

AUSTRALIA'S AID PROGRAM: FIVE YEARS AFTER JACKSON

Opening address by Senator Gareth Evans, Q.C., Minister for Foreign Affairs and Trade, to ACFOA "One World or None" Conference, Canberra, 8 September 1989.

I know that many in this audience are concerned at the way in which the Australian aid budget has been declining in recent years, if not so much in real terms at least as a proportion of GNP. I understand that concern. Indeed - as I have made clear on innumerable public occasions - I share much of it. But we ought not to allow our disappointment at the declining quantity of aid to blind us to some very real achievements over the last few years in improving the quality of Australia's aid program.

Today, I wish to look, in some detail, at this other side of the aid story - to take stock, five years after the Jackson Report on Australia's Overseas Aid Program, of the management and quality of the aid program. I also wish to use this occasion to announce the outcome of AIDAB's NGO review, and to look briefly at what lies ahead for the aid program.

The Jackson Report was the most thorough review of Australia's overseas aid program ever undertaken. Indeed, it was one of the most thorough reviews of any bilateral aid program undertaken in any country since the Second World War. Its recommendations were extensive. They ranged from the objectives and motivations underlying the aid program, to detailed aid management issues. The Government accepted the general thrust of Jackson's recommendations. An ambitious program of reform was then implemented. As we now look back over this period, I think the result is very credible. Australia now has a better focussed, higher quality aid program.

This is not just a personal view. It is the view expressed in the report of the Joint Committee of Foreign Affairs, Defence and Trade following their most recent review of Australia's aid program. The Government will be making a formal response to this report quite soon. What I will talk about today will not, of course, in any way pre-empt the Government's response to this report.

It might be the right moment to mention here one aspect of the aid program that I suspect too few people are aware of - namely, the degree of scrutiny to which the aid program is subject. There are, I imagine, very few other areas of Australian Government spending that are subject to the sort of close scrutiny that the aid program is continuously put under.

The Jackson Report

But let me turn back to some of the main aspects of the Jackson Report. It is hardly practical to summarise the Jackson Committee's approach in a few words, but I can point to some of its main thrusts.

The Jackson Committee called for:

- . a clear statement of aid objectives;
- . a sharper regional focus and sectoral concentration;
- . reforms in aid management, including a move to country programming; and
- . improved administration and professionalism in the aid agency (AIDAB).

Surprisingly, perhaps, recognition of the need for a clear statement of objectives for Australia's aid was a major step forward. The statement that the Jackson Committee produced was welcome because it injected sensible realism into our foreign aid policy. Throughout most of the 1970s, the official rhetoric surrounding foreign aid in Australia had been that foreign aid was mainly provided for humanitarian reasons. This was - and still remains - true. But the Jackson Committee realistically acknowledged, quite openly, that aid is provided for certain self-interested reasons as well. The opening chapter of the report discussed in detail the foreign policy and commercial objectives that - in addition to humanitarian goals - underpin aid programs in all western countries. Thus a 'trilogy' of objectives was openly acknowledged.

Jackson's call for a sharper regional focus was welcome too. The aim was to counter tendencies towards fragmentation of the aid program. As a matter of fact, all bilateral aid programs in all donor countries run this risk. Fragmentation tends to occur when lobby groups press for 'just a small amount' of aid to be provided for their favorite activities. At the same time, there is often pressure for more and more countries to be fitted, somehow, into the existing aid vote.

The Jackson Committee thought that the Australian aid program was too fragmented and proposed a range of measures which would focus the regional impact of Australian aid. The Committee argued that those countries of greatest importance to Australia should be given greatest priority. This meant continuing our special relationship with PNG and maintaining Australia's role as a major donor in the South Pacific. The Committee also recognised the political and economic importance to Australia of nearby Asian countries.

The call for the introduction of a so-called "country programming" approach was at the heart of Jackson's recommendations for improving the effectiveness of aid. Traditionally, Australian aid to particular countries had been provided in an ad hoc sort of way. Different forms of aid - project aid, food aid, scholarships, scientific cooperation, multilateral aid, and

so on - had all been provided more or less independently of each other. The Jackson Committee recommended the development of "country programs" to provide a coherent approach in each country. An increased sectoral focus, emphasising aid in those areas in which Australia is best able to help, was also identified as a main element in the country programming approach.

Improved management of the aid program was seen by Jackson as underpinning the whole approach towards improved aid quality. This encompassed not only country programming but also recommendations on the suitability of various forms of aid. For instance, the Jackson Committee recommended a continued steady reduction in the level of budget support to Papua New Guinea. The question of both the overall volume, as well as forms, of aid to PNG has been a controversial aspect of the Australian aid program. The Jackson Committee observed that no other country gives such a large proportion of its aid program to just one country. It recommended both a steady reduction in the overall level of aid to PNG, as well as a shift away from budget support towards project aid.

The Jackson Committee also proposed a major reform in the way aid in the education sector was provided. The report contained a sustained, spirited critique of the system of "hidden" student subsidies that had existed for many years. Largely as a result of the Committee's recommendations, wide-ranging changes have been introduced into this area of the aid program in recent years.

As well as all of this, the Jackson Committee was critical of the administration of the Australian aid program during the 1970s. In the Committee's view, the aid program had been run in a way that reflected a "clerical" approach, rather than one emphasising professional aid delivery. The Committee therefore recommended that the Government allocate more resources to the administration of the program. Moreover, the Committee urged that more emphasis be given to recruiting professionals with appropriate experience in development issues.

At the risk of oversimplification, I can say that the overall theme of the Jackson Committee amounted to a strong emphasis on the need to improve the quality of the Australian aid program. In addition, a second theme which ran through the report was the need for economic realism. This was reflected in three ways. First, the Committee explicitly recognised the importance of sustained economic growth for developing countries. Secondly, it emphasised the importance of domestic policies to promote economic growth. And thirdly, the Committee acknowledged the role that trade and investment play in promoting growth. In summary, a strong feature of Jackson's recommendations was a move to a more coordinated and rational approach to giving aid.

Effects of Jackson

What effect, then, has the Jackson Report had? Five years on, enough has happened for us

to make some judgements about the longer-term impact of the report. I will first say something about aid volume, and then discuss what I see as some of the significant improvements in the quality of our aid program over the last five years.

You will all be aware of the fall in the ODA/GNP ratio in recent years, from a 1980s peak of 0.51% in 1983/84 to 0.33% now. Before I say anything about the reasons for this fall, let me make a few points to put it in perspective.

First, things are not as bad as they would appear at first glance in this year's aid budget. The fall in the ODA/GNP ratio results from the rescheduling of almost \$100m of payments to the World Bank and the Asian Development Bank from this year to last financial year: a rescheduling that was made possible by a shortfall that became apparent towards the end of last financial year in the Government's anticipated outlays, and a rescheduling that seemed to me highly desirable to implement given the difficult climate we were confronting in crafting this year's Budget. Had this bring-forward not occurred and the \$100m in question been spent in 1989/90, this year's ODA/GNP ratio would have remained at 0.36%, the same as the previous year's budget forecast.

A second point worth noting is that the fall in the ratio is partly a product of the very rapid growth we have experienced in GNP in recent years: the dollar allocations which have served to maintain the aid vote in real terms over the last two financial years would have looked significantly more respectable in ODA/GNP ratio terms had our economy not been booming to the extent it has. Simple arithmetical propositions of this kind are often simply overlooked.

A third point worth making is that over the whole of the last two decades, not just in the last two years, despite all the ups and downs that have occurred Australia's aid vote has not merely been maintained in real terms, but in fact increased by around 10% in real terms.

A fourth point is that although our ODA/GNP ratio is much lower than the world leaders in development assistance - Norway at 1.09% and the Netherlands at 0.98% - it compares more than favourably with such wealthy OECD members as the US at 0.20% and the UK at 0.28%, and continues to hover around the OECD average of 0.35%.

Nevertheless, taking all this into account it has to be acknowledged that the aid budget has certainly not increased in recent years, and did suffer a significant decline in 1986/87 from which our recovery has been extremely difficult. The most obvious reason, of course, is that the Government has had to impose a series of strict economies in the overseas aid vote as part of wider government spending cuts, which were their most far-reaching in the 1986 Budget. The reason that the Government has moved to curb overall government spending is well known. Australia has faced serious economic problems in recent years, particularly the need to address our balance of payments problems, and government expenditure has had to be restricted to curb aggregate demand.

There is another, and perhaps more important, reason as well - one that is of special importance to this audience. I think this is a matter that we need to be quite honest with ourselves about. The simple fact is that the Australian community does have mixed feelings about the provision of millions of dollars for overseas aid. A recent survey of Australians' attitudes to overseas aid sponsored by AIDAB suggests that while there is some understanding and support for Australia providing overseas aid, there is not strong support for spending more on aid. I personally regret that this is the situation, but rather than wring our hands about it, I think that we need to ask why this is so. What can be done about it? These are questions which I hope you will address during your discussions over the next couple of days. And in addressing them, I urge you to be quite realistic. We all need to be very hard-headed about community attitudes towards aid so that we can ensure that the most effective case in support of aid is widely heard, and is widely accepted.

On budget prospects for the next few years, I can only say that the situation will probably remain difficult. As I have said on a number of public occasions, it is my own objective to bring the ODA/GNP ratio up to 0.4 per cent as soon as possible. However, progress will inevitably remain constrained by the Government's larger economic and budgetary constraints.

Turning to the quality of Australian aid since the Jackson Report, the news is a good deal better. In almost all areas of the aid program, the quality of Australian aid has improved markedly during the 1980s. The goals of the aid program are clearer, implementation of aid in the field is better, and the administration of the program is much tighter. All of these improvements in aid quality reflect the recommendations of the Jackson Report.

I should also say that the improvements in aid quality have, in no small degree, been due to the quite genuine commitment of the staff of AIDAB who have enthusiastically implemented the reforms that Jackson suggested. And they certainly reflect the personal influence of my predecessor, Bill Hayden, who was quite strict in insisting that the highest possible standards of aid delivery be developed during his time as Minister.

AIDAB is now a much more professional organisation. Its staff have a wide range of expertise. AIDAB has a strong professional development program and it has a better capacity for evaluation and risk management. It now has a comprehensive information technology system which has significantly enhanced the administration of many parts of the aid program.

These improvements have resulted in some increase in the proportion of administrative expenditure as a share of total aid. This has been money well spent. Just as there is no such thing as a free lunch, improvements in the quality of aid do not come free of charge. Even after these changes, administrative costs still represent only 2.8 per cent of the total aid budget, a comparatively low amount compared with many other aid agencies.

To illustrate exactly what I have in mind when talking about improvements in quality of the aid program, it might be helpful if I focus on just a few of the changes that have occurred during the 1980s.

The 'trilogy' of aid objectives - reflecting Australia's humanitarian, commercial and foreign policy interests - has proved very useful. I know that for various reasons, some people have been uneasy about such an open acknowledgement of self-interest, but in my view this step towards honesty and realism has been a major step toward clarity, and has been good for public discussion of aid policy in Australia.

There is a sense, however, in which I think this "trilogy" approach may also have been a little misleading, suggesting a sharper distinction between "idealistic" (ie humanitarian), and "realistic" (ie commercial and foreign policy) motivations than is really the case.

The point is that our overseas aid expenditure is both altruistic and in our own interests, and is capable of being looked at from both these perspectives. All Australia's aid, to qualify for that description under international accounting rules, has to be altruistic: alleviating poverty and distress, promoting development or both. But equally, all Australian aid can be seen as promoting one or more very direct and very real Australian interests - whether those interests be traditional geopolitical and strategic foreign policy interests, trade and economic interests, or simply Australia's reputational interests in being, and being seen to be, a good international citizen.

What is important is that these altruistic and self-interested perspectives complement each other. It is perfectly possible to provide high quality aid which promotes equitable economic development while at the same time generating benefits for Australia.

Much of what I have been saying in relation to our aid objectives reflects the economic realism injected by the Jackson Committee. Before the Jackson Report, discussions about Australian aid tended to have an air of, at times, cloying idealism. This was dangerously close to the politics of the "warm inner glow". This was all very well - indeed, sometimes quite noble in its goals - but it really was not enough to justify the expenditure of hundreds of millions of Australian dollars to the sceptical Australian taxpayer.

The emphasis on 'harder' economic issues in Jackson was a very healthy development. For one thing, it focussed attention on the central truth that in the long-run, the most effective anti-poverty device ever discovered is sustained economic growth. For another, it has encouraged everyone interested in aid in Australia to see the broad context of aid, trade and development that any aid program must fit into.

For instance, by providing aid in areas in which Australia itself is an efficient and effective producer, we can maximise the developmental impact of our aid, satisfying our altruistic

inclination. At the same time such an emphasis is most likely to generate trade spin-offs for Australian firms, a more self-interested perspective.

Rural development projects provide a good example. Australia has particular expertise in agriculture and rural development. Through our rural development projects, firms can introduce their products and expertise to overseas markets. At the same time, rural development projects directly benefit the poor in developing countries.

Five years after Jackson there is now a much stronger emphasis on matching areas of our own expertise with recipient needs. The vehicle for much of this has been the move to program management and program budgeting in administering the aid program.

Country programming has now become well established. This approach is based on the preparation of aid strategies for individual countries. Recipient countries are involved in the development of these strategies to ensure that their interests are fully taken into account. The aim is to deliver forms of aid which are most suitable to the needs of the recipient country. The best forms of aid also reflect Australia's capacity to assist.

Complementing the country programming approach is a sharper focus on the countries of the Asia and Pacific regions. Country programs are now well established for all major Asian and Pacific recipient countries. Australia has also responded to the severe problems faced by many African countries. Australia will complete a three year commitment of \$100m to Southern Africa this financial year. I have already announced a new three year program of \$110m - essentially a maintenance of the last three year program in real terms - as a direct follow on. In accordance with the recommendations of the Jackson Report, our aid to Southern Africa utilizes a narrower range of forms of aid than for countries where we have more thorough and detailed country programs. This makes sense given the limited capacity available for aid management and administration. It would be administratively inefficient to develop aid programs to other regions in the same detail as we do for countries of the Asia and Pacific regions.

Australia has announced its intention to develop new country programs with India and Pakistan, beginning in 1990-91. This is again in line with the Jackson Report which recommended that our aid to South Asia be based on sharply focussed country programs. South Asia contains many of the world's poorest people. Our aid programs will be small compared to other donors to the region. But again a sharp focus in our aid will ensure maximum impact.

In areas closer to home, our aid relationship with Papua New Guinea has matured and broadened considerably since the Jackson Report. Most recently, Australia signed a comprehensive Treaty on Development Cooperation with Papua New Guinea. The Treaty confirms the principles that will guide the implementation of our development cooperation activities with Papua New Guinea. Both Governments agree on the need to reduce Papua

New Guinea's reliance on budget support. Under the Treaty, budget support will remain at its current level until 1992-93. At the same time programmed aid activities are being increased. Australia is fully aware of the significance of the bilateral relationship with Papua New Guinea. Provided our aid programs are welcome, we will continue to help Papua New Guinea for a long time to come.

Education was another area in which the Jackson Committee recommended major reforms. An important achievement in this area has been the introduction, from 1990, of a new scholarship scheme for students from developing countries to study higher education in Australia. The new scheme, the Equity and Merit Scholarship Scheme, breaks new ground. It largely follows the proposals spelt out in some detail in the Jackson Report. For the first time, private citizens from developing countries will be able to apply directly to the Australian Government for scholarships, rather than through official government channels in their own country. In this way, red tape for students from developing countries is being cut back.

The scheme has two streams: equity scholarships, and merit scholarships. Equity scholarships are for students of academic ability who in one way or another, do not enjoy the same economic and social advantages as others. Merit scholarships are for students of exceptional academic merit. A special feature of the scheme is that half of all scholarships will be awarded to women.

The Equity and Merit Scholarship Scheme represents a major improvement in Australia's training aid. It is better aid, replacing the Commonwealth subsidy for private students from developing countries.

Improvements in aid quality stemming from the shift to program management are not just evident in Australia's country programs. Our so-called "global programs" are another area of improvement. Global programs are made up of those activities which are not planned on a country-by-country basis. They include Australia's assistance for emergencies and refugees, our contributions to international development organisations such as the World Bank, and community and commercial programs.

Australia is keen to fulfil its obligations as a responsible member of the international community. Australia's active participation in international forums allow us to influence the activities of institutions as well as to contribute to debate on international development issues.

NGO Review

I mentioned earlier that the Jackson Report noted the need to improve aid administration,

particularly the planning and policy advice capacity of AIDAB itself. AIDAB, as I have already stated, has been transformed in the post-Jackson period. Not the least of the improvements has been in its capacity and willingness to review the effectiveness of the various parts of the aid program. One very important part of the aid program is, as I hardly need to tell this audience, that which is administered through the NGOs.

I hope the Government's recognition of the importance of the contribution NGOs make to aid delivery, and to raising community consciousness about the need for aid, was sufficiently made clear to at least some of you in the 10% real increase in Government funding of NGOs that occurred in this year's Budget.

But while the relationship between AIDAB and the NGOs is already strong, it is capable of improvement. Over the last 6 months AIDAB has consulted extensively, including with many of you here today, to identify areas of the relationship which could be improved and that long awaited review is now complete. I have looked closely at the review's recommendations, as well as the comments from NGOs. This is, of course, a most appropriate forum to announce my decisions on the review, and I am pleased to be able now to do so. The recommendations of the review - which I have accepted in full in the form in which they are set out in the detailed documentation to be made available to you - fall into three broad categories.

First, and most fundamentally, it is proposed that the administration of the AIDAB/NGO relationship will be streamlined. I agree that a new Program Subsidy Scheme for NGO-initiated development activities should be introduced from the beginning of 1990 under which NGOs will enjoy a reduced administrative burden in their workings with AIDAB. Administrative arrangements for funding volunteer programs will also be streamlined. A new approach to providing funds for recovery assistance activities in emergency relief situations will also be established.

Secondly, the review identified a need to reach out further into the community. As a result, new and better arrangements will be introduced for funding NGO development education and professional development activities. The Review also raised questions relating to mechanisms for electing NGO representatives to the Committee for Development Co-operation, the focal point of the AIDAB/NGO cooperation program. I share AIDAB's present view that this issue, which I know is of interest to you all, requires further examination and consultation, and I propose that that happen before any change to the present system is introduced.

Thirdly, the review identified a need for AIDAB to provide better information to NGOs. I am confident that the steps proposed in the review will do just that and support their implementation. Improved communications will foster a better working relationship between NGOs and AIDAB.

Looking Ahead

So much for the last five years. Where do we go from here?

I have spent some time this morning talking about the improved quality of the aid program. To do more with less is an expression with which we are all too familiar. In the case of the Australian aid program I believe, however, we have given some meaning to the expression.

More of the same is likely in the immediate future. Nevertheless, as I have said, I remain committed to an increase in the Aid to GNP ratio of 0.4 per cent, which seems to me to be a realistic medium-term goal even if it is not going to be quickly achievable.

On quality, although AIDAB has come a long way during the 1980s, more is needed yet. I instance just a few areas that strike me as likely to need priority in the next year or so:

- continued improvements in country programming;
- an increased recognition of the role of women in development; and
- increased attention to environmental considerations related to our aid activities, although here we have made a good start with the Environment Assistance Program announced by the Prime Minister, and our related commitment to ensuring that environmental issues are taken into account across all areas of the aid program.

Another important influence on the aid program in the immediate future will be developments in Indo-China. Australia has played a prominent role in helping to find a solution to the problems of that region, although regrettably a settlement of the problem in Cambodia still eludes us. If and when a settlement is in place, or is at least on track in a rather more substantial way than is the case at the moment, we will be expected to take our part in assisting the economic development of the region.

Conclusion

In conclusion, let me summarise the state of Australia's aid program five years after Jackson. The Jackson Report was a watershed in our overseas aid. We now have a better aid program. Our aid agency responsible for administering the aid program is a more professional and efficient organisation. There has been much progress over the last five years of which we can be proud.

However, there is no room to be complacent. We must continue to press for increases in the volume of aid. We need to increase the ODA/GNP ratio. There are many pressures on the aid program, so we must continue to work towards improving aid quality. Above all, we

should remember that the objectives of the aid program - humanitarian, economic and foreign policy - are both altruistic and self-interested. If aid programs are properly designed, there is no conflict between altruism and enlightened self-interest. The reforms since Jackson have been based on these basic notions. In pursuing further improvements, they will continue to be our guiding principles.

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