

CHAPTER 1

Introduction



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## 1.1 The purpose of the White Paper

*Australian Aid: Promoting Growth and Stability* was instigated by the Minister for Foreign Affairs in March 2005 and provides a strategic framework to guide the direction and delivery of Australia's overseas aid program over the next ten years. The White Paper's release follows the Prime Minister's announcement in September 2005 that Australia's official aid expenditure will double to around \$4 billion annually by 2010. The Prime Minister stipulated that this increase would be subject to the effectiveness of the application of additional resources and conditional on strengthened governance and reduced corruption in partner countries. *Australian Aid: Promoting Growth and Stability* explains how the Government intends to approach the doubling of aid resources. It sets out a clear operating framework in which questions of effectiveness, strengthened governance and reduced corruption are addressed robustly.

Australia's overseas aid program aims to help developing countries reduce poverty and achieve sustainable development in line with Australia's national interest. This White Paper outlines how this objective can best be achieved over the next ten years as part of the global effort to achieve the Millennium Development Goals (MDGs).

While the Australian Agency for International Development (AusAID) is the primary implementing agency for the Government's aid program, the policy framework outlined in this White Paper applies to all Official Development Assistance (ODA), including that implemented by other Australian Government agencies.

The White Paper draws extensively from a report, prepared by Professor Ron Duncan, Dr Meryl Williams and Dr Stephen Howes, that was commissioned by the Government to provide analysis and recommendations for the future of the aid program. Separate analytical reports were also prepared on Papua New Guinea (PNG), the Pacific Islands, Indonesia, Asia, HIV/AIDS and on engaging the Australian community. Over the past 12 months there has been extensive consultation, both in Australia and internationally. Public meetings were held in Melbourne, Sydney, Brisbane and Perth, chaired by the then Parliamentary Secretary to the Minister for Foreign Affairs, and numerous submissions and contributions were received from individuals and organisations. Targeted seminars involving academic and other experts on key issues, including growth, political governance and transboundary threats, were held, as well as a full-day roundtable with non-government organisations. Other major donors, the development banks and the UN were also consulted. A critical look at Australia's and international experience in development and lessons learnt in aid delivery over the past few decades was also undertaken.

## 1.2 Why now?

The Minister for Foreign Affairs released the Government's first policy statement on aid, *Better Aid for a Better Future*, in 1997. The statement gave the aid program clarity of purpose and direction, and provided a clear objective centred on poverty reduction and sustainable development. The commercial objectives and commercially focused programs that had had negative impacts on the program in the past were removed. Since 1997, Australia's aid program has changed very much for the better. It has responded effectively to the rapidly changing regional environment and aid volumes have increased from \$1.7 billion in 1997–98 to \$2.5 billion in the 2005–06 budget.

Some of the most important changes and achievements over the past ten years include the following.

### Regional leadership:

- a stronger engagement with our immediate region. Major recent commitments include:
  - the \$1 billion Australia Indonesia Partnership for Reconstruction and Development (AIPRD), announced shortly after the Indian Ocean tsunami in 2004 to help recovery and broader development in Indonesia
  - the Regional Assistance Mission to Solomon Islands (RAMSI), led by Australia in collaboration with regional partners, which restored stability, law and order and government institutions in Solomon Islands and is helping to reestablish the economy
  - the Enhanced Cooperation Program (ECP) in PNG to help overcome persistent governance concerns and the earlier phasing out of budget support in favour of jointly programmed aid focused on health, law and order, rural development and education
- playing a key role in establishing peace, conflict resolution and post-conflict reconstruction in Bougainville and in aiding East Timor in its transition to independence
- rapid and effective responses to crises that affected the region, including the Asian financial crisis, the South Asia earthquake, the Bali bombings, droughts and cyclones in PNG and the Pacific, and the Indian Ocean tsunami
- building institutional and people-to-people links between Australia and the Asia-Pacific region, including by providing over 10,000 scholarships and introducing the Australian Youth Ambassadors for Development program, which is developing a cadre of Australians with deeper knowledge of, and ties with, the region.

### Thematic initiatives:

- a greatly enhanced emphasis on strengthening the policies and institutions of Australia's developing country partners. Support for governance-related programs has increased from \$160 million in 1996–97 to an estimated \$885 million in 2005–06.
- a regional leadership role on HIV/AIDS involving a \$600 million commitment over ten years. Australia hosted the first Asia-Pacific Ministerial Meeting on HIV/AIDS in 2000 and was instrumental in the establishment of the Asia-Pacific Leadership Forum and the newly formed the Asia-Pacific Business Coalition on HIV/AIDS.
- new policies and programs on critical issues, including peace, conflict and development, water, food security, and humanitarian action

- launching and implementing, in partnership with the World Bank, the Virtual Colombo Plan to help overcome the digital divide between developing and developed countries.

#### Aid policy and management:

- creating a more effective and analytical aid agency with more resources devoted to the field, and more able to adapt to changing circumstances and deliver programs swiftly and effectively on the ground (for example, in the aftermath of the tsunami)
- adopting innovative methods of aid delivery, such as sector-wide approaches (for example, in the PNG health sector) and the Learning and Assistance Program for Islamic Schools in Indonesia, which are better aligned with partner government systems and adopt more responsive and flexible approaches
- bringing to bear the broader resources and expertise of the Australian Government to the development challenges of the region. The Treasury, the Australian Federal Police, the Attorney-General's Department and other Australian Government agencies now undertake major development roles alongside AusAID.

Notwithstanding the many strengths of the aid program, the announced doubling of aid volume will require new and coherent strategies — \$4 billion is a significant commitment by the Australian taxpayer and the Government needs a framework for applying these resources effectively over the next decade. Further, the regional environment in which Australia is providing aid is becoming more complex as new challenges and opportunities emerge, and there is a growing body of experience and research into what makes development and aid work. To maximise the impact of the increased volume commitment, the aid program needs to reflect these changes and the lessons that have been learnt.

This is the first time any Australian government has produced a White Paper on aid. It is also the first time any Australian government has announced a large and growing multi-year aid volume commitment. That this is being done now reflects the Government's commitment to the growth and stability of the countries in our region and the seriousness with which Australia takes its responsibility to assist those worse off.

The Government believes that the Australian public should be given a comprehensive account of its aid policy and spending. The various Commonwealth agencies involved in aid delivery need to be clear about Government and taxpayer expectations. Likewise, governments in the region will benefit from a clear articulation of Australia's aid policy and parameters: there must be no misunderstanding of the Government's commitment to the principles of aid effectiveness, good governance and reduced corruption as the basis for allocations of additional aid resources.



### 1.3 Australia's overseas aid program: our values and interests

Some in the community question why we have an overseas aid program, believing that Australia must choose between dealing with problems at home and providing assistance overseas to those worse off than us. The Government recognises that we must do both, that our aid program is a reflection of Australian values and Australian interests.

Global poverty is one of the most important economic and social problems facing our planet. More than 20 per cent of the world's population live in extreme poverty. Of the world's 50 'least developed countries' (LDCs), one quarter are in the Asia-Pacific region. This region also contains three of the world's four most populous nations — so even though a smaller proportion of the population lives in poverty or suffer from poor social indicators than in some other regions, huge numbers of people are affected. In Cambodia, one out of every ten babies born will die before its first birthday; in East Timor, almost half of all children under the age of five are so malnourished that their growth is permanently stunted; in PNG, life expectancy is only 56 years.

Our aid program, by responding to critical needs in our region, is a clear statement of Australia's values. It demonstrates our compassion, our generosity and our commitment to giving others much worse off than us a fair go. We are a country founded on individual human rights and equality of opportunity. We are strengthened by our cultural diversity. These values extend beyond our shores and are clearly reflected in our aid program. Australians are also practical, innovative and results oriented, and we value tolerance and mateship. These characteristics form our spirit as a nation.

Australia is a liberal democracy based on the values of political and economic freedom. We believe that every person — male and female — should be given the opportunity to raise their standard of living and to live in peace and security. Australians demand and expect efficient and accountable governments. We do not tolerate corruption and we believe that governments should be appointed and dismissed freely and fairly through the ballot box.

We focus our aid program on the Asia-Pacific region because we are committed to our neighbours and to their prosperity, safety and wellbeing. Australia's swift and generous responses to the Indian Ocean tsunami in 2004 and the earthquake in Pakistan in 2005 embody this spirit. The speed and generosity of these responses generated enormous goodwill, which has brought about greater understanding and stronger relationships between Australia and the affected countries.

However, our aid program is not just about responding once a disaster has occurred. We also believe in supporting people's self-reliance — building their capacity to stand on their own. This is why we have a strong and overarching commitment to long-term development and prosperity, and have placed our support behind the important global rallying call to increase efforts to achieve the MDGs.

Our aid program is a proud expression of all these values and characteristics, but it is also an expression of our own interests.

We believe that Australia's peace and prosperity is linked to that of our neighbours, particularly in our immediate region. These links are becoming deeper and broader, from both security and economic perspectives.

In a world that is increasingly interconnected, problems that cut across borders — such as mass movements of people, environmental problems, pandemics and terrorism — put further strain on development efforts.

The ability of our neighbours to generate economic growth, reduce poverty and maintain stability is therefore central to our own peace and economic wellbeing. More specifically, our neighbours' ability to manage borders effectively, to deal with transnational crime, terrorism and illegal people movement and to respond to outbreaks of infectious disease is not only vital for their own development, but also in Australia's national interest. Central to this is the sound functioning of our neighbours' key government institutions and their ability to provide equality of opportunity for both men and women, particularly the poor, to participate in the economy and raise their standard of living. Regional growth benefits Australia economically, through greater security and by providing a larger regional marketplace for Australia to trade and invest in.

Our aid program, as a means to advance these interests, is therefore an integral and important part of Australia's broader foreign policy and security agenda. Specifically, this White Paper is aligned with and adds to the Government's foreign policy White Paper of 2003, *Advancing the National Interest*.

We believe in hands-on, practical engagement with our partners, but not that aid alone can address the poverty and ills of our region. We believe that countries are responsible for their own development, driven by economic growth led by the private sector and by integration with the global economy. Developed countries, like Australia, can best assist developing countries by promoting global economic growth and by pursuing greater trade liberalisation. Well-targeted and effective aid can play an important complementary role, but will never be more important than growth and the significantly increased resources that flow from trade.

