

## **Social Policy Connections**

### **AUSTRALIA'S OVERSEAS AID AND DEVELOPMENT STRATEGY: A POSITION PAPER**

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#### **1. Introduction**

There is a strong Christian basis to provide aid, including international aid. The parable of the Good Samaritan provides a famous lesson in “who is my neighbour” and providing assistance. It is noteworthy that the Samaritan provides assistance to a man from another part of the world.

This paper seeks to develop a position on overseas aid for SPC. It does this by briefly examining the following:-

- What is the status of our aid programme. How does it measure up?
- What is the strategy?
- Is there coordination between AusAID and the NGOs?
- How are we going with the Millennium Development Goals (MDG)?
- Should we look at things differently to the government?

#### **2. The Status of Australia's aid programs**

Australia's Foreign aid is delivered through various streams.

There is government assistance through AUSAID.

Then there is the assistance provided by a range of NGOs including secular or quasi-secular groups such as Red Cross and Oxfam, religious groups such as World Vision, Caritas and AngliCORD. This assistance is indirectly supported by the Federal Government through personal income tax deductibility for donations.

And there is probably some direct business support, but probably at low levels at this stage.

According to AUSAID<sup>1</sup>, In 2007-2008 Australia will provide \$3.155 billion worth of official development assistance of which \$2.731 billion will be managed by AusAID. From the Parliamentary Secretary's comments below, the AusAID budget rose by \$500m in 2008-09 to \$3.7 billion.

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\* Most recently has worked with BP Australia as Manager Government Relations, having joined them in 1990. Prior to that he worked in resource and trade policy departments of the Federal Government for twenty years.

<sup>1</sup> AusAID website: [www.ausaid.gov.au](http://www.ausaid.gov.au)

Bob McMullan MP, Parliamentary Secretary for International Development Assistance, in a speech to Parliament just after the 2008 Budget advised the following:-

- The average effort of OECD countries contributing development assistance is 0.45 per cent of their gross national income.
- Notwithstanding a A\$500m Budget increase, Australia's is 0.32 per cent.
- The Government's declared commitment is 0.5% by 2015<sup>2</sup>.
- He acknowledged that Australia's is below average but that the new Government is starting from a low base.
- However he acknowledged the previous government's contribution through the white paper, and its commitment to double the 2004 aid level by 2010.

Regarding the Millennium Development Goals, he said:

*"Everyone talks about the eight goals, but there are many more targets and a vast number of indicators. There are up to 18 targets and 48 indicators. I do not have time to talk about them all, and in my view they are not all equally important, but we need to have a more comprehensive look at the issues we are focusing on. At the core of it, it is about the fight against global poverty. That should be core business for Australia. Under the Rudd government it is core business for Australia in its own right. It is a fundamental obligation of a decent, developed country in the 21st century that we accept that we are part of the global campaign against world poverty. It is not a peripheral interest; it is not cause for occasional gratuitous commentary. It is core business for modern, 21st century developed countries and governments and we intend to restore Australia to that vast array-the majority of modern, Western, developed countries in the 21st century-making the commitment to those Millennium Development Goals.....It is unashamedly in our national interest. There is no reason to apologise for the fact that, while we are doing good, we are serving our own interest. There is no reason to apologise for that. The Prime Minister himself has commented: It is in our own interests to tackle poverty in our region, as part of a wider strategy to deal with the impact of terrorism, climate change, pandemics and refugees on Australia."*

## **2. The Government's strategy**

In 2005, the then Minister for Foreign Affairs and Trade called for a White Paper on Overseas Aid. Since then, of course, there has been a change in government. Parliamentary Secretary Bob McMullan has broadly supported much – but not all – that was proposed by the White Paper. The following sets out key points of the White Paper and more recent statements by Parliamentary Secretary McMullan.

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<sup>2</sup> This was reaffirmed by the Prime Minister in his Oaktree Foundation address of 1 August 2008

## **(a) The White Paper's Key Points**

Note: the following pages are drawn directly from the Executive Summary of the White Paper. This was done under the previous government and the new government may choose to depart from this strategy in at least some respects.

### **General**

- Australia has a strong aid program with an international reputation for flexibility, responsiveness and effectiveness.
- At the same time, Australia's peace and security is inextricably linked to that of our neighbours.

By helping to reduce poverty and promote sustainable development, the aid program is an integral part of Australia's foreign policy and security agenda.

### **Operating environment**

- Over the past 20 years, more than 500 million people in the Asia-Pacific region have been lifted out of poverty, but another 700 million live on less than \$1 a day and 1.9 billion live on less than \$2 a day, including over half the population of Indonesia.
- Asia is making progress towards the human development MDGs, but much of the Pacific is not, and even in Asia there is no room for complacency. Alongside strongly growing states such as China, Thailand and Vietnam, are countries that will have to overcome serious challenges to achieve and sustain growth and reduce poverty — including Papua New Guinea (PNG), most of the Pacific island nations, East Timor, Cambodia, Laos, Indonesia and the Philippines.

Generating broad-based growth will be critical to shoring up democracy and stability in the region. Difficult economic prospects and weak governance may see the risks of instability increase and, among other consequences, allow transnational crime and terrorist networks to flourish, further undermining development and efforts to reduce poverty.

Other threats to development have emerged or are intensifying. The Asia-Pacific region is vulnerable to natural disasters, as has been sadly witnessed over recent years. It is also vulnerable to infectious disease because of its dense and interconnected populations. Some 8.2 million people in Asia are living with HIV/AIDS; in the absence of effective action, the Asia-Pacific region will account for 40 per cent of all new infections by 2010. PNG is a particular concern. Avian and pandemic influenza also threaten widespread disruption.

Rapid economic and population growth is placing increasing pressure on the natural environment. Tensions over access to and management of natural resources, including water and energy, are growing and will need to be managed.

### **Development lessons**

Decades of experience in development have revealed a number of key lessons about what makes countries successful:

- Economic growth is central to poverty reduction.

- Countries that have engaged with the global economy have grown more quickly than those that have not.
- While growth is necessary for poverty reduction, it is not sufficient. Attention must also focus on how growth can be shared and sustained, including by providing opportunities through better health and education.
- Countries are more likely to achieve sustained growth if their governments enforce property rights, manage conflict, establish macroeconomic stability, align economic incentives with social benefits, and maintain law and order.
- While there are common fundamentals to development, there is no universal policy prescription to achieve it. Each country's situation is unique, as is its path to reform and growth.
- Aid is only part of the growth and development picture — both developing and developed country policies play a significant role.

Countries emerging from conflict or whose economies are stagnating pose particular challenges. Experience suggests that these states stay fragile for a long time, the spill-over effects are costly for their neighbours, and there is little chance of improvement without outside intervention.

Australia's leadership role in the regional intervention in Solomon Islands is attracting positive international attention as an example of an innovative and successful approach.

### **Strategic framework**

The framework centres on the **objective** of Australia's aid program which is:

*To assist developing countries to reduce poverty and achieve sustainable development, in line with Australia's national interest.*

In order to achieve this objective, the aid program will be organised around four themes:

- 1) accelerating economic growth
- 2) fostering functioning and effective states
- 3) investing in people
- 4) promoting regional stability and cooperation.

The **effectiveness** of the aid program will be ensured by:

- 1) strengthening the performance orientation of the aid program
- 2) combating corruption
- 3) enhancing Australia's engagement with the Asia-Pacific region
- 4) working in partnership with regional governments and other donors.

The framework will be reinforced by promoting greater gender equality in development, and through untying Australian aid to improve efficiency and competitiveness. A fundamental tenet of the aid program is that Australia's assistance is jointly agreed and implemented with its developing country partners.

### Where Australia will work

Australia's focus on the Asia-Pacific region will continue. There will be growing focus on linking allocations to performance in major partner countries.

The key areas will be:-

- Indonesia (our largest recipient). This aid partnership will continue to be maintained at high levels to assist Indonesia's efforts to cement its democratic institutions and build security and prosperity.
- The Philippines
- The Mekong countries, with infrastructure, health and education being central to Australia's engagement. Future efforts will also place more emphasis on promoting regional approaches and integration, as well as on addressing shared challenges, such as HIV/AIDS and access to water.
- East Timor: Australian aid will support the fledgling nation's efforts to build the policies and institutions needed for the effective use of future oil and gas revenues and to address critical health needs.
- The importance of India and China to the region's development means that the Australian aid program will maintain a strategic footprint with them on key issues such as trade, clean energy and HIV/AIDS, and engage with them as emerging donors.
- Other parts of South Asia
- The Pacific — particularly Melanesia and the microstates: Change will be slow and incremental, and progress will require greater regional integration and the pooling of functions to promote efficiency and transparency in government and in the provision of services.
- PNG:.. substantial increase in the aid allocation to PNG, subject to meaningful reform and continued improved performance by the PNG Government.
- Africa: a "pragmatic engagement" based on humanitarian concerns and key issues such as HIV/AIDS.

### What the aid program will focus on

#### *Accelerating economic growth*

Generating shared and sustainable economic growth is the single most important objective for the Asia-Pacific region over the next ten years. The aid program will encourage growth by:

- improving the policy environment for private sector growth. Initiatives include a collaborative and demand-driven **Pacific land mobilisation program** to explore ways to overcome the major land tenure constraints to growth in the region.
- promoting trade through assistance for trade analysis, trade policy and trade facilitation, such as more efficient customs and quarantine services
- supporting the drivers of growth by:
  - investing in infrastructure. Poor infrastructure is a binding constraint to growth in Asia, while in the Pacific access to infrastructure in rural environments (where 80 per cent of

the population lives) is a priority. A major **infrastructure for growth initiative**, providing expertise on policy and other key issues as well as targeted financing, will help address these barriers. This will include a partnership with the development banks, with estimated support of up to \$800 million over the next five years.

– building skilled workforces in PNG and the Pacific, focusing on technical and vocational programs, including the establishment of an **Australia–Pacific technical college** to deliver Australian-standard qualifications in areas that meet domestic and international employment needs.

– strengthening support for private sector-led **rural and business development**.

- addressing environmental challenges to growth through an **environment strategy** focusing on climate change and adaptation, water, and strengthening environmental regulatory regimes.

### *Fostering functioning and effective states*

Sound policies and institutions are central for growth and development. Existing governance support will be enhanced by:

- focusing on political governance by targeting leaders from all facets of society through a **Pacific leadership program** and by **building demand for better governance**

- providing **incentives** through allocating additional funding (up to 10 per cent of the aid budget over time) to those countries able to achieve agreed improvements in areas such as governance and addressing corruption

- making more selective and effective use of technical assistance to promote reform, and undertaking an integrated approach to law and justice support.

Recent years have seen an increasing demand on Australia to respond to emergencies. By virtue of our location and capacities, Australia is playing a leadership role in responding to disasters. Australia is establishing an **enhanced emergency response capacity** to strengthen civilian capacity to respond effectively to unexpected crises.

### *Investing in people*

Health and education enable the poor to participate in growth, make the workforce more productive, and lead to a better informed citizenry able to demand better government performance.

Australia will increase investments in health and education significantly. National health systems will be strengthened through a **delivering better health program**, particularly focusing on the needs of women and children. This will include assistance to establish sustainable health financing and for health workforce development. Australia will help countries confront health problems that create the greatest burden, and expand existing initiatives addressing major diseases, including **HIV/AIDS, pandemics** and a new initiative to **tackle malaria in the Pacific**, initially focusing on Solomon Islands and Vanuatu. It is expected that support for health programs will double by 2010.

Australia will invest further resources in getting more children into school, for longer and to achieve a better quality education. Australia will strengthen national education systems through a **delivering better education** initiative. In view of the importance of education for growth, stability and poverty reduction, it is expected that support for national education systems will triple by 2010. Further, a major **Australian scholarships**

initiative targeting future leaders will see a doubling of the number of education awards offered by Australia to the region.

### ***Promoting regional stability and cooperation***

An array of transboundary issues threatens stability and development in the region. Australia will promote regional responses through a **transboundary threats** program. This will support Australian Government agencies building networks and expertise in such fields as pandemics, disasters and transnational crime. Australia will also expand efforts to promote regional integration and support initiatives that promote regional governance in the Pacific.

### **Strengthening effectiveness: how aid will be delivered**

The Government is committed to maximising the effectiveness of the aid program and to placing Australia at the forefront of such efforts internationally. The aid program will pursue four strategies to this end.

### ***Strengthening the performance orientation of the aid program***

The performance orientation of the aid program will be strengthened across all levels and aspects of Australia's Official Development Assistance expenditure. This will include:

- enhanced country development strategies to give greater prominence to growth and performance and provide a single framework for all Australian Government development efforts
- strengthened links between performance and aid allocations within and between countries and the building of better performance into individual aid activities by linking payments to delivery, particularly in infrastructure, health and education
- strengthening the performance management function through establishing an **Office of Development Effectiveness**, which will improve the effectiveness of aid policies and programs, including through publishing an *Annual Review of Development Effectiveness* to inform the budget process.

### ***Combating corruption***

Increases in Australian aid will be conditional on stronger governance and reduced corruption in partner countries. Australia will adopt a more rigorous approach to corruption by developing an **anti-corruption for development strategy** aimed at strengthening coordination across the range of Australian Government activity in this area, and by increasing its support for regional and global anti-corruption initiatives.

### ***Enhancing Australian engagement with the Asia-Pacific region***

AusAID will continue to work with other Australian Government agencies to monitor the impact of broader government policies on regional development, and to ensure coordinated whole-of-government approaches on key development issues.

Responses to the region's challenges will need to draw on new expertise and players in government, business, academia and the community. The aid program will increase support for **development research** as a key contributor to better development, and mobilise a broader range of Australian expertise to help tackle the region's development challenges through an initiative for **mobilising new Australian links to the region**.

### ***Working with partners***

Aid programs that are owned and driven by partner countries are more likely to be sustainable. Australia will work towards the principles of the *Paris Declaration on Aid Effectiveness*, and look for opportunities to use partner country processes and systems in aid program delivery.

Australia will work with other bilateral donors to reduce the burden of aid coordination for already stretched partner governments, and will identify opportunities to lead other donors towards coordination. A particular emphasis will be given to engaging emerging donors, such as China in the Pacific.

Australia has long pursued key interests through the World Bank and the Asian Development Bank (ADB), including in its programs to the Pacific and in building aid effectiveness. Australia will strengthen partnerships with the World Bank and the ADB in areas of mutual interest, given their significant regional financial weight and importance in policy dialogue.

### **Aid management**

Effective aid management will be central to implementing this White Paper. Many things will need to be done differently, and there are important new emphases. AusAID is producing an Agency Business Plan setting out how the White Paper will be delivered, focusing on streamlining business processes, strengthening human resources and enhancing management information systems.

Australia will continue to provide assistance mainly through grant funding, rather than through loans. To ensure better aid delivery, and in recognition of the need for greater levels of policy and operational engagement from AusAID and other government agencies, more staff will be placed in the field over time. AusAID and its partners in aid delivery will build staff skills to strengthen analysis of critical development issues and to ensure that this is supported by a deeper knowledge of the countries within the region. Improved external communications will help to capture the achievements of Australia's aid program and inform the Parliament, the Australian public, opinion makers and development partners. The Aid Advisory Council will continue to provide independent insights and advice to the Minister for Foreign Affairs.

### **(b) Parliamentary Secretary McMullan's comments since the White Paper**

On 15 May 2008, post the Budget, Mr McMullan made the following points to Parliament (the full statement is at [Attachment 2](#)):-

- enhanced development assistance is about a long-term perspective.
- Australian aid has lagged behind that of other rich countries. The recent Budget allowed for an increase of some \$A500m in 2008-09. There is still some way to go to reach an appropriate level, but we are committed to doing this. This will take some time.



- The average effort of OECD countries contributing development assistance is 0.45 per cent of their gross national income. Even after this significant increase, we have got to 0.32. This increase to 0.32 of gross national income, so far behind international best practice as it is, is the highest level Australia has achieved since 1995-96.
- The government's declared commitment, for which we are on track with this initiative, to reach 0.5 per cent of gross national income.
- We commit to contributing to achieving the MDG for halving extreme poverty by 2015.
- He acknowledged the White Paper, *"which had some good ideas in it and was a step in the right direction. I do not agree with everything in it; it is not the signpost to the future that this government will use, but it was a substantial and positive contribution to the debate about development assistance in this country."*
- The Millennium Development Goals are not just eight goals. There are up to 18 targets and 48 indicators. We need to have a more comprehensive look at the issues we are focusing on. At the core of it, it is about the fight against global poverty. That should be core business for Australia.
- It is unashamedly in our national interest. There is no reason to apologise for the fact that, while we are doing good, we are serving our own interest. There is no reason to apologise for that. The Prime Minister himself has commented: *It is in our own interests to tackle poverty in our region, as part of a wider strategy to deal with the impact of terrorism, climate change, pandemics and refugees on Australia.*
- Meeting target No.1, to 'Reduce by half the proportion of people living on less than a dollar a day', would be a very significant achievement but the obvious corollary is that half would still be left behind. We will have more to do after 2015, even if we achieve the Goals.
- "Our broader foreign policy [has]...the three pillars: the US alliance, our Asia-Pacific regional focus and our commitment as a good international citizen to multilateralism. The last two of those three pillars lead us to the Millennium Development Goals and to setting ourselves on the path to increase our development assistance from 0.3 to 0.5 per cent of gross national income by 2015. That will take us in this budget to 0.38 per cent-approximately \$5 billion-by 2011-12. We have scheduled in this budget close to a 50 per cent increase, to be achieved by 2011-12."
- The goals set down and adopted by the international community, including Australia, in the year 2000 remain valid today. We acknowledge that in the Pacific no country is on track to achieve all of those goals and at least one is not on track to achieve any of those eight goals. So we, as a nation in our region and the leading country in the Pacific, have failed, and it is time we acknowledged it directly and took seriously the task of remedying that failure.
- Our government will take a strategic approach to the entrenched causes of underdevelopment and instability, particularly in our region. We want Australia to become a leader in the fight against global poverty. We strongly support the

Millennium Goals and our government is committed to helping developing countries achieve them.

- The budget includes a package of new measures including about climate change, about eliminating avoidable blindness in this region and about improving access to clean water and sanitation.
- “I commit the government to an increasing focus on achieving the Millennium Development Goals.”

At a subsequent address to the University of Adelaide on 22 May, he essentially made the same points but also noted

- “It is important in addressing this to realise there are two drivers for this engagement - one is a significant commitment to the Millennium Development Goals and the fight against global poverty which will require a focus on sub-Saharan Africa. The second is that once the realisation that Australia is an Indian Ocean country is accepted it is clear that the Indian Ocean littoral states are part of our region and need to be a focus of our development assistance program. Once again, in overall terms, we don't expect the African engagement to be a major proportion of the aid program, but it is a significant and important new engagement.” ....
- Two other emerging trends may, depending on political developments, impact on the geographic focus of our aid program; that is, the potential political evolution towards democratic governance in Myanmar and Zimbabwe. Both these countries have enormous development challenges in which Australia would be a willing partner if governments were to emerge with which we were able effectively to work.”

### **3. Some Analysis of that Strategy**

Mr McMullan’s approach *prima facie* is praiseworthy. However, there is a need to examine in greater detail some aspects:-

#### **(a) What forms of aid work?**

The White Paper contains the following on what forms of aid work.

#### **Development lessons**

Decades of experience in development have revealed a number of key lessons about what makes countries successful:

- Economic growth is central to poverty reduction.
- Countries that have engaged with the global economy have grown more quickly than those that have not.
- While growth is necessary for poverty reduction, it is not sufficient. Attention must also focus on how growth can be shared and sustained, including by providing opportunities through better health and education.
- Countries are more likely to achieve sustained growth if their governments enforce property rights, manage conflict, establish macroeconomic stability, align economic incentives with social benefits, and maintain law and order.
- While there are common fundamentals to development, there is no universal policy prescription to achieve it. Each country’s situation is unique, as is its path to reform and growth.
- Aid is only part of the growth and development picture — both developing and developed

country policies play a significant role.

Countries emerging from conflict or whose economies are stagnating pose particular challenges. Experience suggests that these states stay fragile for a long time, the spill-over effects are costly for their neighbours, and there is little chance of improvement without outside intervention.

Australia's leadership role in the regional intervention in Solomon Islands is attracting positive international attention as an example of an innovative and successful approach.

### **Strategic framework**

The strategic framework that will guide Australia's aid program recognises the evolving regional environment and Australia's values and interests, and draws on the experience of over 50 years of delivering aid to the region.

The framework centres on the **objective** of Australia's aid program:

*To assist developing countries to reduce poverty and achieve sustainable development, in line with Australia's national interest.*

#### **(b) Is Australia's aid and the strategy effective?**

This is a difficult one to answer for us and needs advice from those closer to the aid sector.

The strategy acknowledges the obvious regional nature of our aid. It seeks to make this performance related, and seeks to link the provision of aid to improved governance and rule of law in receiver countries.

- This does raise one dilemma: It is natural for a donor country to see results for their efforts. However, this may mean that those who least need it receive the aid, while those who need it most, may not receive it. For example, aid to Darfur is essentially so that people can survive – it will be a long time before any other achievements are realized
- A further issue – raised by Mr McMullan – is what to do about countries such as Zimbabwe and Myanmar where the government itself is the problem. In this regard, are sanctions effective or do they simply hurt the poor?

The strategy also links Australia's program directly with MDG and its goals of 2015.

It also de-links it from tied aid, which de-linking we would see as a more efficient and effective way of delivering aid.

There is now an effectiveness review of our aid, which is a positive step. The only difficulty is that this review (the Annual Review of Development Effectiveness) is conducted within AusAID, which raises questions about the arms' length nature of the review.

#### **(c) What are the aims of aid and what forms work?**

The **objective** of Australia's aid program is:

*To assist developing countries to reduce poverty and achieve sustainable development, in line with Australia's national interest.*

Further work is needed in this area eg referring to authorities such as Sachs and to examining issues which have been raised such as the impact of both secular aid and faith-based aid.

- (d) Is it coordinated across government and NGOs?

Indications are that the current government is keen to have a close relationship with the NGO sector on both a policy and a program basis to aid provision.

- (e) Is Australia doing enough?

At this stage, the answer to this would be “no”, but there is commitment to increase this to 0.5% by 2015, which - allowing for growth in the economy – is effectively a trebling in aid. This leads to another concern – there are bottlenecks at present in the provision of aid. If there is to be a trebling, these bottlenecks need to be overcome, and NGOs will need to work with government to achieve this.

The PM has said<sup>3</sup> Australia is committed to also playing its part in meeting the MDG.

- (f) The geographic focus on Asia-Pacific? Should Australia be viewing it through another lens? Are the poorest of the poor missing out?

This approach is probably where Australia is most effective in providing aid, and it is also very pragmatic because that is where our interests are greatest. As the Prime Minister has said: *“It is in our own interests to tackle poverty in our region, as part of a wider strategy to deal with the impact of terrorism, climate change, pandemics and refugees on Australia.”* Mr McMullan has said there is no issue about the conjunction between this and the granting of aid.

From a governmental viewpoint, we agree with Mr McMullan. There is also the fact that other developed countries provide aid and Africa may be generally more suitable as a location to Europe.

Nevertheless, Africa is the continent with the greatest problems and cannot be ignored.

- (g) The Millennium Development Goals

There is a recommitment and focus on these goals in the PM’s and Mr McMullan’s statements.

- (h) Are we doing enough in terms of other actions? Eg encouraging rule of law

It is early in the days of this government and it is not clear what the approach is on this.

- (i) Is the aid aimed at economic growth i.e. working towards the recipient no longer needing aid?

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<sup>3</sup> Refer Oak Tree speech of 1 August 2008

The strategic framework seems to have this as a central aim.

(j) Are the ancillary measures adequate?

Ancillary measures include reducing trade barriers (e.g. the EU and US agricultural support and tariff and non-tariff barriers), and encouraging the recipient country to adopt an open economic regime with a strong rule of law.

The Australian Government has certainly sought reduction in barriers through the Doha Round. Despite all their efforts, this does not appear likely to end in a positive outcome.

The Government also appears to be linking its efforts towards encouraging regimes to adopt global policies and regulatory frameworks that encourage economic growth.

(k) Is emergency aid adequate

Prima facie, it would appear to be (e.g. Tsunami and Burma). However, emergency aid cannot all be made available immediately – indeed, it is best that it is not.

(l) Addressing Climate Change

Climate change has been incorporated within the aid strategy. Mr McMullan in a statement to the House said “...the budget gives effect to our election commitments about climate change....”

#### **4. Conclusions and Proposed Stance**

The approach of the current government is praiseworthy and is broadly supported. At this stage SPC is undergoing a learning process on overseas aid. We appreciate that other NGOs have been working in this field for a long period and we are discussing matters with some in the sector to see where any value can be added by our involvement and working with them, and to ensure that this does not simply duplicate what others are doing..

Our current proposed stance is as follows:

“SPC strongly supports an Australian Overseas Aid program which

- Sees Australian aid lifted to a minimum of 0.5% of GNI
- Australia plays its part in addressing the MDG
- Aid is coordinated between the Government and the various NGOs
- It prioritises the fundamentals of health and education – for without these there can be no development
- It encourages economic growth, a breaking down of trade barriers, and a positive regulatory framework which encourages investment

- It also addresses the issue of climate change.

The current government strategy is broadly in line with this.

SPC respects the work of NGOs which have worked in this sector for a long period. We will continue to meet with them to see where we can add value on these issues in coordination with them. We will not seek to duplicate any work already being done.”

## ATTACHMENT 1

### **The Millennium Development Goals: the fight against global poverty and inequality**

The Australian Government is committed to the implementation of the Millennium Development Goals - agreed targets set by the world's nations to reduce poverty by 2015.

These include halving extreme poverty, getting all children into school, closing the gap on gender inequality, saving lives lost to disease and the lack of available health care, and protecting the environment. These are achievable commitments to improve the well-being of the world's poorest people.

#### **Eradicate Extreme Hunger and Poverty**



- Halve, between 1990 and 2015, the proportion of people whose income is less than \$1 a day
- Halve, between 1990 and 2015, the proportion of people who suffer from hunger

#### **Achieve Universal Primary Education**



- Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling

#### **Promote Gender Equality and Empower Women**



- Eliminate gender disparity in primary and secondary education, preferably by 2005, and in all levels of education no later than 2015

#### **Reduce Child Mortality**



- Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate

#### **Improve Maternal Health**



- Reduce by three-quarters, between 1990 and 2015, the maternal mortality ratio

## **Combat HIV/AIDS, Malaria and other diseases**



- Have halted by 2015 and begun to reverse the spread of HIV/AIDS
- Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases

## **Ensure Environmental Sustainability**



- Integrate the principles of sustainable development into country policies and programs and reverse the loss of environmental resources
- Halve, by 2015, the proportion of people without sustainable access to safe drinking water and basic sanitation
- Have achieved by 2020 a significant improvement in the lives of at least 100 million slum dwellers

## **Develop a Global Partnership for Development**



- Develop further an open, rule-based, predictable, nondiscriminatory trading and financial system (includes a commitment to good governance, development, and poverty reduction; both nationally and internationally)
- Address the special needs of the Least Developed Countries (includes tariff- and quota-free access for Least Developed Countries' exports, enhanced program of debt relief for heavily indebted poor countries [HIPC] and cancellation of official bilateral debt, and more generous official development assistance for countries committed to poverty reduction)
- Address the special needs of landlocked developing countries and small island developing states (through the Program of Action for the Sustainable Development of Small Island Developing States and 22nd General Assembly provisions)
- Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term
- In cooperation with developing countries, develop and implement strategies for decent and productive work for youth
- In cooperation with pharmaceutical companies, provide access to affordable essential drugs in developing countries
- In cooperation with the private sector, make available the benefits of new technologies, especially information and communications technologies



## Progress towards the MDGs

Eight years later we are at the half-way point. There has been significant progress, but significant challenges remain.

Sub-Saharan Africa and South Asia are home to three-quarters of the world's poor. These regions are struggling to get children into school and save lives.

East Asia has experienced the most rapid poverty reduction, driven by rapid and sustained growth, notably in China. Pockets of extreme poverty persist throughout this region.

The Pacific region is lagging. More than 3 million people are living in extreme poverty and as many as one million children are not in school. Poverty is concentrated in Kiribati, PNG, Solomon Islands and Timor-Leste.

### Key facts on the MDGs:

- Significant progress since 1990:
  - 280 million fewer people living in extreme poverty
  - 40 million more children in school
  - 3 million more children survive each year
  - 2 million people now receive HIV/AIDS treatment
- Formidable challenges ahead:
  - 1 billion people in extreme poverty
  - 75 million children not in school
  - 10 million children die each year
  - 550,000 women die from treatable complications of pregnancy and birth
  - Over 33 million people infected with HIV/AIDS, 2 million die each year
  - Half of the developing world lacks sanitation.

Source: [Global Monitoring Report 2008](#) [external link]

## Global partnership on development

Rich countries, including Australia, have pledged to provide more and better development assistance and fairer trade to help countries that are committed to poverty reduction and sustainable development.

According to the OECD's [Development Assistance Committee](#) (DAC), there has been a steady increase in aid in the last decade.

- Rich countries' development assistance to Least Developed Countries (LDCs) has more than doubled between 2000 to 2006, but the ODA-to-GNI ratio, a measure of aid effort, was lower than in 1990 and programmable aid has fallen.

- Global aid is also getting better. It is more flexible and aligned to national priorities; more selective-responsive to needs and quality of policies and institutions.

While multilateral trade negotiations have not yet delivered tangible results, market access for developing countries has improved slightly.

## **Australia is doubling the aid program**

AusAID is the Australian Government's lead agency in the global fight to eradicate extreme poverty. In the face of substantial challenges, not least in the Asia-Pacific region, the Australian Government is intensifying efforts to achieve the MDGs. As the largest donor country in the region, Australia has a special responsibility to assist developing countries in the Asia Pacific region to achieve the MDGs.

In May this year, Prime Minister Rudd announced that Australia has joined the MDG Call to Action. The Call to Action aims to galvanise widespread support, momentum and concrete action for the MDGs.

- Prime Minister Rudd has committed to increasing Australia's aid to 0.5% of Gross National Income (GNI) by 2015. More and better assistance will be provided to lagging regions-including a re-engagement in Africa and an elevated engagement in the Pacific.
- Australia will strengthen its development assistance activities to get children into primary school in East Asia and the Pacific.
- Australia has joined the International Health Partnership, to help build sustainable health systems in developing countries and accelerate progress to meet the health MDGs.

(For details of other aid activities see [About the Australian Aid Program](#))

## **Effectiveness**

Essential to increasing Australia's development assistance to implement the MDGs is improving the effectiveness of Australia's aid program.

- [Annual Review of Developmental Effectiveness \(ARDE\)](#)
- [Office of Developmental Effectiveness \(ODE\)](#)

## **Beyond 2015 there will be more to do**

Fulfilling the MDGs is both important and achievable, and it would still leave a large agenda. Reducing by half the proportion of people who suffer from hunger would be a remarkable achievement, but millions of people would continue to live in poverty.

- It is estimated that more than 600 million people would still be living in extreme poverty, mostly in sub-Saharan Africa and South Asia.
- While many more children would be in school, there will still be huge gaps in the quality of education and challenges in access to early learning and secondary education opportunities. Gaps would also persist in child and maternal health.
- Climate change will continue to loom large as a threat to long-term development globally.

The Australian Government is both intensifying efforts to support achievement of the MDGs, and planning for the post-2015 challenges.

## ATTACHMENT 2

### **Statement by Parliamentary Secretary Bob McMullan to House of Representatives 15 May 2008 (source: Hansard)**

Today I primarily want to take this opportunity to express my pride and optimism arising from the initiatives in this budget relating to the development assistance portfolio and to put them squarely within the context of the broader strategy of the Rudd government and then talk about the international context. If you look at the features of the initiatives in this budget, they are very responsible. There may be people commenting who wish we had done a lot more, and of course there is so much more to do that you cannot argue with the principle behind what they say, but we need to proceed with measured caution, consistent with efficiency and effectiveness of expenditure. So the budget accords with that responsible economic management and responsible government. It fits the budget and the Rudd government's projection of the long term.

This initiative with regard to enhanced development assistance is not about transforming our relationships overnight, although in some countries we have done so already, or about transforming the living standards of the poorest people of our region overnight; it is about a long-term perspective. It is about new priorities against the old, tired politics of division and seeking to use international issues as domestic political wedges. It is about a new way of governing, about opening ourselves up to new ideas, as flowed from the 2020 summit and as we are trying to do through the development assistance program - opening ourselves up to more people and more comment - and it is about fresh new ideas about how we might take Australia forward in the world. I am very proud of the initiatives and of the governance context in which they occur.

As I have said, some people have indicated that they wish we had done more-and let me quote one of the critics, not to attack them but to agree with them. Oxfam Australia are one of a number of very fine institutions doing great work in Australia's name on behalf of the poorest people around the world, and the headline of their press release on budget night was 'Rudd delivers on aid promises but Australia remains below international standards'. You might think I would be a bit upset about that; this is my area of responsibility and they are critical, but they are right. Both statements are correct: that we have delivered on our aid promises-and I am proud of that-but that we are starting from so far behind international standards that not only are we still behind them but after we make another increase next year and the year after, and the year after and the year after, we will still be below international standards.

Oxfam say:

*The Rudd government has honoured its pre-election commitment and delivered a modest increase of \$500 million this year in its contribution to making poverty history -*  
-the sum of \$500 million is not exactly right but it is broadly correct, and they are right: we have acknowledged - in fact, exceeded - the specific commitment we made about a first-year budget increase. But they go on to say:

*However, Australian aid continues to lag behind other rich countries - and that is right.*

The average effort of OECD countries contributing development assistance is 0.45 per cent of their gross national income. Even after this significant increase, we have got to 0.32. Let us recognise-and it is very significant when you think about the dates-that this increase to 0.32 of gross national income, so far behind international best practice as it is, is the highest level Australia has achieved since 1995-96; that is, since the last Labor budget. The government's declared commitment, for which we are on track with this initiative, to reach 0.5 per cent of gross national income, when achieved, will be the highest level since 1974-75. It is in each instance a Labor government with an internationalist perspective and a recognition of the humanitarian significance and the national interest issues involved in commitments to development assistance that has set the benchmarks. We aspire to get back there and ultimately to go beyond it, but we are starting from such a low base.

Oxfam went on to say:

*The budget will lift us off the bottom of the ladder of rich countries performance, but won't get us anywhere near the top eight, let alone being top of the ladder as befits our leadership position in the region.*

I could be offended by that but I in fact support it. They are right. We are starting a long repair job. It is going to take us a long time to repair the damage that has been done, but we have started the task. I want to embed our initiative centrally within the international campaign to achieve the Millennium Development Goals. They are the international standards that the world has set for itself. The goals provide a clear vision for halving extreme poverty by 2015 and represent a unanimous intent by the international community to rid the world of poverty and improve the lives of those most in need. The milestones set down in the Millennium Development Goals provide a common focus for policy dialogue on poverty reduction efforts between developing country partners and donor countries. This helps to ensure that donor aid programs remain focused on achieving reductions in poverty. We want to make a new commitment to the achievement of those goals and to contributing what we can as a proud and developed country to assist our neighbours to achieve those goals.

What might have slipped past my description of the Millennium Development Goals-which was a fairly standard, orthodox description-but which is noteworthy is that these goals are a unanimous commitment by the world community. That means Australia signed up to them. But we did virtually nothing about contributing to this outcome. I do not want to say they did nothing, because for the first years of the Howard government we did less than nothing; we went backwards. But in the latter years two positive things happened, and it would be unfair of me not to acknowledge them. One was the white paper, which had some good ideas in it and was a step in the right direction. I do not agree with everything in it; it is not the signpost to the future that this government will use, but it was a substantial and positive contribution to the debate about development assistance in this country.

The second was the commitment made in 2004 that by 2010 we would double our aid budget. Given the rate of our economic growth, that actually was not a very significant contribution but it was a step in the right direction. It reversed the long-term trend of decline, and I welcomed it. But it does not change the fact that we finished the period of the Howard government behind where we started. This budget for the first time gets us back there.

Let us have a look at these Millennium Development Goals. Everyone talks about the eight goals, but there are many more targets and a vast number of indicators. There are up to 18 targets and 48 indicators. I do not have time to talk about them all, and in my view they are not all equally important, but we need to have a more comprehensive look at the issues we are focusing on. At the core of it, it is about the fight against global poverty. That should be core business for Australia. Under the Rudd government it is core business for Australia in its own right. It is a fundamental obligation of a decent, developed country in the 21st century that we accept that we are part of the global campaign against world poverty. It is not a peripheral interest; it is not cause for occasional gratuitous commentary. It is core business for modern, 21st century developed countries and governments and we intend to restore Australia to that vast array-the majority of modern, Western, developed countries in the 21st century-making the commitment to those Millennium Development Goals.

It is unashamedly in our national interest. There is no reason to apologise for the fact that, while we are doing good, we are serving our own interest. There is no reason to apologise for that. The Prime Minister himself has commented:

*It is in our own interests to tackle poverty in our region, as part of a wider strategy to deal with the impact of terrorism, climate change, pandemics and refugees on Australia.*

It is unquestionably in our national interest. That would probably be sufficient motivation to do it. But we should never lose sight of the fact that primarily it is a contemporary obligation of a modern nation to be a part of the campaign against global poverty.

The second thing to recognise is that, even if we are to achieve the Millennium Goals by 2015-and globally we might, although regionally we will not-it is only the beginning of the task, not the end. Meeting target No.1, to 'Reduce by half the proportion of people living on less than a dollar a day', would be a very significant achievement-and we might get there-but the obvious corollary is that half would still be left behind. We will have more to do after 2015, even if we achieve the Goals.

As we began the task of restoring Australia's standing and our commitment to the global goals to which we were a signatory in 2000-which we were notionally committed to for seven years, and which we are now absolutely committed to and engaged in-the Prime Minister committed us to the global call to action for the Millennium Development Goals. On his most recent trip, we joined that MDG call to action to galvanise widespread support, momentum and concrete action for the Millennium Development Goals. We are committed to it, and it fits within the context of our broader foreign policy, where we have the three pillars: the US alliance, our Asia-Pacific regional focus and our

commitment as a good international citizen to multilateralism. The last two of those three pillars lead us to the Millennium Development Goals and to setting ourselves on the path to increase our development assistance from 0.3 to 0.5 per cent of gross national income by 2015. That will take us in this budget to 0.38 per cent-approximately \$5 billion-by 2011-12. We are at about 3.6 per cent this year and we have scheduled in this budget close to a 50 per cent increase, to be achieved by 2011-12. That is a big opportunity and a big responsibility.

I will talk about the budget measures in detail in this House and outside subsequently; today I want to emphasise that we have made this commitment because, as a government, we think the goals set down and adopted by the international community, including Australia, in the year 2000 remain valid today. We acknowledge that in the Pacific no country is on track to achieve all of those goals and at least one is not on track to achieve any of those eight goals. So we, as a nation in our region and the leading country in the Pacific, have failed, and it is time we acknowledged it directly and took seriously the task of remedying that failure. These are not extreme propositions:

1. eradicating extreme poverty and hunger;
2. achieving universal primary education;
3. promoting gender equality and the empowerment of women;
4. reducing child mortality;
5. improving maternal health;
6. combating HIV-AIDS, malaria, TB and other diseases;
7. ensuring environmental sustainability; and
8. developing a global partnership for development.

This is not a revolutionary framework. This is about core common decency, applied internationally.

Our government will take a strategic approach to the entrenched causes of underdevelopment and instability, particularly in our region. We want Australia to become a leader in the fight against global poverty. We strongly support the Millennium Goals and our government is committed to helping developing countries achieve them.

As I said before, on his recent trip Prime Minister Rudd announced that Australia has joined the MDG call to action-at last-to galvanise widespread support, momentum and concrete actions for the Millennium Development Goals. An important part of this will be an increased emphasis on basic education and on improving water and sanitation services. These are both focuses of the initiatives and funding allocation in this year's budget. We have, for example, committed to increase funding for water and sanitation by \$300 million over two years from 2009-10.

In this budget, sectoral increases are targeted very directly at the core Millennium Development Goals. Education programs are estimated to increase by five per cent to over \$540 million; health programs are estimated to increase by eight per cent to over \$440 million; expenditure on environment and climate change is estimated to increase by

seven per cent to over \$130 million; rural development expenditure-an area I think we will need to give more attention in future-is estimated to increase by seven per cent to over \$160 million; and infrastructure assistance will be substantially scaled up to an estimated \$380 million, an increase of 17 per cent.

It is not just about money; it is about not only about making the program bigger but about making it better. But I am very proud that this 2008-09 Budget lays the foundation for implementing the government election commitment to increase Australia's official development assistance to 0.5 per cent of GNI by 2015-16. It is a building block in the government's scaling up of Australia's development assistance, with a projected nine per cent real increase in total ODA over the 2007-08 budget figure.

The budget includes a package of new measures designed to take forward the government's development assistance priorities. In particular-a source of great pride to me-the budget gives effect to our election commitments about climate change, about eliminating avoidable blindness in this region and about improving access to clean water and sanitation. I am proud of the initiatives in the program. I am proud of the context in which they have taken place and I commit the government to an increasing focus on achieving the Millennium Development Goals.



**Speech by Bob McMullan: Future Directions for Australia's International Development Assistance Program**

University of Adelaide

22 May 2008

The Budget introduced last week marked a significant turning point in the history of Australian development assistance. It is the first stage in an exciting new program which will lead to the biggest increase in development assistance in Australian history over the next seven years. It also marks a turning point for this Government as it brings substantially to a close the first phase of our development assistance program - the implementation of our election promises - and sets us on the path for the vital second phase, which is developing the framework for the substantial increase to come.

This 2008-09 Budget has laid the foundation for implementing the Government's election commitment to increase Australia's Official Development Assistance (ODA) to 0.5% of Gross National Income (GNI) by 2015. This Budget is a building block in the Government's scaling-up in Australia's development assistance, with a projected 9% real increase in total ODA over the 2007-08 Budget figure, bringing total ODA in 2008-09 to \$3.7 billion, equal to 0.32% of GNI. For the first time for a long time, this takes us decisively above the OECD average, but it still leaves us a long way behind the average-country effort of 0.45%.

Even with the rapid scaling up to 0.38% of GNI in 2011-12 we remain on track for our interim target, but still below average effort, so there is no room for complacency. In historical perspective, it's important to note that the 0.32% outcome would be the highest GNI ratio since 1995-96, and 0.38% would be the highest GNI ratio since 1986, and were we to get to 0.5%, we would equal the highest level in recent times, which was 0.5% in 1974.

The Budget includes a package of new measures designed to take forward the Government's development assistance priorities. In particular, the Budget gives effect to the Government's election commitments to address climate change challenges by strengthening adaptation efforts in the region through an investment of \$150 million over three years; to establish Australian leadership on eliminating avoidable blindness in the region as part of a broader policy on disability in development through an investment of \$45 million over two years; and to improve access to clean water and sanitation through an investment of \$300 million over three years.

The Budget also encourages faster progress towards the Millennium Development Goals, the priority set down by the Prime Minister in his major speeches concerning development assistance. This Budget moves us in that direction by increasing Australia's

multilateral engagement and by establishing new programs in infrastructure development, land administration and public service capacity-building to contribute to the Prime Minister's March 2008 Port Moresby declaration on achieving better development outcomes for Pacific Island Nations through Pacific Partnerships for Development.

We are also committed to continuing to improve the effectiveness of Australia's Official Development Assistance.

As a footnote to this outline of this year's Budget, I should refer to the one of our specific election commitments which is not included in this year's Budget. This relates to the proposition for a 3-way agreement between Australia, Indonesia and the Global Fund on AIDS, TB and Malaria to increase funding to the Global Fund to fight TB in Indonesia. This is a proposition that we always intended to implement in the 2009 Budget. We continue to work resolutely towards that goal.

Against that background I wish today to begin the discussion about what phase two of our development assistance strategy might look like. I see today's speech as the second in a series of speeches outlining the key issues, options and directions which the Australian Government wishes to discuss and take forward in the development of the framework for implementation of our 0.5% commitment.

To outline what that 0.5% commitment means, let us look at the implications. In 2007-08, the Australian Government proposed and is likely to spend about \$3.17 billion on development assistance, and this year we are proposing to spend \$3.7 billion. Allowing for economic growth, to get to the 0.5% target by 2015-16, we're talking about a 60% increase between now and 2011-12, and perhaps creating a development assistance program 2.5 times that of the present program by 2015.

It's sobering to know that we are starting so far behind that even with that massive increase, Australia will still not be amongst the leading nations in terms of the proportion of our Gross National Income going to development assistance.

Given the fact that there's no developed country which lives closer to or needs to be more actively engaged with developing country neighbours than Australia, it is an outstanding admission of past failures to realise that an ambitious scaling up over almost a decade will still not bring us close to world's best practice in volume. This should not stop us aiming for world's best practice in efficiency and effectiveness.

Let me address first the structure of the aid program going forward, firstly with regard to geography, secondly with regard to the bilateral/multilateral split, and thirdly with regard to our key targets and objectives.

I don't see the geography of our development assistance program changing dramatically. It is, it has been and is likely to remain, predominantly focussed in the Asia-Pacific region. Indonesia is our largest program, and Papua New Guinea is second. In my view this is likely to remain the case. It is significant however, to note the rapid economic

growth in some of the major countries in our region, such as China and India, means that they are unlikely to be as large a proportion of global aid budgets in the future.

There is one current variation on this Asia-Pacific focus, which is our commitment to Afghanistan, Iraq and the Palestinian Territories. The Palestinian Territories commitment is likely to continue and should significant progress in the peace process be made we may yet be called on to do more. This will, however, never be a major part of the program. The Iraq and Afghanistan commitments are basically outside our normal geographic area of interest arising from past and current military and strategic engagements.

The other geographic variation in our interest is the commitment of the new government to re-engage with Africa. Our interest is in cooperating with bilateral and multilateral partners and perhaps in engaging with regional institutions in Africa as well as continuing our current cooperation with NGOs, particularly in East and Southern Africa.

It is important in addressing this to realise there are two drivers for this engagement - one is a significant commitment to the Millennium Development Goals and the fight against global poverty which will require a focus on sub-Saharan Africa. The second is that once the realisation that Australia is an Indian Ocean country is accepted it is clear that the Indian Ocean littoral states are part of our region and need to be a focus of our development assistance program. Once again, in overall terms, we don't expect the African engagement to be a major proportion of the aid program, but it is a significant and important new engagement.

Two other emerging trends may, depending on political developments, impact on the geographic focus of our aid program; that is, the potential political evolution towards democratic governance in Myanmar and Zimbabwe. Both these countries have enormous development challenges in which Australia would be a willing partner if governments were to emerge with which we were able effectively to work.

It is likely that the program going forward will see a change in the weight and balance between our bilateral and multilateral programs. There is no doubt that this new government will be more multilaterally engaged than its predecessor. This is both a reflection of our philosophical difference, and an assessment of our understanding of Australia's long-term interests as a middle power. If you recall the major statements by the Prime Minister and Foreign Minister outlining the three pillars of our foreign policy, they are: our alliance with the United States; our engagement with the Asia-Pacific, and; a focus on the United Nations and multilateralism. It logically follows that we are likely to move our effort in the aid program to reflect those priorities and increase our multilateral engagement.

It is also the case that there are many circumstances in which working with multilateral partners re-enforces or greatly enhances the effectiveness of our bilateral contributions. In the Pacific we are working with the Asian Development Bank (ADB) and the World Bank on our new Pacific Regional Infrastructure Facility.

In the Palestinian Territories, it is the existence of the World Bank Trust Fund that gives us the confidence to contribute without risk of the money not achieving its priority purpose. We also find that the multilateral agencies can sometimes assist us to achieve goals which would be difficult to achieve bilaterally.

It is a logical corollary that we will be focused on the Millennium Development Goals. The MDGs are targets set by the international community through the UN to which we all committed ourselves. It is a cause of significant embarrassment to me as an Australian that our Government committed to those Millennium Development Goals on behalf of the Australian people, but that we have stood quietly by while apparently failing to notice that no country in our region is on track to achieve all the Millennium Development Goals, and some of them are not on track to achieve any of them. In fact, we've now got to the point where we need to acknowledge that it's unrealistic to think that all the countries in our region will achieve all the Millennium Development Goals by 2015, the target date, but we must pour in more effort to ensure they are on the trajectory towards those goals rather than flat-lining or trending away from those key objectives.

This is not because the Millennium Development Goals are some important schedule set down on a piece of paper in some multilateral agency - it is because the Millennium Development Goals are tangible, real indicators of success in the struggle against global poverty and inequality. It is impossible to be committed to a world where children grow up free from the scourge of poverty, illiteracy and disease without accepting that the Millennium Development Goals are the medium-term goals for which we should aim.

We should never forget that these are not ambitious goals - these are modest goals. Halving global poverty is a noble and worthwhile goal, but it still leaves the other half of the world's current poor living in poverty. Therefore, beyond 2015 there's more to do.

It is this focus on the Millennium Development Goals that will be a key element of the structure of our program going forward.

There are some newly emerging long-term trends that will influence the shape of future programs. Two of these relate to specific Millennium Development Goals - the issue of HIV/AIDS and the issue of climate change - but the third is the emerging issue of the price of food.

It's important to avoid a melodramatic focus on the current short-term spike in food prices - although this is very serious and needs a substantial short-term response - diverting our attention from what appears to be a steady, long-term trend increase in the price of food as a result of imbalances in the supply and demand equation.

The most important contribution a development assistance program can make to this is to increase the productivity of agricultural land in developing countries. The key element of Australia's contribution here is the Australian Centre for International Agricultural Research, or ACIAR, and its international counterparts through the Consultative Group

for International Agricultural Research (CGIAR). I'm convinced that this is an area where we need to do more.

The Budget also reflects two other long-term commitments which I hope and expect to see reflected in the structure and targeting of the program going forward: the key issues of water and sanitation and people with disabilities. There are substantial efforts focussed on these priorities reflected in this budget, but these measures are merely down payments on long-term objectives. I'll have more to say about these on a subsequent occasion.

The question of the overall approach is another aspect which will influence the character of the aid program going forward. The first feature I wish to refer to here is the priority of a poverty focus. The key elements here are policies to drive economic growth and a focus on the equitable distribution of the benefits of that growth. All economic history tells us that there's no route out of poverty without economic growth, but that economic growth is a necessary but not a sufficient condition for the fight against poverty.

The second aspect is our partnership approach. This is currently reflected most clearly in the Prime Minister's initiative on the Pacific Partnerships for Development which is reinforced by the Budget measures on Pacific land, Pacific infrastructure and Pacific public sector development. But subsequently, the partnership approach may be reflected in other areas. These may be institutional partnerships, for example:

- between Australian universities and universities in the region;
- between Australian professional associations and their counterparts in the region, as is currently developing with the Australian Planning Institute.

This may mean more partnerships between States and provinces or subregional governments in developing countries. There would, for example, be some logic to a partnership between Queensland and Western Province in Papua New Guinea, in particular insofar as it relates to health. This is a concept that might also be extended to local government.

On another occasion I'll also wish to address the way Australia goes about its assistance to democratic development in our neighbourhood. A recent quick review which I undertook identified some 30 Australian or Australian-funded international bodies providing some form of democracy assistance in our region. It wouldn't make sense or be possible to consolidate this into one super-program, and that is not my ambition, but I do think we need to re-examine the way we do this going forward, and I intend to do so.

There is also an emerging aspect of enhanced bilateral cooperation with some other leading players in the global development community. This month, the Director-General of AusAID will sign a bilateral agreement of cooperation with the Department for International Development (DFID) in the United Kingdom, arising from my discussions with the Secretary of State for International Development, Douglas Alexander.

But this is simply the beginning of enhanced relationships, not the end. There is a case for enhancing our engagement with France in the Pacific, with Portugal in East Timor, and with the European Union and Germany, for example, who are taking interesting initiatives around the world. And we need to work out a mode of cooperation with the newly emerging donors, such as Korea and China, and continuing cooperation with regional partners, such as Japan.

All this points to big, new opportunities to not only make our development assistance program bigger, but also to make it better. The corollary of big, new opportunities is big, new challenges and heightened scrutiny. It is fundamental that we focus on delivering the best outcomes for the taxpayers' dollars and communicating effectively to the people of Australia what we are doing, how we are doing it, and how well we are doing. This is an overall objective of the Rudd Government in its new approach to governance, and I intend to apply it with rigour to the development assistance program.

I look forward to the opportunity of working with you all to take advantage of these big, new opportunities and to rise to these new challenges.