

Launch of the Australian Aid White Paper  
The Hon Alexander Downer, MP

AIIA Policy Commentary  
The 2006 White Paper on Australia's Overseas Aid

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Ladies and gentlemen, I am delighted to be here today to launch the White Paper on Australia's overseas aid program. Let me set the scene by recalling some of my experiences in Bougainville.

I first visited Bougainville in 1995. While there had been some signs of progress towards a resolution, Bougainville was still in the grip of what seemed to be an intractable conflict. I visited Buka Hospital – it was rundown and squalid, a place people went to die, not recover. At the peak of the conflict, some have estimated that as many as 70,000 people were displaced from their homes with little access to any services including basic health care. By 1998, I was attending a five hour ceasefire ceremony in the roaring heat of Arawa, and I remember vividly listening to the wonderful orator Joseph Kabui with the squealing of the post-ceremonial pigs under my chair. In 2000 I returned to Bougainville and opened a new Buka Hospital. The contrast to 1995 couldn't have been greater.

Our role in helping to resolve the Bougainville conflict is one of our great foreign policy successes. And it is difficult to overstate the importance of our aid program in providing the peace dividend that was needed to shore up the diplomatic negotiations. At a time when the PNG Government needed to demonstrate quickly the fruits of peace and to support those committed to negotiation, the aid program funded the construction of two high schools, and substantially reconstructed another. It built 140 classrooms and 50 new health posts and upgraded the Arawa Health Centre, provided a range of community health and adult literacy training programs and restored vital infrastructure, especially roads.

The example of Bougainville shows that aid is about people. But it also demonstrates the integral role that aid plays in Australia's security and foreign policy agenda, and that this agenda is indeed compatible with giving hope and opportunity to people facing an otherwise dire outlook.

### *Poverty as a Global Concern*

When I launched the Government's first policy statement on aid in 1997 'Better Aid for a Better Future' I remarked that mass poverty was the single most important economic and social issue facing the planet. This is still true today. More recently development issues have been prominent in discussions at the G8 and Heads of State Summit in New York.

It was at this gathering last September that the Prime Minister announced the doubling of Australia's aid budget to about \$4 billion by 2010. And it's not as if increasing the aid budget is something new – since the Government came to office the annual overseas aid budget has increased by almost \$1 billion. So how can Australia best help reduce poverty in the developing world?

### *Lessons*

As a first step, we need to acknowledge the lessons from the development experience. Between 1981 to 2001 the number of people living on less than \$1 a day fell from 40% of the world's population to 21%. The World Bank forecasts that the number of people living on less than \$2 a day in East Asia has fallen by around 280 million between 2001 and 2005. There are lessons to be learnt from these very positive trends. We know that the policies and actions of developing countries, particularly those that create an 'enabling' environment for economic growth, including stability, are fundamental. We also know that greater trade liberalisation in both developed and developing economies is crucial.

This is another reason for our determination to pursue greater multilateral trade liberalisation through the Doha round. Most also agree that aid, too, is essential – for instance in breaking out of the traps created by poor health and education services. Increasing global aid volumes are encouraging and commendable. But increasing aid and reducing debt burdens alone will not reduce poverty nor achieve internationally agreed development goals. Reducing poverty has never been that simple.

The challenge for all of us concerned about global poverty is to take these lessons and apply them. The PNG Treasurer, Bart Philemon, said in this place last month:

*“...aid cannot be really effective if the recipient government does not properly harness its own resources. A good aid program complements the good things that a government does, but it cannot work in the face of poor leadership and poor management.”*

I couldn't agree more. The main question then is not just how much aid to provide, but how can it be used most effectively? This is what the White Paper seeks to answer and what I want to talk to you about today.

The White Paper outlines how the Government will approach the doubling of the aid budget. It does not set out formulas or detailed breakdowns of how much aid will be spent in each sector or country – that detail will be dealt with in the annual budget process and in discussions with our partner countries. Clearly too we must remain flexible and responsive to emerging needs and priorities.

What the White Paper does provide is clear directions on what the aid program will focus on and the principles that will guide the delivery of our aid. It outlines major initiatives that will drive the implementation of the White Paper over the coming decade.

### *White Paper Directions*

The White Paper represents a distinctly Australian view on development, informed by the best of international knowledge and our own experience from fifty years of providing aid. It is also underpinned by our values as a nation:

- Our strong belief in economic and political freedoms;
- Of giving others less fortunate than ourselves a fair go; and,
- Our demand for open and accountable government.

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.”*

Some people believe that the reference to the national interest implies a narrow sense of self-interest, somehow in conflict with the goal of poverty reduction. This is nonsense. This Government has always held the view that an effective and well-targeted aid program, focusing on the alleviation of poverty and the promotion of sustainable development, is clearly in the national interest. This view is even more relevant today as the links between regional development and Australia's national interest become increasingly intertwined.

The aid program's objective has been slightly reworked to leave no doubt about the Government's intentions. The objective captures Australia's strong and unstinting commitment to the global effort to achieve the Millennium Development Goals.

#### *An Asia Pacific focus*

The Government will continue to focus our aid effort on the Asia Pacific region. While the region as a whole has seen remarkable progress, many parts of Asia and most of the Pacific are not growing fast enough to keep pace with population growth, or are simply not growing at all. In the Asia Pacific region:

- Some 700 million people live in poverty and 1.9 billion live on less than \$2 a day, including half the population of Indonesia;
- In PNG, half of all children fail to complete six years of basic schooling;
- In Cambodia, one out of every ten babies will die before their first birthday; and,
- In six of the region's countries, a woman's chance of dying through pregnancy or childbirth is more than 50 times greater than in Australia.

Our region is also home to a number of what have become known as 'fragile states.' Such countries are a concern not only because of their inability to provide basic services for their people, but because of their spill-over effects on their neighbours. Experience shows that these states remain fragile for a long time and are unlikely to improve without effective outside intervention.

The global community is looking to Australia to play a leadership role on certain development issues in Asia and the Pacific, particularly as

other donors increasingly focus their efforts on Africa. This leadership role extends from HIV/AIDS and other trans-boundary threats, to approaches to the region's fragile states, to responding to emergencies and disasters. Above all, Australia is deeply committed to the development of our region.

#### *Priorities*

Four inter-related themes will guide the aid program over the next ten years:

- Accelerating economic growth;
- Fostering functioning states;
- Investing in people; and,
- Promoting regional stability and cooperation.

In pursuing these directions:

- Gender equality will be actively and rigorously pursued as a core principle; and,
- Australian aid will now be fully untied for the first time – this will mean greater competition and value for money in the aid program. It will also allow Australian companies to bid for work from other donors, such as the EU, on a reciprocal basis.

#### *Growth*

The first theme is economic growth. There is no question that the key challenge for the Asia Pacific region over the medium term is to sustain and share economic growth. This is fundamental for poverty reduction and stability.

The aid program will do more to help address the binding constraints to growth. In the Pacific, this will include an initiative to tackle the difficult issue of land tenure. We will develop a major infrastructure initiative to help address the massive regional infrastructure bottlenecks. This will:

- Mobilise Australian expertise to help improve the policy and regulatory environment for infrastructure, including public private partnerships and anti-corruption; and,

- Provide financing for projects with strong economic and social benefits, such as roads, communications, electrification and water supply.

In addition, the issues confronting the environment in the course of the Asia Pacific region's rapid development are vast. Over the next year we will develop an environment strategy for the aid program which will serve to focus our aid effort on a small number of core environmental problems where Australia can add particular value, such as water and clean energy.

#### *Functioning States*

Our second theme is to foster functioning states. We know that effective institutions are crucial for growth and poverty reduction. Since 1997, the Government has successfully pursued a strong focus on improving governance. Our leadership of the regional intervention in the Solomon Islands is the highest profile initiative in this field.

But there has also been a significant expansion of our support throughout the Pacific and in many parts of Asia to improve economic and financial management, the rule of law, public sector performance and democratic institutions. We will reinforce our existing efforts in governance by supporting better leadership in the Pacific and by helping local populations demand better government. And we will go further by incorporating a significant incentive and performance-based element to aid allocations to our major partner countries. In other words, we will increase our assistance in line with the efforts of governments in the region to strengthen governance, tackle corruption and better harness their own resources for development.

Another area where we will be taking a more vigorous approach is anti-corruption. We will include anti-corruption measures in all our aid activities and develop a comprehensive anti-corruption strategy. This will build on the existing and planned work of AusAID, the Australian Federal Police, Treasury, Attorney-General's Department as well as the Department of Foreign Affairs and Trade.

#### *People*

Our third theme is investing in people. Australia will make a major new investment in the people of the Asia Pacific, particularly its women and children. Addressing the biggest killers of women and children requires functioning and accessible health services.

A woman haemorrhaging from childbirth can die in a matter of hours. In PNG, less than 40% of births are attended by a trained health attendant. To combat the major killers of children – diarrhoea and pneumonia – requires ready access to health posts and clinics.

Basic education, particularly for girls, has long been considered the single most effective investment to reduce poverty. Yet in parts of our region, many children are not completing six years of schooling and education quality is on the slide.

A major focus for Australia over the coming years will be to get more children into school, for longer and for a better quality education. In both the health and education sectors, the aid program will support local government systems to deliver services, helping to best manage finances and staffing. This work will not make news headlines, but sound management lies at the heart of improving the health of women and children and making real gains in education.

We have a good base upon which to build. Our approach to supporting the Islamic school sector in Indonesia, where 15% of Indonesian children, often the poorest, receive their education is a case in point.

We tend to take schools for granted. When I opened a school on the Weathercoast of the Solomon Islands in 2004, the look of hope and appreciation that it brought to the faces of the villagers drove home to me the fundamental importance of education. This was made possible by the restoration of law and order by RAMSI – although recent events show just what a continuing challenge this remains – and provided a very strong link in my mind between establishing security as a precursor to improving outcomes in education. It is the same story for health – where women have, appropriately, been the major beneficiaries. I anticipate launching major initiatives on health and education in the 2007-08 budget.

### *HIV/AIDS*

I have spoken often of the impact of HIV/AIDS – it has devastated parts of Africa and is now threatening to devastate countries in our region. The government will take forward its \$600 million HIV/AIDS commitment with renewed vigour. For instance, we will launch an emergency response to HIV/AIDS in PNG.

We will also encourage others to join the fight against HIV/AIDS, such as we have done through the Asia Pacific HIV/AIDS Business Coalition, which brings together business leaders with interests in the region. Further, Australia's existing special representative position on HIV/AIDS will be upgraded to a full ambassador. We will also lead an international effort to tackle malaria in the Pacific, initially focussing on Solomon Islands, the country with the highest incidence of malaria in the world, and Vanuatu.

### *Regional Stability and Cooperation*

Our fourth theme is promoting regional stability and cooperation. Many threats to development in our region are transboundary in nature. These threats – including infectious disease, environmental degradation, transnational crime, terrorism, and people and drug trafficking – require effective regional as well as national responses. Australia will promote and support broad regional partnerships on these issues.

### *Aid effectiveness*

The doubling of Australia's aid to \$4 billion by 2010 requires a strong commitment to aid effectiveness – it is essential that we spend taxpayer money wisely. The White Paper includes significant changes to how we will deliver our aid, which will position Australia at the forefront of global efforts to maximise the impact and accountability of aid. Among a range of measures designed to improve effectiveness and transparency, we will:

- Publish an Annual Review of Development Effectiveness that will be integrated into the government's budget process; and,
- Establish an Office of Development Effectiveness to monitor and improve aid effectiveness across all aid delivering agencies.

### *Reaching Out to the Region*

The White Paper outlines a major commitment to strengthen linkages between Australia and our region. One of the programs I am most proud of is the Australian Youth Ambassadors Scheme. Since I began the Scheme in 1998, the scheme has sponsored over 1600 young Australians to work and live in the Asia Pacific region. The ties and personal relationships developed through the scheme will live long into the future.

Further, addressing the region's emerging and increasingly complex development challenges will require new knowledge, skills and organisations. The aid program will mobilise this broader Australian community. This will include government, private sector, academic and non government partnerships.

### *Australian Scholarships*

During our consultations on the White Paper there was universal agreement on the value of scholarships to study in Australia – both to build human capacity in developing countries and to strengthen institutional and people to people linkages.

I am inspired by the vision of the Menzies Government and their Commonwealth colleagues in the early 1950s who were the architects of the great Colombo Plan. Under the Plan, a whole generation of the region's leaders were educated in Australia. The benefits of this investment are simply incalculable.

Today I am delighted to announce a major new initiative 'Australian Scholarships' doubling to 19,000 the number of scholarships offered by Australia to students from the Asia Pacific region over the next five years at a cost of nearly \$1.4 billion. The program will be implemented by AusAID and the Department of Education, Science and Training.

These scholarships will:

- Target future leaders from a wide cross section of society and focus on areas such as infectious diseases, health, governance, education, transnational crime, trade and clean energy; and,

- Strengthen regional networks on key issues with strong links to Australia.

This initiative will significantly enhance Australia's contribution to educating our region's future leadership – this will be in the interest of countries in the Asia Pacific and also in the interest of Australia. Not only will many more of the region's future leaders learn their skills in Australia, but they will also develop a warm affection for Australia. And we will seek to nurture these relationships that endure by supporting alumni networks of Australian scholarship recipients.

### *Conclusion*

The White Paper on Australian aid sets out an ambitious agenda. But it is grounded in detailed analysis and evidence, and I would like to thank Professor Ron Duncan and his team for their valuable input into the development of the White Paper.

Aid programs are not things that you can turn on and off in response to the latest global fad or political crisis. As I said earlier, aid is about people. The Australian aid program is about helping the people of our region, our neighbours, help lift themselves out of poverty. Australians can be proud of their contribution to development, particularly in our region and through both their private donations and through their taxes that fund the aid program.

Australia's aid has a reputation for responsiveness, pragmatism and effectiveness and the challenge for AusAID and other Australian agencies delivering overseas aid is to maintain and enhance this reputation as they gear up to manage the additional resources to be provided over the next five years and beyond. The White Paper sets out a very clear strategic direction for achieving this. I commend it to you. Thank you.

*The Hon Alexander Downer, MP is the Minister for Foreign Affairs. This Speech was delivered to the National Press Club in Canberra on 26 April 2006.*

## Continuity and Change: The Australian Government's White Paper on the Aid Program

Dr Robert Glasser

The Australian Government's White Paper (WP) on overseas aid, Australian Aid: Promoting Growth and Stability, sets out the policy directions for the aid program over the next decade. It is particularly important in the light of the Government's earlier announcement of its intention to double the aid budget by 2010. To a significant degree the WP will shape how this additional funding will be allocated.

Many of the initiatives in the WP are not entirely new, but rather have evolved from the aid program's close engagement and experience with aid-delivery in the region over at least the last decade. Some also have been shaped by recent regional geo-political developments. What follows is an attempt to assess the significance of the WP through an examination of the elements of continuity and change within it.

### *Looking Back: Aid Policy from 1997 to 2005*

Although some of the changes in the WP are evolutionary, it is important to appreciate just how rapidly this evolution has taken place. The previous major policy framework for the aid program was *Better Aid for a Better Future* (BABF-1997), the Government's response to the Simon Committee Review of the Aid Program. BABF was immensely important for Australia's aid program. It was the first major review of the programme in over a decade.

BABF reinforced the aid program's concentration on the Asia Pacific region with Papua New Guinea, the Pacific islands and East Asia as high priorities and on the poorer regions within countries, such as the southern Philippines and eastern Indonesia. It focused the program on five priority sectors (health, education, infrastructure, rural development and governance) and two cross-cutting issues (gender and environment).

It also established six key principles underpinning the program: 1) that the program would work in partnership with developing country governments; 2) that it would be responsive to urgent needs and development trends (for example humanitarian emergencies); 3) that it would take a practical approach; 4) that it would have greater targeting of its interventions; 5) that it would maintain a strong and visible Australian identity; and, 6) that it would be open to new ideas and approaches.

From today's vantage point these policy prescriptions seem unremarkable, but this is partly because they have now become embedded (but were not previously) in the current aid reality. Additionally, they were designed for the relatively benign geopolitical and development environment that existed at the time.

About five years later, in 2003, the Government issued a new aid policy framework, *Australian Aid: Investing in Growth, Stability and Prosperity* (AA). In this document, aid policy had evolved significantly from BABF in response to evolving views on aid effectiveness. In particular, analysis undertaken at the World Bank and elsewhere had highlighted the fundamental role of sound policies, mature institutions and accountable systems in promoting economic growth and reducing poverty. As a result, the 2003 policy elevated "governance" beyond the equal sectoral billing it had received in BABF, to become a key theme for the aid program (by this time it had already become the largest sector in the program).

At the same time, the Australian Government's concern about social and economic instability and civil unrest in some Pacific countries had increased significantly as had transnational challenges such as terrorism and HIV-AIDS. As result, two new themes appeared in the 2003 policy: one focused on supporting stability and government legitimacy through improved delivery of basic services, the other on strengthening regional security, conflict prevention and managing transboundary "challenges."

As with BABF, the new framework renewed the existing geographic emphasis in the program on the Asia Pacific region. It also indicated that the aid program would make greater use of incentive-based approaches to reward good performance and encourage reform.

The last major policy document on the aid program issued before the current White Paper process began was *Australian Aid: An Integrated Approach* launched in May 2005. It essentially re-endorsed but deepened the aid program's commitment to the existing aid framework. In particular, AusAID along with other key Australian Government partners (Treasury, AFP, etc) had greatly stepped up their engagement with and involvement in fragile states in the region. Additionally, the aid relationship with Indonesia had deepened dramatically in the wake of the Asian Tsunami, with the Prime Minister announcing a \$1 billion program to assist Indonesia's recovery from the disaster. Greater emphasis was also given in the 2005 policy document to addressing transnational threats and to strengthening political governance and tackling corruption.

#### *The White Paper*

The Foreign Minister launched the WP on Australia's overseas aid program in April 2006. The WP identified four interrelated themes to guide the aid program over the decade ahead: accelerating economic growth; fostering functioning states; investing in people; and promoting regional stability and cooperation. It also re-affirmed the aid program's geographic concentration on the Asia-Pacific region.

The theme of promoting economic growth also featured in earlier aid policy statements, including BABF, but almost as an axiom of good development practice. However, in the WP it became an agenda for action. In particular, the WP called for a major increase in expenditure on infrastructure bottlenecks, such as roads and bridges. Much of this new work would be coordinated with, and leverage investments by, the World Bank and the Asian Development Bank. It would also include a major new initiative linked to land titling and property rights, both of which will require significant new analytical thinking to implement effectively.

The second theme, "fostering functioning states," also featured in earlier policy statements. It encompasses the issues of governance and failing states. The more positive tone (relative to terms such as "failing states" and "fragile states") reflected a modest improvement in Australia's regional environment on the heels of the support provided

to the Solomon Islands and PNG. It also reflected the continuing importance the international aid community attached to good governance. At the same time, though, the WP set out a broader range of areas of work for the aid program within this theme, including the Government's desire to expand "nation-building" activities in areas such as economic and financial management, the rule of law, public sector performance, building democratic institutions, and by focussing on supporting better leadership and helping local populations to demand better government.

Under the theme "Investing in People," the WP called for a major increase in financing in the education and health sectors. These sectors have always been important in the aid program (and indeed in most bilateral aid programs around the world). The decision to increase funding in these areas is a response to perceived slow progress in our immediate region in areas such as women's and children's health, domestic violence, HIV-AIDS, malaria and education quality. A major initiative is the decision to double the number of scholarships the aid program offers in the Asia-Pacific region to over 19,000. Included will be a new scholarship targeted at developing future leaders in our region.

The focus in the WP on the theme of "regional stability and cooperation" builds upon two policy directions highlighted in earlier policy statements, namely responding to transboundary threats and promoting regional integration. However, the WP gives far greater prominence to transboundary threats, including threats, such as health pandemics (including Avian Influenza), global warming, and drug and human trafficking, than has been the case previously. The particular emphasis on promoting regional governance solutions in the Pacific is also significant and foreshadows a major effort by the Government to promote greater regional integration.

Finally, the WP outlined major changes in the way the aid program will be managed. Perhaps the most exciting, controversial and difficult to implement of these initiatives is the strengthening of the links between developing country performance and aid allocations. The Government has decided to allocate additional resources to countries that meet agreed performance criteria. Indeed it has committed to allocating up to 10 percent of the aid program over time on the basis of performance. The Government also intends (presumably in countries where Australia is the

major donor) to provide incentives to encourage agencies within the countries to compete for aid funds.

Implementing this incentives approach effectively will require a detailed understanding of the operating environments in partner countries. It will have to be linked to broader governance initiatives relating to corruption and public expenditure management to ensure that performance targets are being met in reality, in addition to on paper. This is a bold approach that will break new ground internationally and will therefore be watched closely by the international aid community.

Similarly, the decision to establish an Office of Development Effectiveness to monitor and improve aid effectiveness across all aid delivery agencies is a significant change. The Office will publish an annual review of development effectiveness as part of the annual budget process as well as spot check existing performance management systems as a means of strengthening overall accountability and aid effectiveness.

### *Conclusion*

What conclusions can we draw about the evolution of Australia's aid policy over the past decade? First, there are clearly important elements of continuity. The geographic focus of the program on the Asia-Pacific region, support for sectors, such as education, health, and governance, and the emphasis on aid "partnerships" are all consistent themes. However, it should be noted that the Government's decision to double overseas aid could re-balance somewhat the proportion of aid going to Asia relative to the Pacific.

Clearly one factor in the evolution of policy has been the huge body of recent research on, and Australian experience with, aid effectiveness. This has led, for example, to increasing emphasis in Australia and internationally on the importance of sound government policies in promoting both economic growth and the effective utilisation of aid. It has also led AusAID to explore innovative ways of implementing its "partnerships" framework, for example moving away from stand-alone projects to working within government systems.

This brief survey suggests two key additional factors that have significantly influenced the evolution of Australia's aid policy. The first and most important is instability in Australia's immediate region. Economic and political problems in PNG, the Solomon Islands, and East Timor—all places where the international community expects Australia to play a major role—have led to major operational changes in the aid program and elevated its importance at the whole-of-government level in Australia. The aid program's concentration on failing states, initiatives to promote stability and nation-building have all arisen at least in part as a response to an unstable regional environment. Initiatives relating to anti-corruption, and incentives to promote stronger performance should also be viewed in this context, as should the heightened importance of the governance sector more generally. Even the greater prominence given to economic growth, can be viewed at least in part as an element of the Government's strategy to strengthen stability in our regional neighbourhood.

The second major external trend is the emergence of transnational threats, such as terrorism, drug and people trafficking, and health threats such as HIV-AIDS and Avian Influenza. Aid policy has evolved quite explicitly to respond to these threats. Of course this trend reinforced the need to address the first trend, as economic and political instability can be fertile breeding ground for the emergence of these threats.

Looking back to BABF, there was hardly a mention of failed states, nation-building, transnational threats, performance-based incentives, or anti-corruption measures. "Governance" was added to the existing sectors of health, education, infrastructure, and rural development, but not as the fundamental emphasis for the program it has now become. These various changes have elevated AusAID's importance and level of engagement within Australian Government decision-making to an unprecedented degree.

The aid program has come a long way since BABF. It has been a tumultuous journey. The WP sets out an ambitious agenda for the aid program. Even with its elements of continuity, it is not a business-as-usual policy. It proposes major changes that will be given added momentum by the Government's commitment to double the size of the aid program by 2010. All of this suggests that the next few years will be an exciting and challenging time for Australia's aid program.

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## The Politics of AusAID's White Paper Toby Carroll and Shahar Hameiri

The primary message of the recent White Paper on Australia's overseas aid program would have been considered almost radical in some circles a few years ago, given that the paper states in no uncertain terms that Australia's security depends to a significant extent on the success of poverty reduction programs in the Asia-Pacific region. While the paper presents some improvement upon previous Australian aid policy, its focus on good governance as the key to poverty reduction and security displays a fundamental neglect of politics. Therefore, it is doubtful whether it will be successful in promoting its stated objectives.

Notable improvements within the paper include a significant expansion of the overseas assistance budget, the delinking of awarding contracts solely to Australian companies, and room for funding research in the mould of Britain's Department for International Development. However, problematic elements in the paper present substantive contradictions.

Overall, the paper is constrained by a functionalist logic that links the establishment of institutions for market-led development with positive outcomes for security and poverty reduction. Our critique is comprised of three interrelated points. First, we argue that institution-building in this image is a highly political endeavour, both in terms of the neoliberal content promoted and in terms of implementation. Second, we assert that market-led development, especially in the vein promoted by AusAID, does not necessarily lead to poverty reduction. This combined with the tendency of good governance to circumscribe political representation is a potentially dangerous combination. And third, we posit that market-led development itself can potentially exacerbate security concerns, amplify existing conflicts and/or create new ones. What is surprising in this regard is the lack of consideration in the paper to social policy, social institutions and safety nets, despite their importance within other market-led approaches to development, especially that of the World Bank. Recent events in the Solomon Islands and East Timor are a stark reminder that the Australian

government's much vaunted approach to overseas aid is fraught with difficulties.

Despite proclamations that there is no universal path to achieving development, the assumptions contained within the new White Paper mirror more orthodox elements of the new development paradigm associated with the World Bank, in particular its emphasis on building political and economic institutions for markets. The White Paper also resonates with the Millennium Challenge Account of the current US administration—especially the linking of performance to aid delivery. Both of these influences are the product of political processes and work to promote certain ideological (neoliberal) and broader interest preferences.

The paper isolates four critical areas as crucial for realising the objective of Australia's aid program: accelerating economic growth, fostering functioning and effective states, investing in people and promoting regional stability and cooperation. This is an ubiquitous ensemble of concern for organisations associated with promoting and delivering market-led development. In themselves these can be worthy focal points. However, their distinctly political conception and the politics that they encounter matter in terms of their implementation.

For example, the World Bank's most recent Country Assistance Strategy (CAS) for the Philippines demonstrates the difficulties associated with facilitating good governance-style reforms. This suggests broad implications for the sorts of reforms flagged by the White Paper. In an appraisal of the Bank's performance for the previous CAS period, the organisation conceded that its potential to lend to the Philippines and help it meet certain macroeconomic objectives was hampered by key political constraints 'outside of the Bank's immediate sphere of influence.' This illuminates the highly political nature of reforms that are nevertheless conceived in technocratic and functionalist terms.

While the Bank is aware of the importance of civil society for attempting to implement reform, and this is reflected in its concern for projecting an image of partnership and participation, AusAID's paper makes scant reference to the role of civil society in delivering reform. Of course, the Bank's approach is far from successful, however, and the White Paper's overtones appear even more overtly top-down and

therefore less likely to be implemented. One would think that attention to the representation of interests in the reform process would be of utmost importance to AusAID given the turmoil in Solomon Islands and East Timor. The Regional Assistance Mission to the Solomon Islands (RAMSI), which AusAID is associated with, had a stabilising influence on the economy and on the security situation in the early stages of the intervention. However, recent events demonstrate just how short-lived the benefits of such projects can be without consideration for the political implications of governance reforms for specific interests. Indeed, the perseverance of a particular political constellation in the Solomon Islands and the mounting pressures on international staff occupying in-line positions within the country's bureaucracy show the importance of constituency-building for reform.

Beyond issues of implementation, there are question marks over the paper's portrayal of the relationship between market-led development and poverty reduction. As is often unfortunately the case with neoliberal development models, growth is conceived in the White Paper in an aggregate manner. This means that economic disparity and its social consequences play no role in shaping the reform agenda. The assumption here is that increases in GDP will 'trickle down' to provide opportunities and benefits for all. Reality, now tested over decades, suggests however that this relationship is often far from a causal certainty. Indeed, even within the confines of neoclassical economics there is a debate over the relationship between growth, inequality and poverty reduction. This important debate is not acknowledged in any way in the White Paper.

That aggregate approaches to growth translate into substantial and sustainable reductions in poverty, and importantly inequality, is not historically reflected in Australia's most important northern neighbour. Indonesia grew at impressive rates for over two decades before the 1997 Asian crisis, after which more modest growth returned. Yet, despite decades of growth, highly unequal income distribution patterns have remained consistent and, as the White Paper itself notes, over half the population of Indonesia still live on less than \$2 a day. Further to this, even the most cursory qualitative analysis of poverty in Indonesia would have to come to the conclusion that growth and poverty are not necessarily inversely correlated. This is reflected in massive populations

of urban and rural poor, below standard infrastructure and languishing industry, subject to the fickle nature of markets.

Of course, this is where the focus upon 'fostering functioning and effective states' fits in. The paper argues that what distinguishes countries that can use growth to reduce poverty from others is their governments' capacity to 'enforce property rights, manage conflict, establish macroeconomic stability, align economic incentives with social benefits, and maintain law and order'—in short to provide 'good governance.' Subsequently, the paper's main thrust is outlining ways to help countries 'build' institutions in a particular image. However, aside from the implementation problems we have already discussed, the good governance model implies detrimental consequences for political representation, being as it is essentially anti-pluralist, heavily circumscribing the potential impact that constituencies can exert over political and economic institutions. This is because it attempts to insulate economic decision-making from popular influence. In fact, government, within this model, becomes little more than an implementation partner and custodial manager of a prescribed institutional matrix.

Given the issues associated with representation, it is somewhat ironic that the White Paper actually associates market-led development with democracy—and this is another one of the differences between the Bank's work and AusAID's. The model of good governance that it advocates remains anti-pluralist, just as the Bank's approach is, attempting to contain 'democratic' politics for the benefit of liberal markets. And because market-led growth has a tendency to create winners and losers, trying to circumscribe politics necessarily marginalises large swathes of society.

It is impossible to manage interests that are diametrically opposed in a technocratic way. For example, RAMSI emphasised partnership with trade unions as key to economic reforms, but then acted unilaterally to curtail already negotiated pay rises to the public sector which were approved by the democratically elected Prime Minister Sir Allan Kemakeza. This naturally put the unions offside. Additionally, RAMSI's facilitation of private sector activity, a cornerstone of market-led development strategies, ended up enriching a small number of already

better-off Honiara-based elites, resulting in mounting disillusionment amongst those who gained little from the intervention.

The separation between representation and good governance is potentially a dangerous combination. As the recent riots in Honiara demonstrated, implementing reform is not a zero-sum game. While the Australian-led intervention followed the good governance script to a tee, ironically it ended up exacerbating conflict in the Solomon Islands by propping up institutions that local political figures with little popular legitimacy were able to manipulate. For instance, one of RAMSI's key goals was to achieve free and fair elections. However, the electoral process was plagued by a tradition of vote-buying, a common feature of electoral democracy in poverty-stricken environments.

This brings us to the final issue of Australia's security, which the paper, via its good governance drive, is supposed to promote. We contend that for the paper to align its good governance approach with the objective of making Australia safer is contradictory. By neglecting local political dynamics and offering little to reverse substantive wealth disparities within recipient states, that often exhibit subsistence or chronically underdeveloped economies, the aid program has the potential to amplify existing conflicts and/or create new ones.

This is reinforced by the White Paper's preference for conditionality. In this regard, the paper, echoing the Bush administration's Millennium Challenge Account, seeks to link aid to performance. However, two issues present themselves here. First, as we have seen, scenarios that appear promising can be deceiving. The RAMSI intervention in the Solomon Islands, for example, turned in just one week from a resounding success story into a debacle. Further to this, there is the depressing potential for excluding those people who most need help, locking in situations of vulnerability. And all of this is compounded by conditionality's poor track record historically, most famously associated with the structural adjustment programs of the IMF and the World Bank.

We wish to make clear that we do not align ourselves in any way with those who deduce from the problems the overseas aid program faces that aid should be highly restricted or withdrawn altogether. On the contrary, we see Australia's aid as a potentially useful form of support

for some of the world's most vulnerable populations. In this regard, the redistribution of capital and technology, and the promotion of social and health programs are essential for achieving better outcomes.

While Australian Foreign Minister Alexander Downer made it clear that he saw no 'root cause' for terrorism when he launched the White Paper on that subject in 2004, the latest AusAID White Paper implicitly accepts that poverty and security are indeed linked. However, the simplistic notion that there is a 'root solution' to poverty through market-led development is contradicted by an abundance of evidence. This attempt to lock-in market-led development is a project that is in contrast to helping those in our region suffering from extreme deprivation and vulnerability. Thus, the White Paper's claims that it will make Australia safer are not at all convincing, in light of the concerns over the ability to implement reforms and, where they are implemented, their output. Unfortunately being confined as it is to neoliberal dogma, the White Paper could actually achieve just the opposite.

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