Australia

Economic growth as the panacea for poverty

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Overview

- Total ODA for 2014/15 is AU$5 billion (US$4.5 billion)
- AusAID has been amalgamated with the Department of Foreign Affairs and Trade
- Delayed commitment to ODA performance to 0.5% of gross national income (GNI), with aid only rising with the rate of inflation over the next 4 years
- New aid paradigm policy that changes the objective of the aid program to operate solely in Australia's interest
- Explicit focus on aid for trade, the increased role for the private sector and economic growth central to the new policy
- Geographic focus on the Indo-Pacific region largely continues with PNG and Indonesia retaining the highest portion of the aid budget

The Road to 2014: Real change under the new conservative government

The trajectory of Australia's aid program recently underwent a significant shift, in most part as the result of the conservative Coalition Government that was elected in November 2013. In earlier federal elections, which saw a change in the ruling party, aid was a significant election issue, with the target for ODA, at 0.5% of GNI, a focus of significant advocacy efforts in 2007. A groundswell of young people coordinated under the Make Poverty History banner came together in this campaign and paved the way for the Labor Party's sustained awareness of aid as a political issue over their six years in power.

As a result, the previous Labor government was viewed by the sector as an ally and supporter of improving aid delivery and quality, as well as committed to raising the aid budget to 0.5% of GNI. The government therefore drew significant attention when in 2013 it announced a diversion of AU$375 million (US$340 million) of the aid budget towards onshore asylum seeker processing. This is classified under DAC guidelines for ODA as "donor refugee costs." However, this allocation of aid attracted attention due to the punitive nature of Australia's refugee processing policy, which indefinitely detains asylum seekers in difficult conditions as a deterrence mechanism.

The aid community in Australia responded by condemning the diversion of aid from critical overseas programs. But this budget move again sparked public interest in the aid program. It opened public space for the aid budget to be more closely examined in light of the allocation of aid to other aspects of the 'border protection' policies, including offshore detention of asylum seekers, which has been condemned by the United Nations. Aid spending has also been used for:

- Funding for the Sri Lankan government, which has been accused of genocide and war crimes against the minority Tamil population, to stop the flow of refugees to Australia;
- Advertisements in the region aimed to deter

people from seeking refuge in Australia; and

- Additional funding for Papua New Guinea (PNG) to co-operate with the previous government's plans to process asylum seekers on Manus Island and resettle refugees in the country.

Another key part of the aid budget has been the Mining for Development Initiative, where Australia's commercial interests played a considerable role. AID/WATCH explored this initiative in the 2012 *Reality of Aid Report*. This program presents mining as a sustainable development option and links Australian mining companies with government officials of resource-rich countries through study tours. AID/WATCH campaigned significantly on this issue. The mining program has since received an increased budget allocation, and renamed "Extractives Sector Development Assistance."

Despite such programs clearly designed to support Australia's business interests abroad, strong health and education initiatives continued to be important for the aid program, with considerable multilateral support to the GAVI Alliance and various UN agencies. In addition to making steps towards increasing transparency and effectiveness of the aid program, the previous Labor Government was committed to the 0.5% target. It increased aid incrementally each year, with the goal to reach the target in 2017-18. The 2013-14 aid budget under Labor was projected to hit AU$5.7 billion (US$5.2 billion), which would have been the highest level for Australia in 25 years. But with their electoral loss in 2013, this eventuality did not happen.

In the lead up to the 2013 federal election, the Labor Government announced the appointment of the first Minister for International Development. This move was applauded as a positive step towards greater coherence and oversight of the aid program, with the potential to reduce the tension between the dual objectives of national interest and poverty reduction. In contrast, the new Coalition announced significant cuts to the foreign aid budget just 48 hours prior to the election.

Current state of Australia's aid budget and department

Since the election of the new government, there has been a qualitative and quantitative shift in Australia's aid program. This has been in line with sweeping budgetary and social changes across the country, with Australia's position on climate change, social justice and foreign policy taking a more aligned approach.

Australian aid spending has been frozen at AU$5billion (US$4.5 billion) annually for the next two years, after which spending will increase only at the rate of inflation. As already noted, the government has sidelined the goal of 0.5%, with the possibility to revisit this decision only in 2025. This is a cut of approximately AU$7.6 billion (US$6.9 billion) over three years, based on the forward estimates, and means that Australian ODA will settle at around 0.32% of GNI.

One of the first changes after the election shows Australia following in the footsteps of both Canada and New Zealand, with the abolition of the independent Australian Agency for International Development (AusAID). The aid program has been reintegrated into the Department of Foreign Affairs and Trade (DFAT) after almost four decades of separation. This has resulted in a significant downsizing in the number of staff in the Department, and greater leadership on ODA decisions being made directly by High Commissions. This change has resulted in a closer alignment of the aid program with other elements of foreign policy, and greater emphasis on Australia's national interest rather than poverty reduction. AusAID's integration into DFAT has brought about a marked increase in aid being used to facilitate the expansion of Australian business in Asia and the Pacific, and a decrease in accountability and transparency for foreign aid. This move has paved the way for what the Australian Government is referring to as a 'new aid paradigm.'

A new paradigm for development – Australia's current aid policy

In June 2014, the Foreign Minister, Julie Bishop, launched a new development policy[1] and performance management framework[2] for aid. Bishop characterised the changes as radical and dramatic. The fundamentals of the new Australian aid strategies largely follow a political and philosophical trajectory that aligns with the most cynical interpretation of aid, as purely a tool to further Australia's commercial interests. However, many programs merely build upon or expand existing policies, such as the aid-for-trade policy, a long-standing policy set to receive a considerable boost to 20% of the overall budget. This continuity has led to commentators dubbing the policy the 'not so new aid paradigm.'

The overall objective of Australia's ODA has been changed to further prioritise Australia's national interests ahead of poverty reduction. Economic growth in partnership with the private sector is more explicitly the favoured vehicle for achieving development outcomes, at the expense of other possibilities grounded in local contexts. But much of the details of the aid program and its intended delivery continue to remain vague.

The new aid paradigm focuses on aid-for-trade, economic growth as a panacea for poverty, and a significantly increased role for the private sector. Support for the involvement of the private sector is strong to the point of discounting more cautious views, including evidence demonstrating involvement of Australian companies in human rights abuses, land grabs, corruption and environmental degradation overseas. This alignment with Australia's corporations is relatively unprecedented.

Cuts were also made to the global programmes budget. During the 2014-15 financial year, Australia will not contribute to a range of multilateral programs and organisations that it has previously supported. There is no allocation for global environment programs, for example, and regional environment programs will only receive AU$500,000 (US$455,000). These cuts are part of an overall trend in Australia, shifting away from policies that take action on climate change. Other major changes include reduced funding to multilaterals, particularly the UN agencies and the International Labour Organisation.

There will be an increased focus on the Indian Ocean and Pacific region, reversing the previous trend of expanding the aid program in Africa, South America and the Caribbean. This is an attempt to streamline and consolidate work in existing regions, rather than what is considered a piecemeal approach. What this focus will mean in practice is a relatively small increase in the Indo-Pacific budget accompanied by cuts to programs in the Middle East and North Africa, sub-Saharan Africa and Latin America. Overall, 92% of the country program budget will go to the Indo-Pacific in 2014-15, up from 86% last year. Within the target region, the Philippines and Timor-Leste will both lose around 15% of their aid funding, while the Pacific, Burma and PNG in particular, will see funds increase.

The most significant change resulting from folding AusAID into DFAT is related to the alignment of aid policy with DFAT objectives and the subordination of poverty reduction aims to Australia's self-interested trade and diplomatic priorities. In June 2014 an economic diplomacy policy was unveiled as a way to lend coherence to the activities that fall under DFAT. Bishop has said that this will mean that all international efforts are aligned so that they are 'pulling in the same direction.' Using development as a foreign policy tool makes room for the pursuit of Australia's national interest, possibly to the detriment of those that the aid program seeks to assist. Similarly, presuming an end to traditional donor-grantee relationships in a move towards economic partnerships denies the inherently unequal nature of aid relationships where power is ultimately stacked against the recipient country.

The language of 'economic partnership' and 'mutual obligation,' along with a much stronger focus on Australia's national interest, also signals a return to tied aid. AID/WATCH and other organisations around the world have long argued against tied aid, and have achieved success in compelling countries like Australia to untie aid funding. Despite a formal untying of aid budgets, the incidence of 'boomerang aid' — where Australian aid funds return to benefit Australian companies and contractors — continues to exist unchecked.

The policy changes were received mostly with surprise from the international development community, both in Australia and the region. However, commentary focused in large part on the budget cuts, with little analysis of the likely ramifications of the ideology underlying policy changes, which arguably will have a more significant impact. AID/WATCH has understood this reaction as perhaps an indication of gagging of critique amongst the larger NGOs, which was a stalwart of the Coalition government when they were last in power. With most organisations in Australia receiving around 50% of funding through the aid budget, there is significant nervousness in the sector about speaking openly. In the absence of critical public dialogue, further policy and program decisions are made with ease and impunity. AID/WATCH has raised concerns about the lack of critique from the broader development community — the frequent endorsement of their policies has resulted in an enabling effect for the Government to continue making decisions based on a neoliberal framework. Similarly, in a show of consultation, the government has conducted a number of Senate Inquiries related to foreign aid within a short period, thus offering a semblance of legitimacy for having listened to the NGO sector, while in effect sidelining the voices of those ultimately affected by the change in policy.

Uncritical involvement of private sector in aid delivery

The aid program has long been a vehicle for Australia's national interest. But the latest policy moves significantly tips the balance away from poverty reduction and towards more firm support for Australian foreign policy objectives and Australian companies. In 2014-15 the Government will focus on achieving two development outcomes: strengthening private sector development and enabling human development. Bishop argues for embracing partnerships with business, presenting their role as natural in poverty reduction. Such an uncritical approach to business suggests a failure to properly acknowledge the role that many corporations have played in human rights abuses, breaches of labour standards, and contributions to environmental degradation.

In May 2014, the Government held an Inquiry into the Role of the Private Sector in Economic Growth and Poverty Reduction, inviting submissions from across the sector. In an unprecedented stance by the Government on public submissions, they have requested references to instances of Australian companies being implicated in human and environmental abuses to be redacted from evidence. Foreign Minister Bishop has said that the 'private sector is a force for good,' which sums up the approach of the Government to private sector involvement. Little attention has been given to nuance within the spectrum of different private sector actors. However, it has been made clear that Government references to the private sector refer primarily to big business — for instance, foreign direct investments, large-scale development projects such as mining, and the involvement of Australian companies in aid delivery abroad.

What has been given as the example of a positive private sector partnership is the memorandum of understanding which the Government signed with cruise ship giant Carnival Cruises. This partnership has been said to be beneficial to local people, despite criticism both of the relationship between the Government and Carnival Cruises, as well as little evidence that cruise tourism in Vanuatu is having a demonstrably beneficial impact. The deal with Carnival Cruises was made in the absence of a transparent competitive process with little oversight on the impacts of the company's claims. There has been a similar treatment for the nine mining companies funded through the aid program in 2012, when concerns raised about the lack of transparency were brushed aside.

In December 2013, allegations surfaced that Australian government agencies, including AusAID, were involved in spying on the East Timorese cabinet room during sensitive meetings about oil and gas negotiations for the benefit of Woodside Petroleum. The allegation that what allowed the bugging to happen was related to an AusAID program which was overseeing the renovation and construction of the cabinet offices in East Timor is an example of the possibilities of the role aid can play in serving Australian and commercial interests to the detriment of others. Similarly, Australian aid support in Bougainville, PNG has fuelled tensions on the island – locals oppose the push to re-open a contentious mine that has already been the fulcrum of a previous civil war in the region. Actions such as recruiting advisors with links to the mining company Rio Tinto, who owned the mine, have muddied the name of AusAID and raised concerns about the role that aid is playing in PNG.

Economic Growth as Poverty Reduction

The 'aid-for-trade' policy demonstrates this government's faith in the neoliberal notion that growth will reduce poverty, a cornerstone of its development philosophy. Economic growth is conflated with poverty reduction despite a lack of evidence for a correlation between the two. Although the Foreign Minister acknowledges that a majority of the world's extreme poor now live in middle-income countries, there is little reference to the problem of unequal wealth distribution. Various critics have stated clearly that people living in poverty do not necessarily benefit from rapid economic growth.

Julie Bishop has said, "Economic growth, driven by the private sector and supported by trade liberalisation, has been the key to reducing poverty on a large scale.[3]" Yet the United Nations Development Program (UNDP) has recently cited huge income disparities between the rich and poor, particularly in those countries that have experienced rapid economic growth, such as China and India.[4] Rapid growth is often achieved through blanket exploitation of workers and the natural environment in developing countries. Many of the countries that are beneficiaries of the Australian aid program have experienced rapid economic growth with very limited human development outcomes.

One of the substantive changes is the previously noted increase of aid-for-trade funding to 20% of the total aid budget by 2020. Trade-oriented aid funding is not new and focuses heavily on economic growth at the expense of other human development indicators.

The Pacific Agreement on Closer Economic Relations – Plus (PACER Plus), a free trade agreement being pursued between Australia, New Zealand and the Pacific Island countries, has been characterised as aid-for-trade. It is not clear how the Pacific will benefit from the agreement and many Pacific nations have been clear that it is not in their best interests.[5] Fiji is no longer a part of the agreement, and PNG has made serious statements about withdrawing from the negotiations. Development assistance is currently being negotiated for inclusion within the agreement, raising concerns about aid being used as a bargaining chip to achieve Australia's trade goals.

The focus on the private sector is linked to the government's vague aspirations for a 'nimble' and 'catalytic' aid program that delivers 'better value for money.' There is a blind faith in the notion that market mechanisms and the private sector generate an agility that eludes the public and not-for-profit sectors. The lack of specificity as to what is meant by these terms gives a great deal of latitude for government preference for certain political and economic interests. One vehicle for this is a new AU$140 million (US$127 million) innovation fund to finance successful new approaches to development. Bishop's examples of initiatives that the Development Innovation Hub might finance constitute a long list of stopgap measures, including oral rehydration therapy, vaccines for children, and disease-resistant crops. Apart from demonstrating little actual innovation, the approach suggests a flimsy strategic basis for the Innovation Hub that responds to symptoms of poverty, rather than addressing structural and systemic causes.

Conclusions

The current state of Australian aid presents a grim picture of the hegemony of the private sector over aid delivery and policy. Both the alignment of Australia's aid and the uncritical acceptance of companies as legitimate development actors, in the total absence of a push for corporate accountability, appear to be in line with global trends.

There is a considerable need to bring together the voices of those who have experienced the negative impact of policies that prioritise the private sector at the expense of other possible development pathways, and to use these examples as a way to renew calls for ODA to be focused on poverty reduction rather than the economic interests of Australia's private sector.

With such an open ideological favouring of a neoliberal economic model as the only viable vehicle for poverty reduction, there is a significant opportunity to utilise existing research and evidence to share a more complex story of the impacts of these policies. This evidence also demonstrates the ramifications that economic growth alone can have on inequality within societies and between countries, the impacts increased trade liberalisation can have on smaller economies and their public sectors, and the consequences of large-scale development projects on sustainable livelihoods and the environment.

Endnotes

1 AusAid. 2014. Australian aid: promoting prosperity, reducing poverty, enhancing stability. http://aid.dfat.gov.au/aidpolicy/Pages/home.aspx [accessed 20 June 2014]

2 AusAid. 2014. Making Performance Count: enhancing the accountability and effectiveness of Australian aid. http://aid.dfat.gov.au/aidpolicy/Pages/home.aspx [accessed 20 June 2014]

3 http://www.foreignminister.gov.au/speeches/Pages/2014/jb_mr_140429.aspx

4 http://www.undp.org/content/undp/en/home/librarypage/poverty-reduction/humanity-divided--confronting-inequality-in-developing-countries.html

5 http://aftinet.org.au/cms/sites/default/files/FINAL_Joint_Statement_2009_FTMM.pdf