

Aid Review 2011 : Submission by John Piper.

The following comments are submitted by me not as a development economist, but as someone who has had substantial interest and involvement in aid issues, including a period as Australian representative on the Development Assistance Committee of the OECD (1983-85), in the course of my working years in the Department of Foreign Affairs and Trade (1953-88) and later at the ANU (1988-2003) studying Australia's relationship with the South Pacific of which aid is clearly an important part..

2. The current review is most welcome, as are the courageous recent but overdue increases in the aid vote. I acknowledge that aid delivery between sovereign nations is an incredibly complex and political process. It involves often a degree of waste, corruption, public resentment, and the contradictions inherent in the fungibility of aid transfers.

3. Public interest in aid policy despite official effort has been pretty shallow, and concentrated on the aid volume issue, and press coverage of high salaries paid to some experts in the field. I understand, however, that Australian public attitudes to aid have become much more supportive over the past 20 years, and that Australian individual and NGO aid flows are said to match those of the Government, a remarkable achievement if it is true.

General comment.

4. Since the last Simons Review AusAid has clearly become a much more effective deliverer of aid with increased research and monitoring capabilities. It has taken on board the overriding need for dialogue and close collaboration with its aid partners and other aid donors in defining and executing its aid strategies. On the other hand it has to be conceded that the development outcomes of our bilateral aid program over the years in the countries in which it has been concentrated –the South Pacific and the nearby countries of South East Asia including East Timor- have been modest, even in relation to the United Nations Millennium Development goals.

5. Australia's historical record on providing aid, considering it is situated on the edges of the major concentrations of developing countries, is not an impressive one. We have in the past sheltered behind the fact that some other developed countries, including the United States, have done worse in terms of per capita ODA commitments. This has reflected a wide range of public attitudes of scepticism and restraint.

6. OECD/DAC and academic discourse on aid policy has shifted away from emphasis on good governance and sound economic management to the importance of ensuring recipient countries "own" their development strategies, and control the funds donors contribute towards their execution. In Australia this period was marked by substantial criticism of the Howard Government's security oriented approach to the aid needs of the South Pacific, as embodied in the RAMSI Solomon Islands intervention, which most Australians would probably accept as having been necessary, and in the project (not executed) to attach 200 Australian police to the PNG force to strengthen law and order..

7. There were criticisms in academic journals in Australia that our aid programs had actually had a negative effect on development in PNG and that aid would be better directed through regional, local and NGO bodies to reducing income inequalities rather than through traditional aid mechanisms. These criticisms seemed to me misplaced and unfair, and the newly elected Rudd Government's overall aid commitments and its launching of the Pacific Partnerships seemed a clear response to these criticisms. Unfortunately the Partnerships took time to get up and running, and the evidence of their positive impact has not been made clear to the public..

Aid to the South Pacific.

8. Aid relationships are almost always strongly defined by the recipient country's characteristics and usually highly political. The criteria applying to an assessment of the success of Tsunami relief to Aceh and to programs for accelerating primary education in PNG are going to be very different.

9. Australian and New Zealand aid flows to the islands of the South Pacific represent a large percentage of their total development expenditure. The exceptions are Fiji, where aid flows were traditionally below 15 per cent of the budget and increasingly PNG as its mineral, gas and oil earnings are set to transform its economy. We are therefore in general more than an aid partner in the South Pacific but rather a budget underwriter even in routine service areas like health and education. In the Solomons we are virtually a parallel and very expensive government although sovereignty continues to belong to the county's Parliament.

10. Getting the balance right between fully empowering the local authority and being assured aid has been effectively utilised will always be challenging. Risks are more easily taken when there is confidence and familiarity between the partners, and this needs to be institutionally reinforced.

11. The Review Committee will be made familiar with the obstacles to effective aid delivery in the South Pacific, the political and administrative realities. These include the tendency of national governments to siphon off aid funding and divert it for political benefits, even when other priorities have been previously set and agreed, and are being conscientiously pursued by capable public servants. Elections and parliamentary processes are nominally democratic but do not produce coherent programs, or reward and punish Ministers in a way which would give continuity to national development objectives.

12. Our aid process has to be able to adjust to these realities, to find alternative regional and local partners, where we can effectively do so, and to keep focussed on the development outcomes.

Recommendations..

A. The projected increases in the aid budget are reasonable and achievable. The regional focus of our bilateral aid on our region, the South Pacific, and the nearby countries of South East Asia, is accepted as sensible by the donor community because they reflect our geographical location and historical familiarity.

B. Australia's regional credentials need attention to reinforce our aid flows. The delays in setting up an effective program for short term agricultural workers from the region, alongside New Zealand's successful arrangements, has limited a modest but useful stimulus to overall development in the region. There are other areas where mutual benefit could be derived from a variety of employment opportunities such as teaching and nursing, which would generate useful remittances to the island communities.

D. The difficulties encountered in the region in devising effective aid transfer call for substantial increases in institutional support measures which I hope the Committee will consider. These might include using regional institutions such as the Forum to conduct periodic confidential reviews of island development progress with IMF/OECD style teams, the strengthening of local and regional training institutions, the continuing use of attached officers from donor and external countries in line positions, and greater use of independent Research bodies and NGO Foundations to underline essential development needs.

E. AusAid should continue to play a vital role identifiably separate from the Department of Foreign Affairs and Trade, and surely should now have its own full time Minister to articulate and implement its distinctive perspectives. Co-operation and staff transfers between the two need to continue and the closest possible relations in the field at every level. Greater familiarity with local and regional politics and language skills will be expected of AusAid personnel, and DFAT staff should be required to be familiar with AusAid operating procedures and take a close interest in development theory and practice when posted to developing countries. There is clearly also a need for skilled local staff familiar with local practices, languages and political affiliations to work with our aid delivery staff in-country.

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