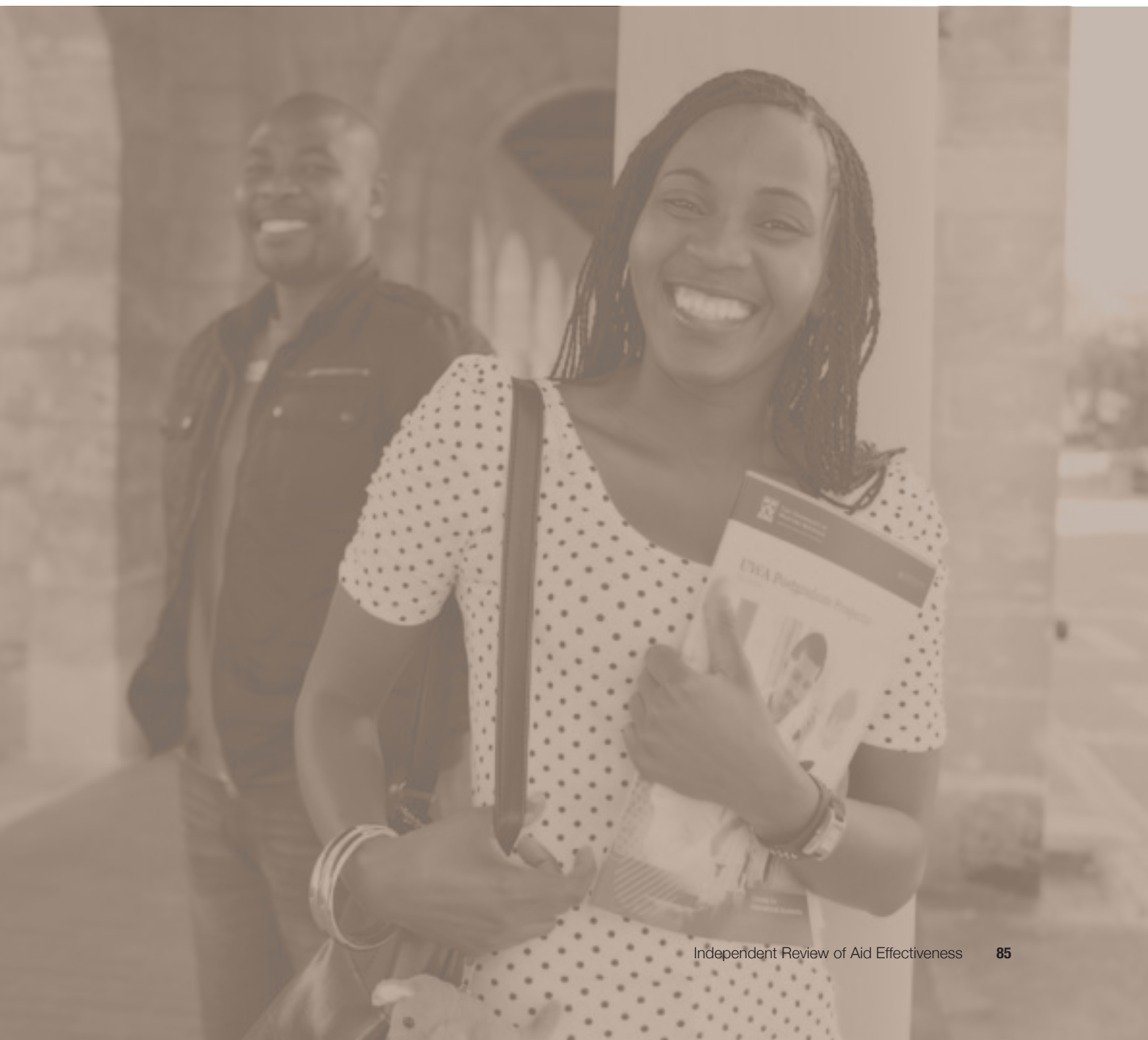


## Part 2

### THE FUTURE AID PROGRAM





# Chapter 4: THE EVOLVING INTERNATIONAL ENVIRONMENT AND ITS IMPLICATIONS FOR AUSTRALIAN AID

## A. INTRODUCTION

To achieve an effective aid program, Australia needs to understand current trends and prepare for the future.

This chapter looks at issues facing both developing countries and donors in the next five to ten years. Its focus is not on all aspects of the international environment, but rather on those most relevant to aid.

It draws on the Study of the Future State of the World as it Relates to the Australian Program (the Lowy Study) commissioned by the Review Panel, as well as other sources and data.

The implications for the program are summarised at the conclusion of the chapter.

## B. TRENDS IN GLOBAL GROWTH, POVERTY AND INEQUALITY

### (i) Growth

The world is becoming increasingly interconnected. Markets have expanded, mobility has increased, and the private sector has become ever more international in nature. Flows of trade, capital and people have all grown rapidly in the post–World War II era, and are likely to continue to grow in the coming years.

Technology will continue to reduce the costs of distance and accelerate globalisation. Developing countries have already reaped huge benefits from the defining trend of the early 21<sup>st</sup> century: the rapid development, plunging costs and broad uptake of mobile phone and computing technology. Some two–thirds of all mobile phone subscribers already live in developing countries.

The adoption of more market–friendly policies has given greater scope for the private sector and has enabled large countries such as China and India to take advantage of global opportunities and new technologies. Their rapid growth has now spread to an increasing number of developing countries.

Table 4.1 shows annual average growth rates for broad regional groupings of developing countries since 1980, and as projected by the International Monetary Fund (IMF) until 2015. Even with the Global Financial Crisis factored in, all four regions experienced more growth in the last decade than in the 1980s and 1990s. The turnaround in Sub–Saharan Africa is particularly stark: it grew at an annual average rate of only 2.4 per cent from 1980 to 2000, but at 5.6 per cent from 2000 to 2009.

While there are clearly risks to a continuation of these high levels of growth – an economic or other large shock in China would have global ramifications – the most likely outcomes are for their continuation, as Table 4.1 illustrates.

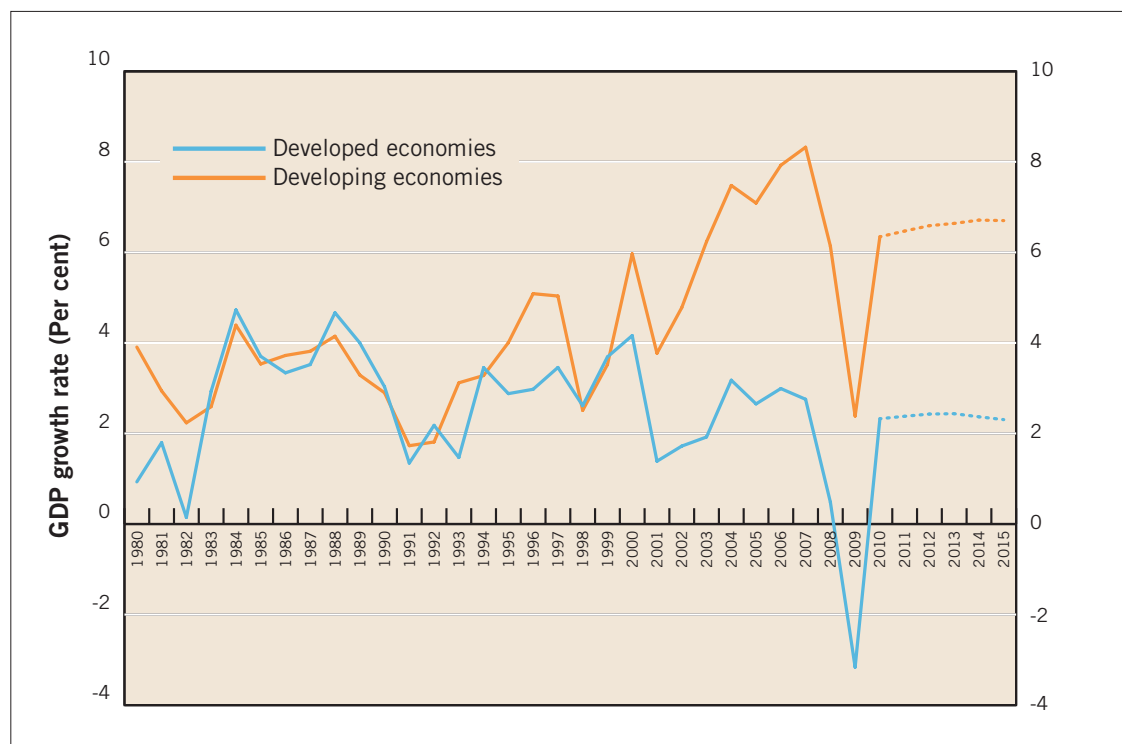
**Table 4.1: Average Annual GDP Growth Rates, Historical and Projected, for Broad Regional Groupings of Developing Countries (Per cent)**

	1990–2000	2000–2010	2010–2015 (projected)
Pacific	3.0%	2.8%	4.1%
East Asia	6.4%	5.8%	4.9%
South Asia	6.0%	7.2%	7.3%
Middle East and North Africa	3.4%	4.4%	4.4%
Sub-Saharan Africa	1.4%	5.0%	4.6%
Latin America and the Caribbean	3.6%	4.1%	4.5%

Source: IMF (2010). 2009 figures are estimates. GDP is measured in constant prices.

By contrast, growth in developed countries has slowed. Figure 4.1 shows the contrast in trends and the widening gap that has emerged between the two broad groups of countries.

**Figure 4.1: Growth in Developed and Developing Economies, 1980–2009 (Actual and Estimates) and from 2010–2015 (Projections)**



Source: Chandy and Gertz (2011: 6) using IMF (2010) data and projections.

Developed country growth is projected to stay low, at around two per cent. Moreover, many developed economies are now characterised by high unemployment, austerity packages and high public debt. Generous welfare commitments will only make these problems worse as populations age. Developed countries as a whole will face very tight fiscal constraints in the coming years. The implications of this for aid are discussed in Section E.

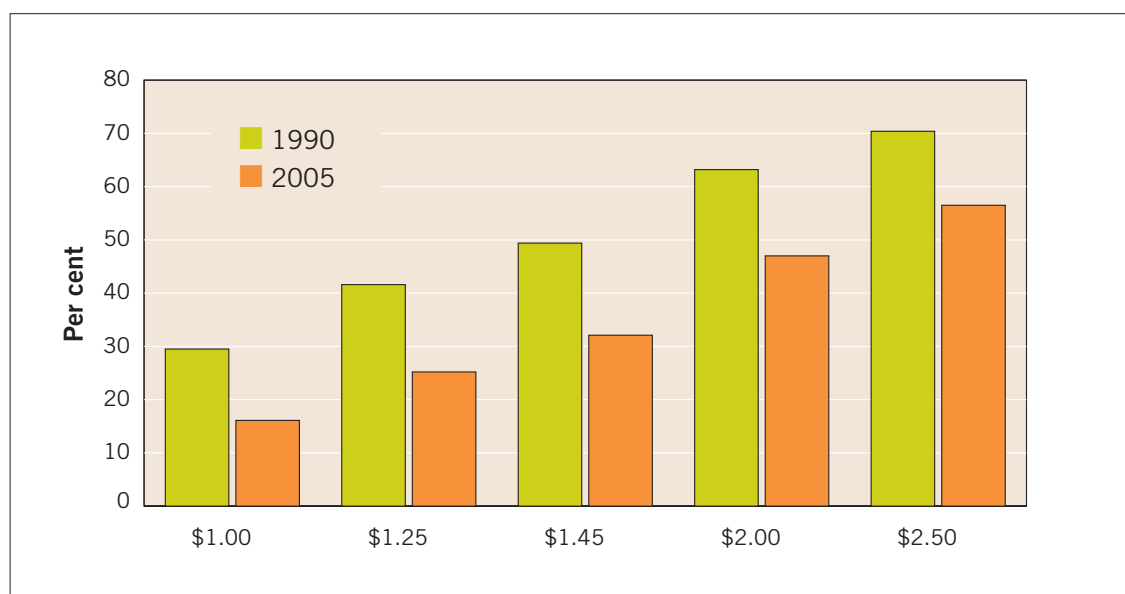
## (ii) Poverty

The widespread rapid economic growth being experienced by developing countries is driving a significant worldwide reduction in extreme global poverty, a trend which is projected to continue.

The World Bank has defined an international poverty line, at US\$1.25 a day per person.<sup>4</sup> This is a very low poverty line and a measure of extreme poverty, but it is the one most commonly used (including to define the first Millennium Development Goal (MDG) of halving of poverty by 2015). The World Bank also uses higher poverty lines, up to \$2.50 a day.

Obviously, as the poverty line goes up so does the number of poor. As Figure 4.2 shows, a very large number of people live on incomes just above the \$1.25 poverty line. If a poverty line of \$2.50 is used, global poverty rates leap to more than 50 per cent. Whichever poverty line is used, however, the proportion of the world's population living in poverty is falling. The fall in poverty is more rapid the lower the poverty line, indicating that the greatest gains are being made in reducing extreme poverty.

**Figure 4.2: Global Poverty Rates for 1990 and 2005, Using a Range of Poverty Lines**



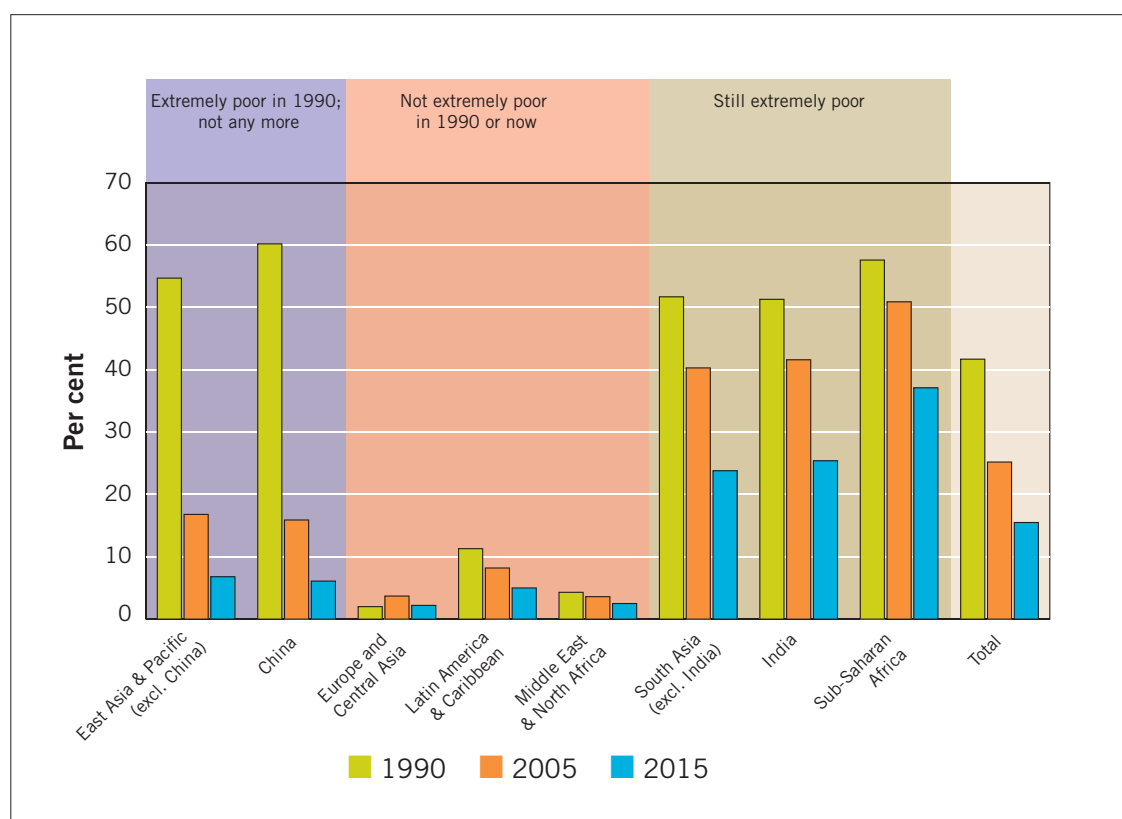
Source: Chen and Ravallion (2008).

4 Purchasing power parities (PPPs) are used in this exercise. PPPs convert from local currencies to an international currency on the basis of the cost of a standard bundle of goods, and are better for international standard-of-living comparisons than market exchange rates.

Looking forward to 2015, these trends are set to continue. For example, the number living in extreme poverty (below the \$1.25 a day line), which has fallen from 1.8 billion in 1990 to 1.4 billion in 2005, is projected by the World Bank to decline to 0.9 billion by 2015 (World Bank 2009b).

The rapid decline in poverty highlighted by Figure 4.2 has been unevenly distributed around the world and so has already re-shaped the global poverty map. Figure 4.3 shows the changes in poverty in various regions.

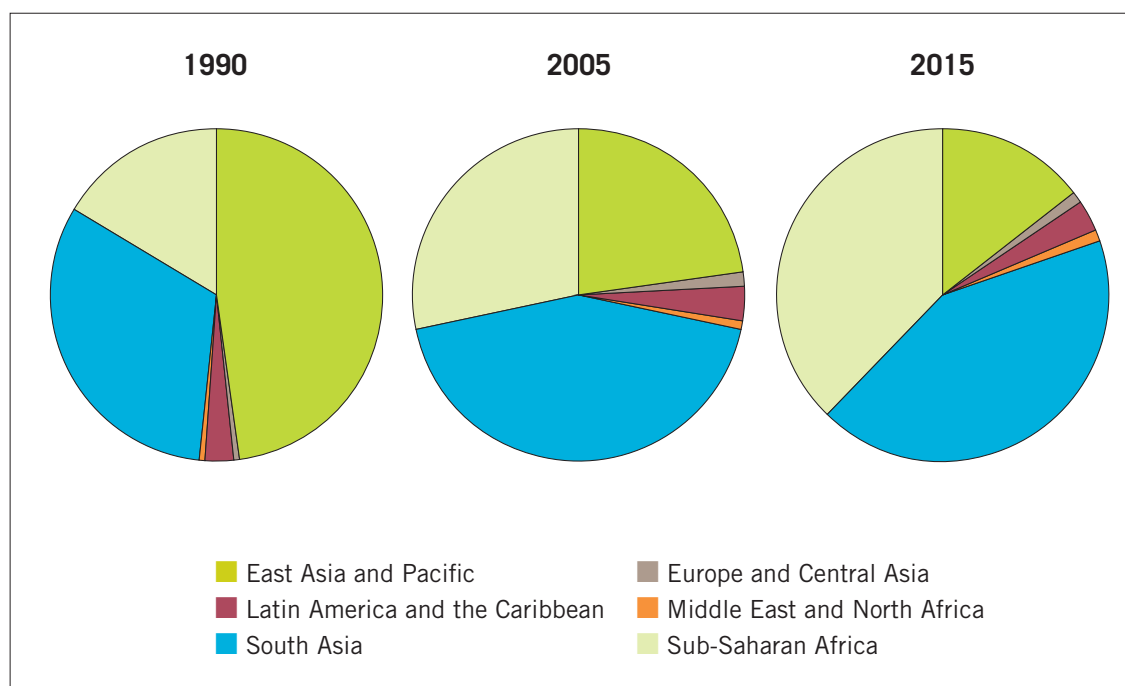
**Figure 4.3: Percentage of People Living on Less Than \$1.25 a Day by Region, 1990, 2005 and 2015 (Projected)**



Source: World Bank (2009b). 2015 figures are World Bank projections.

As a result of the differential trends evident in Figure 4.3, global poverty is increasingly concentrated in South Asia and Sub-Saharan Africa, a trend that is set to continue. In 1990, almost half (48 per cent) of the world's poor lived in East Asia. By 2005, this had halved (to 23 per cent) and it is projected to decline further to 14 per cent by 2015. By 2015, 80 per cent of the world's poor will live in South Asia and Sub-Saharan Africa: 43 per cent in South Asia and 37 per cent in Sub-Saharan Africa. While the above analysis uses the lowest \$1.25 a day poverty line, the same qualitative conclusion holds regardless of the poverty line used.

**Figure 4.4: Concentration of the World's Poor in Different Geographical Regions**



Source: World Bank (2009b).

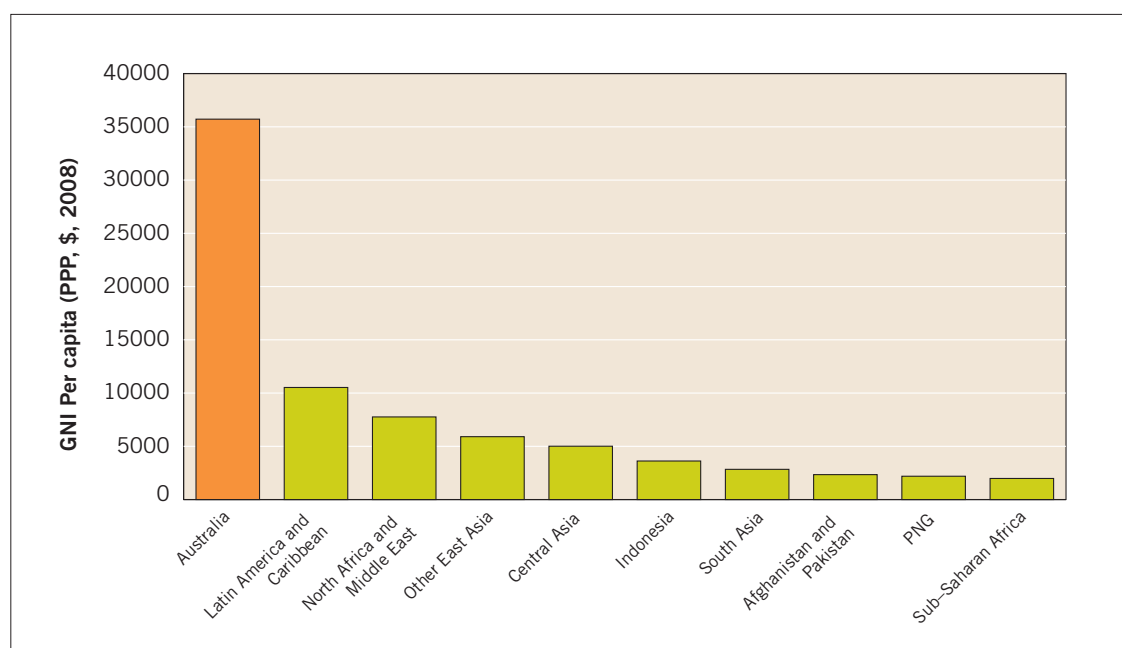
Another important shift being driven by rapid growth, one already mentioned in Chapter 2, is that more and more of the world's poorest live in middle-income countries.

As a result of economic growth, many large countries such as China, Indonesia, India and Nigeria have crossed the low-income threshold (which is currently set at US\$995) and achieved middle-income status<sup>5</sup>. In 1990, about 93 per cent of the world's poor (using the \$1.25 a day poverty line) lived in low-income countries. By 2007–08, this figure dropped to 25 per cent. The remaining 75 per cent lived in middle-income countries (Sumner 2010).

Even with incomes rising and poverty falling across all regions, most people in developing countries, whether low-income or middle-income, will continue in the coming decade to live at a standard far below that experienced by most people in Australia. Figure 4.5 illustrates this point by comparing average income per capita between Australia and major developing country regions, and a few individual countries important to Australia. The gap in social indicators is no less stark.

<sup>5</sup> Countries graduating to middle-income status include Botswana, China, India, Oman, Nigeria, Sudan, Republic of Korea, Thailand, Papua New Guinea and Nicaragua. But six countries have moved in the other direction—from middle-income to low-income: Congo, Liberia, Niger, Ghana, Zambia and Cote d'Ivoire. Their aggregated populations are less than those moving to middle income status. See Winters et al (2010).

**Figure 4.5: Average Per Capita Income: a Comparison of Australia and Other Countries and Regions**



Source: World Bank (2011b). Per capita income is measured by dividing GNI in 2008 by the population and converting into a common international currency using purchasing power parities. Other East Asia excludes Indonesia, and South Asia excludes Afghanistan and Pakistan

### (iii) Inequality

How rapidly national growth will translate into poverty reduction depends on what happens to inequality. The Oxfam submission to the Review sums up the challenge facing developing countries:

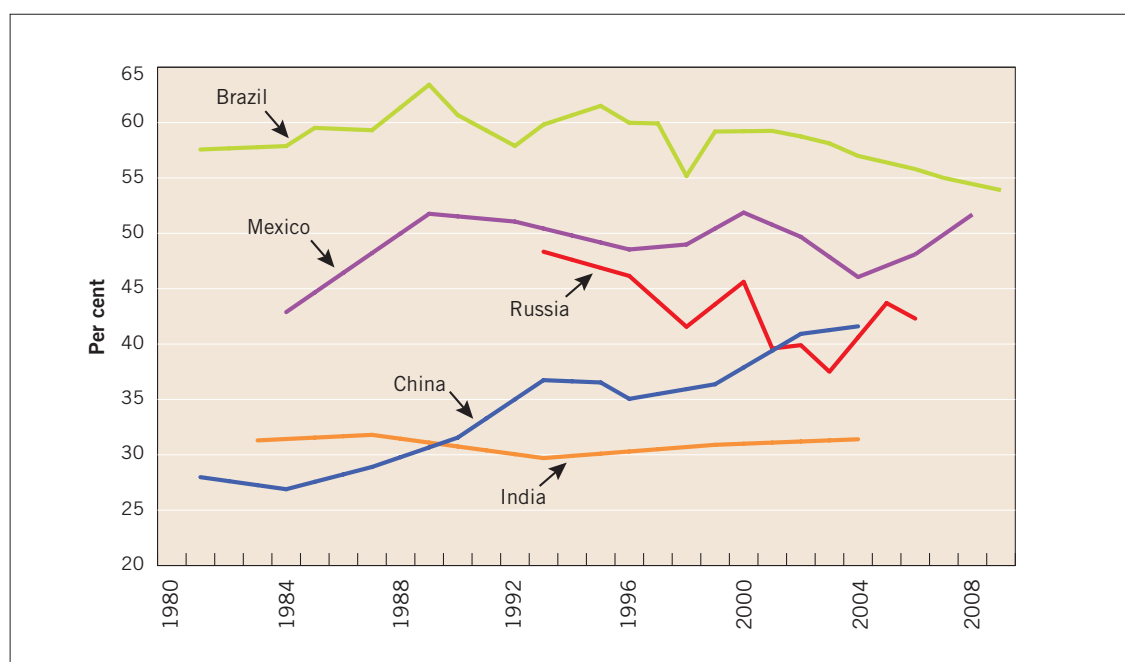
“While economic growth raises incomes overall, its effect on income poverty varies enormously from country to country, depending largely on the level of inequality in a country, and the extent to which growth is used to increase or decrease inequality.”

Trends in global inequality depend on how it is measured, but the most comprehensive measures show a moderate increase in recent years (Milanovic 2009). What is important for individual countries is the national level of inequality. Inequality has been increasing in some developing countries. As Figure 4.6 shows, there has been an upward trend in some large developing countries, such as China, that started from a low base prior to market liberalisation. Other countries have displayed a downward trend, such as Brazil.<sup>6</sup>

<sup>6</sup> Evidence of inequality changing in Asia is mixed. Different countries show different trends, although several countries show an increase, but again from a low base. See Liu (2010) and ADB (2007).



**Figure 4.6: Income Inequality (measured by Gini coefficient<sup>7</sup>) in Selected Countries 1980–2009 (percentage)**



Source: IMF (2007) and World Bank (2011b).

The extent to which rising inequality is a cause for concern depends on the country context. In some countries, an increase in inequality accompanies an acceleration of growth which ultimately benefits the poor. In others, increased inequality may hamper opportunities for the poor to participate in growth and a policy response is required.

Predicting inequality is difficult. Many developing countries are giving increasing emphasis to social safety net programs and other interventions to help the poor and vulnerable. This will continue. Conditional cash transfers, which provide additional income to households (often to women and often conditional on, for example, child immunisation or school enrolment), are likely to continue to grow.

National inequality statistics capture only part of the story. Inequality between groups often reflects discrimination, and can be a major barrier to development. Gender inequality remains an enduring global problem and a constraint to achieving good development outcomes. It is also one area where impressive gains have been made over past decades, partly as a result of development and partly as a result of a concerted campaign:

- Thirty years ago, girls represented 38 per cent of primary enrolments in low-income countries and boys 62 per cent. By 2005, the gender gap had significantly narrowed, with girls representing 48 per cent and boys 52 per cent of primary enrolments (World Bank 2009c).
- In 1950, the world's total fertility rate, the number of children a woman has during childbearing years, was five. By 2010, the rate is estimated to have been halved, to around 2.5 (United Nations 2010: 8).

<sup>7</sup> The Gini coefficient is the most commonly used measure of inequality. The closer to 100 per cent the higher the inequality.

- The maternal death toll worldwide dropped from 526,300 in 1980 to around 342,900 in 2008 (Hogan et al 2010).

Not all the trends are positive. The spread of extremism is a growing threat to women's rights. The sex ratio (the proportion of boys to girls) at birth is still rising in some countries.

Moreover, women continue to fare poorly on a number of fronts:

- Two thirds of those who cannot read are women.
- Time spent on household duties such as fetching water and cooking disproportionately falls on women, often with negative health consequences.
- Women continue to trail men in formal labour force participation, access to credit, entrepreneurship rates, income levels, inheritance and ownership rights (World Bank 2011a).
- Women suffer from high levels of violence, a particularly acute problem in some Pacific Island countries.
- Women hold an average of 19 per cent of seats in national parliaments in East Asia and only three per cent in the Pacific.

In coming years, overall progress in improving gender outcomes will likely continue to improve, partly because it will remain a priority for many countries and campaigners, but it will be variable, across countries and indicators. The agenda for equality will continue to broaden, to focus increasingly on economic and political opportunities, and on gender-based violence.

## C. DEVELOPMENT THREATS AND CHALLENGES

The continuation of rapid growth in developing countries cannot be taken for granted. The welfare benefits of growth, as well as the growth process itself, could be undermined by a number of risk factors, many of which are intensifying in force.

### (i) Food, Energy and Water

Worldwide, food and energy prices spiked before the Global Financial Crisis and have risen again. A variety of factors is responsible, from rapid growth to competition from biofuels. The impacts are felt disproportionately by the poor. Price hikes also subject governments to fiscal stress and can lead to instability and even violence. The policy responses, which include export controls, subsidies and price caps, are often short-sighted with negative knock-on effects. The solutions require investments in new technology as well as better policies – including more rational biofuel policies in developed countries – but high food and energy prices are, more likely than not, here to stay.

There are also signs of a growing water crisis, which threatens livelihoods and is a source of conflict. The World Bank's Independent Evaluation Group (IEG) writes:

“Development patterns, increasing population pressure, and the demand for better livelihoods in many parts of the globe all contribute to a steadily deepening global water crisis.” (IEG World Bank 2010: ix)

## **(ii) Climate Change**

Developing countries are particularly vulnerable to the impact of climate change. As the Garnaut Review notes:

“Climate change outcomes such as displacement of human settlements by sea-level rise, reduced food production, water scarcity and increased disease, while immensely important in themselves, also have the potential to destabilise domestic and international political systems in parts of Asia and the South-West Pacific.” (Garnaut 2008: 145)

The low-lying atolls of the Pacific as well as the coastal deltas of Asia are both vulnerable to sea rise.

Though both the time-frame and severity of the impacts of climate change are uncertain, concern around climate change is likely to grow over the coming decade.

The response to climate change will also shape both development and aid.

Developing countries are increasingly engaged in the international response to climate change. Developing countries view climate change as one of a number of reasons for embracing ‘green growth’. Other drivers include energy security concerns, high levels of national pollution, and efforts to obtain competitive advantage in the global market place for clean technologies. That said, energy subsidies are still widespread in many developing countries. These will make efforts to reduce emissions more difficult and will be difficult to remove.

Developed countries have committed to provide \$10 billion a year to help developed and developing countries mitigate and adapt to climate change between 2010 and 2012, and to increase this up to \$100 billion a year by 2020. This would rival aid flows in volume, if it eventuated, though the expectation is that it would comprise private carbon market as well as government flows. As discussed in Chapter 8, there is no doubt that aid budgets will be a major source of financing for climate change in the coming years.

## **(iii) Natural Disasters**

Natural disasters are increasing in number and impact (World Bank 2010). The European Union estimates natural disasters have increased five-fold over the past 35 years and the damage caused by them has increased by between seven and eight times. Developing countries are disproportionately affected by natural disasters. The average number of deaths per disaster in the developed world is 23, while in the poorest countries it is 1,052 (Oxfam International 2009: 4).

## **(iv) Demographic Challenges**

Population growth falls as incomes rise. Continuing rapid economic growth will be accompanied by a further decline in global population growth rates. Some developing countries already have to deal with the problems of an ageing population: China’s population is projected to start declining around 2030.

At the same time, further significant growth is expected before the global population stabilises at 9–10 billion early in the second half of this century. The growth in numbers from almost seven billion today will put added pressure on resources, including food and water.

Some very poor countries, with low growth and high fertility rates, are already experiencing youth bulges – with a large proportion of young, unemployed or underemployed people. This, where it occurs, may lead to conflict and law and order problems, as Australia has seen close to home in East Timor, PNG and Solomon Islands.

## **(v) Urbanisation**

Urbanisation is a central part of development, driven by the internal migration of people looking for a better life. But it is also one which poses major challenges for government, particularly in relation to infrastructure and housing.

There are now more people living in cities than in rural areas, the first time this has occurred in human history. Though urban poverty is more visible than rural, it is less prevalent, but with increasing urban numbers, the share of the world's poor living in urban areas is on the rise. The World Bank estimates about 30 per cent of the world's poor live in urban areas. This is expected to rise to 50 per cent by 2035 (Ravallion 2001: 9).

## **(vi) Transboundary Threats**

Globalisation brings many opportunities for poverty reduction, but also threats.

The ever-expanding movement of people and goods across borders leads to increased risks of the international transmission of disease. There is a well-grounded and widespread expectation that a major viral pandemic will affect the world sooner rather than later. This is one of the biggest health challenges facing developing countries over the next decade. It is also one of the most dramatic examples of how the futures of developed and developing countries are intertwined in an era of globalisation. Developed and developing countries have strengthened their ability to respond to pandemics by upgrading preparedness regimes, surveillance, and vaccine development and distribution. But the severity of disease and death caused by a pandemic virus varies and cannot be forecast.

The technology revolution is also a source of enhanced transboundary threats.

The Lowy Study noted:

“When combined with increased deregulation and trade, new communications technologies have provided a huge boost to transnational crime, facilitating money laundering, the smuggling of drugs, people and weapons, and intellectual property theft.”

## D. COUNTRIES AT RISK

### (i) Conflict-Prone and Fragile States

Not all countries will participate in the global trend of poverty reduction. Countries trapped in conflict will be the most likely to be left behind. Conflict in developing countries has decreased over the past two decades. Greater stability in Africa is one reason for its recent economic growth. However, conflict-related deaths have risen since 2005.

Factors that lead to conflict in developing countries include low economic growth, ethnic divisions, extremism, autocratic rule, low incomes, weak institutions, access to natural resources, and unequal access to political or economic opportunities.

Fragile states have weak institutions, and are ineffective in providing basic services and the rule of law. Given the importance of institutions for growth and development, countries with weak institutions will grow more slowly.

Conflict and fragility impose the most direct costs on the citizens of the countries trapped by them. As Oxfam noted in its submission to the Review:

“Conflict exacerbates existing inequalities and further marginalises already marginalised groups of people. Women and girls experience high rates of sexual violence, particularly during complex and protracted conflict.”

Fragile and conflict-prone states also impose costs on their immediate neighbours, and other nations. They are likely to generate transnational threats such as the proliferation of small arms, organised crime, drug trafficking and terrorist networks. They are the source of tens of millions of refugees and internally-displaced persons. The cost of international interventions required to restore and maintain peace, and to assist with recovery, is huge.

Several fragile and conflict-prone states are the focus of not only international humanitarian but also global strategic concerns. These include Pakistan, Afghanistan, Yemen, Somalia, North Korea and Burma.

As the Lowy Study noted:

“Ongoing chronic instability or the catastrophic collapse of any of these states threatens both serious transnational impacts on their neighbours and the developed world, as well as the potential for increasing great power rivalries.”

One study found that on average fragile states stay fragile for about 70 years (Collier 2007). Whether the resource boom and high resource prices will intensify conflict remains to be seen, but is certainly a real risk. Sadly, the number of conflict-prone and fragile states in 2015 or 2020 is unlikely to be lower than it is today. This is true not only globally but also within the Asia-Pacific region.

### **(iii) Microstates**

Geography can also make development more difficult. Studies have shown that landlocked states are less likely to develop than ones with a coastline, as trade is more expensive and they are more reliant on neighbours, who may be unstable (Collier 2007).

Small states do not necessarily grow more slowly than large ones, but extreme small size and isolation can impose a large cost disadvantage and threaten development prospects (Winters and Martin 2004). This is a particular issue for the very small island states of the Pacific. Aid will remain an important revenue source for these states. Migration will also continue to be important as a source of both employment and remittances for those with access to metropolitan labour markets.

The prospects for these states in the coming years are uncertain, but they will depend both on their internal capacity to manage their limited opportunities and on the external environment, in particular aid volumes and migration opportunities.

## **E. SHIFTS IN GLOBAL POWER: INTERNATIONAL INSTITUTIONS AND AID**

The economic centre of the world is shifting, towards Asia and towards developing countries. This has major implications for international institutions in general and for aid in particular.

The international landscape has already seen significant shifts over the past decade.

The Group of Seven Nations (G7) has long represented the interests of major developed countries, but now the larger, fast-growing developing countries (often referred to as 'emerging' economies) are starting to meet as a group, in particular the BRICS forum, which brings together Brazil, Russia, India, China and South Africa.

The Group of 20 Nations (G20) has emerged as the premier international body for global economic affairs. Importantly, this key institution brings together large developing and developed countries.

At the November 2010 G20 Summit, G20 leaders agreed on a multi-year program of action on development. The main areas of focus are infrastructure, food security and growth with resilience (which covers social safety nets and remittances). This work on development is consistent with the G20's core focus on economic cooperation and coordination in addressing issues that pose systemic global risk, and could have a very large development impact. However, it is too early to judge this.

The IMF and the World Bank, created at the end of World War II, are enduring features of the international architecture. The IMF has regained relevance as a result of the Global Financial Crisis. The World Bank is also lending at near-record levels and has become a key part of the world's international problem-solving kit, with dedicated funds for a variety of tasks from responding to climate change to development in Afghanistan.

Both institutions have now made progress in providing more of a voice for the large emerging developing economies in their governance structures. Continuing change in this area will be critical if they are to maintain their relevance.

The performance of the UN is more mixed. As the Lowy Study noted:

“The United Nations [General Assembly] has shown itself to be completely ill-suited as a forum for addressing the most pressing global challenges, from climate change to nuclear proliferation.”

UN reform is a slow undertaking and results will be long term at best. But, as discussed in Chapter 10, some UN agencies are already good performers. The UN is, and will remain, at the centre of global humanitarian responses.

Aid will remain relevant over the coming decade, indeed in some ways its importance will increase. It will become less important for most recipients relative to the size of their economies, but will remain an important source of support for smaller and fragile states, a key conduit for the transmission of international innovation and knowledge, and an essential instrument for global problem solving.

Even though the MDGs will have been partially rather than fully achieved by 2015, their success as a way of communicating the global development and aid challenge means that they are likely to be replaced by a second set of goals, say to be achieved by 2030.

Aid trends over the next decade will also reflect the global power shifts under way. Slow growth in Organisation for Economic Cooperation and Development (OECD) countries and, more importantly, underlying fiscal weaknesses, will put downward pressure on foreign aid budgets. The rapid expansion in Official Development Assistance (ODA) from OECD countries seen over the past decade is unlikely to be repeated this decade. A better guess would be that aggregate aid from the OECD will stay roughly constant in real terms.

OECD aid will also become increasingly focused on Africa and on fragile states (many of which are, of course, in Africa). Donors have already started to pull out of Asia. Analysis from the Centre for Global Development of the International Development Association (IDA), the World Bank's concessional lending and grants window, shows that, under current rules, by 2025:

“The remaining IDA-eligible countries will be ... overwhelmingly African, and a majority are currently considered fragile or post-conflict.” (Moss and Lee 2011: i)

The big emerging economies will continue to provide more development assistance; a reflection of their increased financial resources, expanding strategic interests, and emerging dependence on imported energy, resources and food. This will continue to be welcomed by developing countries, and may, by providing an alternative source of funds and ideas, weaken the influence of the West and lead to greater aid competition.

Finally, while the analysis above has focused on bilateral aid, as noted in Chapter 2, aid from non-government sources is also on the rise. There has also been a rapid increase in specialised international organisations, especially in the field of health. Overall, the aid field is likely to become more, rather than less, crowded.

## F. IMPLICATIONS FOR THE AUSTRALIAN AID PROGRAM

These issues and trends will all have implications for the Australian aid program over the next five to ten years. Of course, other dynamics could emerge and alter the already complicated mix.

The most obvious implication is in relation to profile. If Australia doubles its aid during a period in which total OECD ODA increases only in line with inflation, Australia will become a much more important donor. It will get increased attention and scrutiny not only domestically but also internationally.

There are a number of implications for the geographical focus of the aid program. A program with the objective of reducing poverty will need to engage more with the regions that are now home to most of the world's poorest, namely Sub-Saharan Africa and South Asia.

At the same time, South East Asia will remain a poor region, confronting all the threats and challenges outlined in Section C. The ongoing exit of OECD donors from this region is not something Australia should necessarily mimic. The fragile and small states of the Pacific Island region will require ongoing support.

A balanced approach will be required. How this can be achieved, without overwhelming managerial capacity and worsening the problem of fragmentation, is a major challenge for the coming years and a focus of the chapters to follow.

The analysis above also points to a number of themes which will grow in importance for the aid program in the coming years.

Spreading and sustaining economic growth will be an important challenge. Its continuation certainly cannot be taken for granted and countries which are now experiencing growth will want more not less assistance in growth-related areas. The Study of Australia's Approach to Aid in Africa (the Africa Study) commissioned by the Review found that:

“The dominant discourse with regards to Africa in 2000 was centred on poverty and gave rise to the MDGs. In 2011, there is an increasing focus on development and growth.”

Not everyone will benefit equally from economic growth. Just as important as sustaining and deepening growth will be expanding the opportunities for people to participate in the growth process and helping to tear down barriers that stand in the way.

Gender will remain an important priority, with increased focus on areas where disparities are the greatest, including economic and political opportunities for women, and protection from violence. It will be especially important in the Pacific, where Australia is a major player and gender disparities are among the worst in the world.

Food security and growing water shortages are areas where Australia should be able to share expertise and experience.

Other mounting risks to development where Australian aid will need to respond to include climate change, disaster preparedness and response, and transboundary threats.



Australia will continue to be called on to assist with stabilising fragile and conflict-prone states. In its neighbourhood, Australia will be required to take a lead role in such situations. Further afield, Australia will need to contribute to international efforts, including possibly in conflict zones.

Finally, this chapter's analysis has implications for international engagement and aid delivery.

Australia will be able to use its membership of the G20 to push for a higher profile for development issues.

Given the ongoing importance of the multilateral system, but also its variable performance, an enhanced engagement, with greater financial support for the better performers, might be the best way to leverage reform.

With a growing number of donors – bilateral, international and non-government – coordination will become more difficult but also more important. Partnership and selectivity will be, increasingly, the keys to success.

The emergence of new donors will be perhaps the biggest change in the aid world in the coming decade. If aid volumes from these donors increase in line with their growing aspirations and economic success, they could become very large sources of external financing. Engaging with new donors will be important, especially in Australia's own region. But it will not be easy, as indicated, for example, by the fact that China has not signed the Cairns Compact, which Australia has promoted as a means of strengthening donor coordination in the Pacific.

Finally, new technologies offer new hopes for aid effectiveness if they can be effectively deployed. Online recruitment and availability of specialist advisory services are likely to grow, with tremendous potential gains in the efficiency and effectiveness of technical assistance. And the widespread use of mobile telephony points to the future use of techniques such as crowdsourcing to improve feedback from aid recipients.

# Chapter 5: VISION AND OBJECTIVES FOR AUSTRALIA'S FUTURE PROGRAM

## A. INTRODUCTION

With the Australian aid program set to grow over the next five years, it is crucial the program is designed, resourced and delivered in a way that encourages public support. This is crucial during a time of fiscal constraint and with important spending priorities at home.

The program must have a solid rationale and be grounded in good policy and public administration, and the public need to be able to judge whether the performance is up to scratch.

It will not be enough for those managing the program just to move forward from where the program is now. There needs to be a clear idea of what the program should look like when it reaches 0.5 per cent of Gross National Income (GNI) in 2015–16, and then a tracking back from there to establish a clear plan.

To start, there needs to be a compelling vision and objective for the program. The managers of this large and complicated program need an objective that respects its complexities and does not oversimplify by reducing the objective to a neat one–liner.

## B. PROBLEMS WITH THE PRESENT OBJECTIVE

At present, the aim of the aid program is 'to assist developing countries to reduce poverty and achieve sustainable development, in line with Australia's national interest'.

This formulation contains several elements that should drive the program, but it can be improved in two respects:

- It is ambiguous. In one way, it is saying reducing poverty and achieving development will be in line with Australia's national interest. This is probably true, but then the reference to national interest constitutes merely a comment rather than part of the objective. In another sense, it is saying the aid program should focus on poverty reduction and development of a sort that is in line with Australia's other interests: foreign policy, security and economic. If the latter is the intent, then it should be stated more clearly. As the program grows, there needs to be clarity.
- The current objective does not specifically say that Australian aid is not, in the final analysis, directed towards governments or even countries in the abstract, but to the people who need it. The objective should be defined in a way that stamps a people-focused mindset on those responsible for delivering the aid program.

The existing objective needs to be unpacked and clarified with a coherent and principled underpinning.

A clear statement of the government's aid policy is essential for the public and those working in the area.

The Review Panel suggests an overall conceptual approach for the aid program, and for its growth.

## C. PUTTING PEOPLE FIRST

Whatever the context of Australian aid – whether to help people facing a humanitarian crisis, to provide basic services essential to a decent life such as health or education, or to help countries move towards economic prosperity – all aid must aim to improve the lives of fellow human beings living in conditions far below those we in Australia consider acceptable.

This focus on people reflects Australians' sense that aid must find its way to the people who need help, not just governments or organisations.

This is an essential test. No matter how effective an aid initiative may be in building relationships between Australia and foreign governments and businesses, or improving Australia's image, it should not be pursued unless it really benefits people.

The path must be credible. If an aid activity is not credible then it will fail regardless of the kind of aid, the circumstances in which it is given, or the way it is delivered.

The aim to help those in worse circumstances than ours would command widespread community support. Indeed, Australians generously support overseas aid efforts by government, NGOs and others. As the ninth-wealthiest country in the world<sup>8</sup> (International Monetary Fund 2010), Australia should do its fair share to help the world's poor. Just how much aid this implies will, of course, always be the subject of legitimate public debate, but whatever the aid program does, the Australian people will demand, and rightly so, that Australian aid is getting to those who need it.

This means the poor.

## D. REDUCING POVERTY

The fundamental objective of the Australian aid program should be to help people overcome poverty. That too is an essential test which Australian aid must pass.

In its effects, Australian aid may well benefit more people than only the poor. For example, a significant infrastructure project or an important program like health improvement will benefit the wider community in a recipient country, but, in their intention and design, Australia's activities should be directed at helping the poor.

Overcoming poverty means both making the poor better off and helping them escape poverty.

Assistance to help people get by and to survive, in circumstances of chronic poverty, humanitarian emergencies and disasters, should be an important part of any aid program. At the

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<sup>8</sup> Measured by GDP per capita purchasing power parity in 2009.

same time, wherever possible, Australia should support sustainable development, which creates permanent solutions to poverty and opportunities for long-term prosperity.

Australians would want not just to help people in poverty; they also want to help them escape it.

There was widespread support for putting the goal of reducing poverty at the centre of the aid program during the Review Panel's consultations and in submissions. Some also wanted similar priority to be given to the goal of reducing inequality. For example, this was a recommendation from the Australian Council for International Development.

It is important to disentangle a number of issues here.

In the Review Panel's opinion, the question is not whether there should be equality of opportunity for people to participate in economic development. There certainly should be. Nor is the issue whether this should be built into the design of Australian aid projects to the extent possible. Clearly it should be. Nor is the issue whether reducing inequality can be an important means of reducing poverty. It can be.

But there are two questions distinct from these to which the answers are less obvious.

The first is the analytical question whether, in some circumstances and in some countries, an increase in inequality will be a concomitant (at least in the short to medium term) of the economic development needed to reduce poverty. The empirically correct answer is that in some countries rapid poverty reduction has gone hand in hand with increases in inequality.

The second question is whether, given varied country circumstances and need, Australia should put reducing inequality on the same footing as reducing poverty in a universal objective for the aid program.

The view of the Review Panel is that the idea, indeed imperative, of promoting opportunities for all to participate in the development process is an important one (further pursued in Chapter 8). That said, reduction of inequality per se does not have the same overarching significance as poverty reduction as the highest-level objective for the aid program.

## **E. THE NATIONAL INTEREST**

The Review Panel considers that the program should be anchored both in Australia's national character and enduring national interests. The relationship between national interest and aid is not simple and needs careful analysis.

A common aid debate is whether its rationale is altruism or national interest. This is often run together with the debate on whether aid should be directed at alleviating poverty or to Australia's strategic, economic, security or political interests.

The Review Panel believes that there is a risk of Australia founding its aid policy on confusion and oversimplification.

Altruism and self-interest are motivations. Alleviating poverty, enhancing Australia's reputation as a good international citizen, strategically positioning Australia, international economic engagement, security from threat, and foreign policy influence are all objectives.

Motivation to support the aid program is important, and indeed community support will be critical as the scale-up continues. For some, the motivation will be altruism, for others Australia's self-interest, for many, a mix of both. The need for public consensus is a theme the Review Panel addresses through the Report and especially in Chapter 17. But in this chapter, the Review Panel is concerned with objectives.

One of the aid program's objectives is to advance the national interest. Unlike poverty reduction, it is not an essential test of a good aid program, but it is a legitimate consideration, which is particularly important as a criterion for deciding where Australia's efforts against poverty are focused.

Like poverty reduction, national interest is a broad notion. It covers economic, security and foreign policy interests: from the commercial interests of individual companies, to the safety of Australian citizens and Australia's international image and reputation.

The national interest relates to the aid program in two principal ways.

First, Australia has a strong national interest in a world with less poverty. Such a world is something many Australians aspire to (as evidenced by their own charitable giving). It would provide greater economic opportunity for Australia and is likely to be more stable and less violent.

Second, while global prosperity is the main national interest the aid program advances, Australia has more specific national interests that aid can help advance. Australia has specific interests in particular regions. For example, what happens in the Asia-Pacific affects Australia's interests more than what happens in Africa. Australia also has interests in activities that directly impinge on us such as people smuggling or illegal fishing.

When people say national interest has no place in the aid program's objective, they mean these interests (other than reducing global poverty) should not be pursued through the program. Many put that view to the Review Panel and it was the recommendation of the last independent review of the program, the 1997 Simons Review.

The Review Panel agrees, indeed urges, that the fundamental objective of the program should be to reduce poverty. But it is unrealistic to expect the aid program would not be used to pursue Australia's other interests. Australia, like every nation, has legitimate and specific interests it needs to advance by helping developing countries. This is not wrong provided that the activities undertaken are directed to assisting the poor and that there is a credible pathway to this fundamental goal.

It is one thing to say that Australia's various national interests should play a role in aid decisions, it is another to say what role they should have. Often, advancing specific national interests and effectively reducing poverty will be complementary objectives. For example, the fact that Australia is most affected by events in its region has led the aid program to concentrate on the Asia-Pacific. That also makes sense in terms of global poverty reduction because the Asia-Pacific has a lot of poverty yet receives little aid.

To a significant extent therefore, development assistance policy coincides with Australia's broader security, economic and foreign policy interests.

But there can be trade-offs. What Australia can do about poverty reduction and what it can do about other national interests involves choices along a spectrum. It is not a matter of black and white, either poverty reduction or national interest. The hard cases will always be a matter of the mix.

It is best to have a framework for the aid program which recognises this and provides direction on it, rather than to leave the point tacitly understood, but never explicitly stated.

As an example of the kind of trade-off which can arise, in the past Australian aid could be used only to purchase Australian goods and services. The tied aid thus served Australia's economic interests and reduced poverty, but this latter goal could have been more effectively pursued if the aid program had been able to draw on more suppliers. Over time, Australian aid has become untied, and interestingly, no-one argued to the Review Panel that it should be tied again. This is clearly one trade-off between poverty reduction and other national interests that Australia is not prepared to make.

But there are other trade-offs that Australia is prepared to make. Examples are given below of activities that reduce poverty, but were pursued mainly because of national interests.

How to make these trade-offs, when needed, is a matter of judgement. It is impossible to establish rules to cover every case. The guidelines below aim to help define the role of the national interest in influencing aid decisions.

- First, the Review Panel does not suggest national interest should be given more weight than it has recently received. The aim is to remove the current objective's ambiguity, not to shift the balance.
- Second, the main way national interest will play out in the aid program is through aid allocations to different countries. One can see this not only in the Asia-Pacific, but more recently in Afghanistan, which has become Australia's fourth-largest country program because of Australia's security interests and presence there. In this way, national interest helps drive the aid program's geographical focus.
- Third, once country allocations are made, individual activities or sectoral priorities should only rarely be selected because of national interest. There will be some exceptions. If it were not for the historical links, the Australian aid program would not have had an activity focused on the Kokoda Track in PNG. Australian aid activities carried out by and with the Australian Defence Force in Uruzgan, Afghanistan, are undertaken principally because of security interests. However, choosing aid activities because of specific national interests is, and should remain, the exception. Every proposed activity must demonstrate it contributes, directly or indirectly, to poverty reduction. The Review Panel does not suggest every activity should have to pass a national interest test.
- Fourth, the aid program should not be used to promote commercial gain, whether by re-tying aid to Australian producers or by other means. Australian industry will benefit from the aid expansion, but it should be on the basis of a level playing field and not preferential treatment.

The Review Panel suggests that if these guidelines are followed by ministers and by those responsible for designing and administering the aid program, then the sometimes vexed question of how national interest considerations fit with good aid policy will be addressed in a way that is both practical and principled.

## F. MAKING A DIFFERENCE

Needs and opportunities to improve people's lives vastly exceed the resources available. Choices need to be made as to where Australia should contribute in the global effort. The aid program needs to be selective and focused.

Australian aid should be used only when it can make a real difference.

Chapter 3 highlighted the harm fragmented aid is doing to the current program's effectiveness and efficiency. Addressing this problem is serious and the benefits are so large that the Review Panel believes that reference to Australia's capacity to make a difference ought to be included in the overall objective.

In deciding whether and when to intervene, the following points should be taken into account:

- strong partner governments
- the existence of or potential for real partnership and collaboration, including high-quality delivery partners in-country
- Australia's weight as a donor and whether there is a problem of 'donor crowding'
- correspondence or otherwise between Australia's strengths and a particular country's needs
- the depth of Australia's relationship, historical and contemporary connections, country knowledge and people-to-people connections
- Australia's in-country influence and how effective its engagement is with partner government, civil society, business and other stakeholders
- Australian presence in a country: whether or not there is diplomatic representation and the presence of Australian NGOs, business or other networks
- confidence that Australian funding will be used appropriately and not wasted, and the ability to verify this
- countries' varying abilities to absorb more aid effectively, and Australia's confidence that there is a sound strategy for scaling up
- Australia's willingness to stay the course.

How these factors are aggregated will depend on judgment. The bottom line is that there needs to be fewer and bigger interventions, in fewer countries and sectors.

## G. THE OBJECTIVE

To summarise the above, the Review Panel believes the rationale and explanation for Australian aid should be along the following lines:

- First, the aid program is anchored in Australia's national character and enduring national interests. Australia is motivated to give aid because Australians are a decent and caring people. Australia also gives aid because it is in its interest to have an economically prosperous world with opportunity, rather than a world plagued by poverty, insecurity and instability.

- Second, Australian aid will always focus on people. It must benefit people struggling to survive and people living at standards far below those considered acceptable. It is not just about benefiting foreign governments or foreign countries in the abstract.
- Third, poverty reduction should be the fundamental objective of the program. It is the essential test.
- Fourth, Australia gives aid to help poor people, but also to help them escape poverty and become prosperous through sustainable development.
- Fifth, the aid program should advance Australia’s national interests: global prosperity and also more specific economic, security and foreign policy interests. These national interests should influence decisions about country aid allocations and help focus the aid program. They will sometimes – though less frequently – guide individual aid activity choices too.
- Sixth, activities should be prioritised to where Australia can make a real difference.

The overall objective or mission statement for the aid program should be based on the above points. The Review Panel suggests the following formulation:

The fundamental objective of Australian aid is to help people overcome poverty.

We work to improve the lives of those living in conditions far below what Australians find acceptable. We focus our resources and effort on areas of national interest, and where Australia can make a real difference.

The Review Panel also suggests that when the government releases its next strategy, it include guidance on where national interest sits in the aid program along the lines of Section E above. Together, this objective and the related guidance should help build strong support for the program, and clear up confusion and suspicion about its purpose.

## H. DESIGN PRINCIPLES FOR A SUSTAINABLE AID PROGRAM

Based on this overall objective, what would be the design principles of an Australian aid program that can be managed effectively, commands public support and is sustainable over time?

One useful way of approaching this is to ask the following question:

‘What would Australians want to be able to say, with pride, about what the Australian aid program is accomplishing, taking into account Australians’ view of themselves as a decent, fortunate country whose people wish to reach out to help those in need and who want Australia to do its bit as a good international citizen; while, at the same time, dealing with challenges at home and aspiring to achieve for themselves even greater economic development, a higher quality of life and security?’

In other words, what would be the shape of an aid program that properly reflects the values and interests of the Australian people?



A sustainable aid program would be one founded on the answer to this question.

Australia should aim to do better than a program that has grudging public support and a manageable level of controversy. It should aim for a program that enjoys positive backing and is seen as a genuine Australian achievement.

The answer to the question above is suggested below (accompanied by suggestions on the principal implications for the design of the Australian program).

First, Australians want an aid program that contributes to reducing poverty in the world, as an important moral objective.

- Key design principles. If Australians see overcoming poverty as morally important, then Australian aid should be spread to include geographically distant regions/continents not traditionally the focus of foreign policy. Aid should not be confined to 'our own backyard'. Compassion is not geographically limited.

Second, so long as reducing poverty is not compromised, it makes sense for the aid program to support Australia's security, economic or foreign policy interests.

- Key design principles. Australia must design its program to help reduce poverty in distant areas while prioritising poverty reduction in the Asia–Pacific region.

Third, Australia should make a special effort in special circumstances where lives are devastated overseas: natural disasters, man–made catastrophes and humanitarian emergencies.

- Key design principles. Australia should be equipped to contribute at each stage: prevention, emergency relief and recovery. The aid program should be designed so it can respond fast. Australia should work with others, including the UN, NGOs and other donors. The aid program should learn from Australia's extensive domestic experience in managing natural disasters: flood, fire and cyclone.

Fourth, the Australian public would prefer cures to band-aids.

- Key design principles. Australian aid should be directed to economic development as the ultimate answer to poverty. Its goal should be to help create prosperity. The aid program should address where possible underlying poverty causes (including poorly functioning markets, insufficient opportunity for the private sector, poor governance, gender discrimination and corruption). It should recognise that progress may be slow, but worth pursuing if there is a credible path forward.

Fifth, the Australian people want to know that funds are not being wasted. This applies to all government programs, but it has particular potency when it comes to spending resources overseas for the benefit of non–Australians.

- Key design principles. Activities should be targeted to where Australia can be effective and add value. The aid program should focus on sectors where Australia has particular strengths. Australia should work more with partners with complementary attributes and whose efforts can be leveraged. The aid program should take account of recipient countries' differing abilities and track records, and be as rigorous as possible in monitoring and assessment. The program should be stable and predictable, but also able to adjust with experience.

Australia needs to avoid spreading its bilateral aid too widely (functionally or geographically) and should focus on opportunities to work with others (including other donors and NGOs) and leverage resources for greater impact.

Sixth, the aid program should be anchored in a political and public consensus. Aspects of the program will be debated. This is legitimate, but the overall objectives, shape and performance of the program need to command wide public support. Moreover, Australians need to feel engaged with the program.

- Key design principles. Effective public communication and consultation with civil society, Parliament, business and others should be built into the aid program. There should be better efforts by government to engage community groups. There must be transparency.

## I. HUMAN RIGHTS AND THE AID PROGRAM

Poverty is an affront to human rights. Australia has international human rights commitments and high human rights standards. These demand that human rights be considered in the management of Australia's aid program.

The role of human rights in the program was the subject of many public submissions to the Review and was often raised in consultations with the Review Panel. Several submissions proposed the program formally adopt a 'rights-based approach'.

These issues are worth in-depth discussion.

The aid program does help people realise their civil, political, cultural, economic and social rights. Numerous examples exist – from the intervention in strife-torn Afghanistan, to the phasing out of school fees so 43,000 children can get a primary education in Vanuatu, to new clinics to help the 200,000 people in PNG living with HIV/AIDS, to expanding water supply in Mozambique. The commitment to the Millennium Development Goals is a commitment to people's human rights.

### **Box 5.1: How does *Development for All* Demonstrate a Human Rights-Based Approach to Development?**

AusAID's *Development for All: towards a disability-inclusive Australian aid program 2009–14* strategy is an example of a human rights-based approach to development as it is guided by the UN Convention on the Rights of Persons with Disabilities. This strategy aims to ensure people with disability, who make up to 20 per cent of the poorest, are included in and benefit equally from all aspects of the aid program. Its main aim is to support people with disability and improve their lives by giving them access to opportunities to participate, contribute, make decisions, and have the same social and economic wellbeing as others.

*Development for All* recognises that disability is both a cause and consequence of poverty, and aims to alleviate inequalities that reduce development progress. The strategy includes initiatives to help people with disabilities participate, for example, by ensuring infrastructure such as schools and hospitals can be accessed by all. It focuses on

empowering people with disability to have a voice and participate in development processes. It maximises opportunities for them to participate, for example by including people with disability in aid design and evaluation processes. As a result, people with disability are increasingly becoming involved in decision-making, ensuring aid policies and programs are shaped to take better account of their requirements (AusAID 2008b).

AusAID's Disability Inclusive Development Reference Group helps ensure transparency and accountability. Including international and Australian leaders with disability, this group helps guide Australia's aid program, making sure activities are consistent with and fulfil Australia's obligations under the Convention.

As well as links between human rights and many ongoing aid activities, there are a number of initiatives that advance human rights, such as the Human Rights Grants Scheme.

### **Box 5.2: Human Rights Grants Scheme**

The Human Rights Grants Scheme is a competitive funding scheme that supports NGOs and human rights institutions working in developing countries to promote and protect human rights. The value of the scheme has increased from \$1.5 million in 2008–09 to \$3.5 million in 2010–11.

Applications for funding under the scheme are open to organisations from more than 100 countries. An independent panel of eight human rights experts reviews the applications and provides recommendations to the government.

The scheme aims to promote and protect human rights directly. For instance, a project in Liberia seeks to include and promote rights of persons with disabilities by helping the National Union of Organisations of the Disabled and five local disabled persons' organisations advocate, lobby and raise awareness of disability rights. Another project in Solomon Islands will help develop a national commitment to eliminate violence against women through community training and advocacy, and ensure this commitment has an impact at the village level.

Nevertheless, the Review Panel believes the aid program does not do enough at the policy or communications level to highlight how it advances human rights. This risks selling the program short in terms of what is already being done. It also raises the risk that parts of the program will overlook human rights in policy and program development.

One of the reasons there is no human rights policy for the aid program is the debate over whether or not the program should formally adopt a ‘rights-based approach’ to development. The recommendation that Australia adopt such an approach was put to the Review Panel in public submissions, in consultations with NGOs and statutory bodies, and in meetings with parliamentarians. For example, the submission made by the Committee to Protect Vietnamese Workers states:

“We strongly support a rights-based approach to aid. That is, we support an approach in which human rights considerations permeate all aspects of aid. Further, as it is universally recognised that peoples whose civil and political rights are respected can best develop their potential, we submit that civil and political rights ought to be given more prominence than up to now.”

The rights-based approach is not a new idea. In May 2010, the Joint Standing Committee on Foreign Affairs, Defence and Trade recommended that AusAID “adopt a human rights-based approach to guide the planning and implementation of development aid projects”. Several prominent NGOs and the UN Commissioner for Human Rights have advocated for several years the adoption of a rights-based approach.

In summarising the meaning of a rights-based approach, the Australian Human Rights Commission (AHRC) states:

“A human rights-based approach to development is based on agreed international human rights standards. It views poverty as a direct result of disempowerment and exclusion. A rights-based approach focuses on redressing the discriminatory practices and inequalities that impede development progress by supporting empowerment, participation and capacity building. A rights-based approach focuses as much on how things are done as what is being done.”

UN agencies articulate three main elements of a rights-based approach:

- all development programs should advance human rights
- the fundamental principles underlying human rights should guide development cooperation programs
- development programs should help ‘rights holders’ to claim their rights and ‘duty bearers’ to meet their obligations (United Nations Development Group 2003).

Proponents of a rights-based approach argue it results in:

- improved aid effectiveness through an enhanced focus on marginalised and excluded groups
- improved sustainability by helping marginalised groups participate and become empowered
- a more holistic understanding of what development entails
- improved cooperation with partner governments.

To some degree, the debate is about how the aid program approaches and describes what is being done, rather than what it is actually doing.

The four benefits of a rights-based approach listed above are good development practice. Over the past five years, there has been more focus in the aid program on marginalised groups,

community empowerment and participation, more holistic development approaches and improved cooperation with partner governments, despite no formal rights-based approach. Adopting a rights-based approach is not the only way to achieve these ends.

The AHRC submission acknowledges that:

“...many of the elements of a human rights-based approach already exist in different programs and activities administered by AusAID. For example, a number of activities are targeted at particularly vulnerable groups (such as people with disabilities), include a focus on gender equality, support the development of local institutions with transparent governance, and are conducted through participatory and consultative processes.”

Arguments against adopting a rights-based approach are listed below:

- A rights-based approach would commit Australia to making human rights the fundamental objective of its aid policy and reducing poverty would become an outcome of this rather than the main mission. The Review Panel would not favour a rights-based approach that placed other rights above the poverty objective.
- The approach is vague and could open the Australian government to unpredictable demands, for example, that the government use the aid program to press for human rights even in circumstances where this might reduce the ability to work effectively to meet human needs.
- The MDGs do not fully align with helping countries meet their human rights responsibilities. While the eight MDGs are encapsulated in human rights conventions, there are many more agreed human rights goals that might be pursued under a rights-based approach. This includes, for example, freedom of the press, a fundamental right which Australia supports, but which is not core business for the Australian aid program.
- Important parts of the aid program, such as technical assistance to central banks or road maintenance, do not easily lend themselves to a human rights perspective and it would be a waste of time trying to twist such efforts into a human rights framework.
- Adopting a rights-based approach would mean the aid program would have to be significantly reshaped. Every level of the program, including central, country and sectoral policy and programs would need to be redesigned and staff trained. This shift would not be a small one.
- The Australian government does not adopt a rights-based approach to development of its domestic health, education or other programs.

The Review Panel believes some of these arguments carry weight, others not so much.

Clearly those advocating and those opposing a rights-based approach have differences, but also common ground.

On balance, the Review Panel does not favour the formal adoption of a rights-based approach. But it does see an opportunity to improve clarity and communication about the links between the aid program and human rights. The fact is the aid program targets people's right to be lifted from poverty and has, and needs to have, an explicit focus on the marginalised.

The Review Panel recommends the government communicate to all stakeholders the strong interconnection of the aid program and human rights. The government's position should include:

- emphasis that poverty is an affront to human rights and thus improvement of human rights is embedded in the Australian aid program's objective
- clarity on the links between human rights and the program, in order to dispel confusion among Australian government staff, partner governments and human rights advocates
- a practical approach to encourage the recognition of human rights in other countries
- an ongoing commitment to report on the aid program's role in advancing human rights.

**Recommendation 1:** The objective of the Australian aid program should be cast as follows:

**The fundamental objective of Australian aid is to help people overcome poverty.**

**We work to improve the lives of those living in conditions far below what Australians find acceptable. We focus our resources and effort on areas of national interest, and where Australia can make a real difference.**