter 4 outlines the geographical priorities in more detail).

3.1 Objective

The overarching objective of Australia's aid program over the next decade is:

To assist developing countries to reduce poverty and achieve sustainable development, in line with Australia's national interest.

The wording used in the 1997 statement of the aid objective has been rearranged to overcome consistent misperceptions that the reference to the national interest implied a narrow sense of self-interest, somehow in possible conflict with the goal of poverty reduction. It did not have that meaning and never will. This Government has always held the view that an effective and well-targeted aid program, focusing on the alleviation of poverty and the promotion of sustainable development, is clearly in the national interest. This view is even more relevant today, as the links between regional development and Australia's national interest become increasingly intertwined. The objective has therefore been reworked to leave no doubt about the Government's intentions. The objective also demonstrates Australia's strong and unstinting commitment to the global effort to achieve the MDGs.

3.2 What the aid program will focus on

The aid program will be organised around four interlinked themes:

- 1) accelerating economic growth
- 2) fostering functioning and effective states
- 3) investing in people
- 4) promoting regional stability and cooperation.

Growth is placed as the first of the four organising themes to stress that, without growth, sustained poverty reduction will not be possible. Fostering **functioning states** is critical because the evidence points increasingly to appropriate and effective machinery of government as a bedrock of prosperity. **Investing in people** provides the opportunity for all citizens, especially the poor, to participate in the economy. Promoting **regional stability and cooperation** is becoming increasingly important in a world which is ever more integrated, and in which cooperation between nation states is required to tackle the rising level of trans-boundary threats and to seize the opportunities offered by economic integration.

Australia's aid program will remain selective in order to maximise its impact. It cannot be all things to all countries, or even to one country. The development of whole-of-government country strategies, coordinated by AusAID, will be the critical means for determining the focus of Australia's support to particular countries under the four themes, taking into account individual country circumstances, priorities and other donor programs.

3.3 How Australia will deliver its aid

The Government is committed to maximising the effectiveness of the aid program and is unequivocal that the doubling of Australian aid by 2010 must be subject to assurances of its effectiveness. Australian aid already does many things well. AusAID has an international reputation for responsiveness, pragmatism and flexibility. Most importantly, it has a solid reputation for achieving results.

Over the past decade, the Government has strengthened the aid program's accountability, performance and evaluation. Nevertheless, there is always scope for improving effectiveness. Four strategies will be pursued towards this end:

- 1) strengthening the performance orientation of the aid program
- 2) combating corruption
- 3) enhancing Australia's engagement with the Asia-Pacific region
- 4) working in partnership with regional governments and other donors.

This strategic framework is based on Australia's own development experience and analysis, and represents a distinctly Australian take on aid policy and implementation. The Government believes that this approach will maximise Australia's aid contribution to helping countries grow and accelerate their progress towards the MDGs.

3.4 Working with developing country partners

A fundamental tenet of the aid program is that Australian assistance is jointly agreed and implemented with Australia's developing country partners. This will not only continue but will be enhanced. Experience demonstrates that aid programs that are aligned with partner government priorities, are championed by local people, involve beneficiaries in design and implementation, and are aligned with partner government budgets and systems are more likely to be sustainable and effective than those that are not. This will require an acceleration of the change to more inclusive ways of working and different implementation arrangements, both of which the aid program has begun to adopt over recent years.

3.5 Gender equality

Of particular concern is ensuring that Australia's aid program makes a real contribution to achieving greater gender equality in development. Gender equality is integral to growth, governance and stability. While gains have been made, gender inequalities in health and education are still striking. Two-thirds of the 800 million people in the world who lack basic literacy skills are female. Girls are twice as likely as boys to die from malnutrition and preventable diseases, and half a million women die each year from complications during pregnancy — 99 per cent of them in developing countries. Investments in women's and girls' education and health yield some of the highest returns of all development investments, including reduced rates of maternal mortality, better educated and healthier children, and increased household incomes.

Gender equality extends beyond improving female health and education. It includes access to economic resources, participation and leadership in decision making, the human rights of women and efforts to eliminate discrimination against women. Achieving gender equality requires a focus on both men's and women's roles.

Gender equality is a consideration that will apply across all aspects of the strategic framework.

3.6 Australian aid will be untied

Australia's overseas aid will be untied. Removing restrictions on countries, allowing organisations based there to bid for contracts to supply goods and services to the aid program, is widely accepted as a way of improving aid effectiveness and efficiency. It increases partnerships between donor and partner governments, strengthens partner country ownership and achieves greater value for money through better competition. The World Bank estimates that untying aid reduces the cost of goods and services by between 15 per cent and 30 per cent, and by as much as 50 per cent for food aid.

Australia has been an active participant in international debate and discussion on untying aid and has moved progressively in this direction. In 2001, in line with other OECD donors, Australia untied some aid components to least developed countries (LDCs). By January 2005, it had forged ahead of many other donors by untying the vast majority of its aid to LDCs and also by ensuring that firms in countries receiving aid could bid for Australia's aid program contracts. The latter policy supports increased local participation in development assistance activities and contributes to the development of local markets. Australia will now go further and untie its future aid contracts.

Untying Australia's aid is consistent with the Government's emphasis on improved effectiveness, efficiency, accountability and value for money. It will expand the pool of expertise that Australia can access as the aid program is scaled up over the medium term. Untying Australian aid is also firmly in line with the Government's longstanding commitment to openness in trade and competition. It places Australia at the forefront of international best practice, alongside the United Kingdom, Ireland, New Zealand and the Nordic countries. Untying also removes the current inconsistency between aid program procurement and the Commonwealth Procurement Guidelines.

The European Union recently passed legislation that provides for untying aid procurement on a 'reciprocal basis'. Untying Australia's aid program will therefore have the added benefit of allowing access for Australian firms and individuals to the massive European Union aid procurement market of about \$12.7 billion per year (€8 billion).

The Government's progressive moves in untying the aid program have been in close consultation with Australian industry partners and there has been striking enthusiasm from industry for the introduction of a total untying policy. Many Australian companies that focus on development assistance activities have already benefited from international untying.

The Government believes that untying will not result in a reduced Australian identity for the aid program. There are far more sophisticated and effective means of promoting Australian identity. The United Kingdom's Department for International Development untied its program in 2001, yet has perhaps the highest recognition and profile of any bilateral donor. Through the implementation of the policies outlined in this White Paper, Australian aid can have a similar level of recognition in the Asia-Pacific region.