One Clear Objective: poverty reduction through sustainable development


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South Pacific denizens are accustomed to streams of advice from aid donors. Chapter 6 of the Simons Committee’s review of Australian development assistance, however, misses the opportunity of bringing the analysis of development in the South Pacific up-to-date. The Simons Report recognises that ‘Papua New Guinea and the Pacific Islands are of considerable importance to Australia’ (p99), but does not follow this political judgment with any depth of economic insight. Although aid to the South Pacific accounts for 40 per cent of total Australian bilateral aid (p340–42) the Simons Report devotes only 18 of its 350 pages to the issues raised by development assistance to the islands. It does not deal with these particularly well.

The Simons Committee made the task of reviewing aid to the South Pacific difficult by its simplistic approach to development assistance. The title of the Committee’s report—One Clear Objective: poverty reduction through sustainable development—makes an attractive slogan, but is meaningless in practical terms. Is there anyone who would not like to see poverty abolished throughout the world as quickly as possible? But those concerned with development, particularly those who fight the battles to reduce poverty in developing countries day by day, week by week and year by year, know that the Simons Report’s title is at best naive. Reducing poverty is an extremely difficult, multifaceted and complex process with political, economic and social ramifications. If development, bearing in mind environmental sustainability, could be achieved by focusing on ‘one objective’, all countries, including those in the South Pacific, would be developed and poverty free. Australia, and other industrial countries, could forget about aid.

The Simons Report’s argument that Australia should not take into account political (international relations and strategic) and economic (business and commercial) considerations, in addition to humanitarian objectives, also suggests extreme naivety, or, worse, hypocrisy. Lobby groups operate in aid as in other policy arenas. They will do so as long as Australia remains a democracy. The Jackson Committee’s recognition of
political and economic, as well as humanitarian, influences on development assistance sought to make Australian aid policy and implementation democratic and transparent. In the early 1980s, it was clear that Australian development assistance had become fragmented because lobby groups and politicians had ‘nobbled’ the program. Aid was going to some 75 countries, though some of the ‘political’ flows were admittedly trivial. The Jackson review recommended that political influences should be specifically taken into account to enable open debates to lead to improved policies. The Simons Report, in marked contrast, argues that political and other arguments should be ignored to ensure a single-minded poverty focus that would determine sectoral and geographic flows. Even if political (and other) considerations could be ignored rather than merely swept under the carpet, should AusAID staff ignore the views of Ministers, other Parliamentarians, Australian business and the NGOs? Is subfusc politicking preferable to an open debate? The Simons Committee has, in any case, not perceived the nature of sectoral and geographic flows clearly. There has been some widening of aid destinations and sectors since the tightening that followed the Jackson review, but aid ‘creep’ has been reasonably well contained by aid programming, also introduced as a result of the Jackson review. Most aid flows are, in fact, focused on the sectors and countries to which the Simons Committee wishes to see them directed. Major blips, such as the Mekong Bridge, occur when Prime Ministers find themselves at a loss when they want to shine abroad to impress their Australian audience. Tying aid to Australian suppliers does sometimes lead to difficulties, as, for example, when suppliers of milk processing machinery were selected to build a coconut milk processing plant. The DIFF program led to some distortions. Overall, however, the more recent Australian aid record stands up well to international standards. By and large, AIDAB/AusAID is achieving what the Simons Committee wishes it to accomplish.

Behind the ‘one objective’ rhetoric, the Simons Committee recognises that the only way that poverty can be reduced is through rapid economic growth. Behind the facade of fashions that have swept aid organisations worldwide to satisfy poverty, gender and other lobby groups, the basics of development and poverty alleviation have been understood by AIDAB/AusAID staff who have therefore worked toward sensible programs that support national growth and poverty reduction. Implicitly, the Simons Committee has given AIDAB/AusAID a pretty good scorecard in most respects. The Committee suggests that aid effectiveness could be improved by further enhancements of country programming and project evaluation, but does not indicate the higher administrative costs that this would entail. The Committee did not consider whether AIDAB/AusAID’s relatively low ratio of administrative costs to aid flows is worth maintaining. Current contributions to the discussion of project evaluation (Devarajan, Squire and Suthiwart Narueput 1997), in any case, suggest that further refinements of cost-benefit methodologies are unlikely to be cost effective and could be counterproductive.

The main departure from current practices recommended suggests that loans should, in part, replace bilateral grants. The introduction of loans has long been discussed in Australia and internationally. The arguments that have
defeated the proposal in the past, that the costs would be unacceptably high for small donors such as Australia, were evidently not explored. The recommendation that loans should be open to international competitive bidding is welcome, though it would be difficult to implement. Presumably international competitive bidding would include preferences for local firms in loan recipient countries.

Somewhat surprisingly, the Simons Committee has not suggested that the AusAID dollar-for-dollar subsidies for non-government organisations should also be opened up to international competition, although more contacts with non-government organisations in aid receiving countries are recommended. What better way of expanding such contacts then allowing them to bid for AusAID subsidies?

The Simons Report runs to 79 detailed recommendations. Some of these are further broken down into several subclauses. The weights given to the various topics are puzzling. Environmental issues, for example, only run to one recommendation and that addresses poverty reduction, not environmental principles. In other areas recommendations are at a level of detail that demands costing to indicate the effect on administrative costs. Does it make sense, given the high costs, to place more AusAID staff in developing countries? And devolve greater responsibility and decision-making to them? (p318)

If the Simons Committee had been serious in following ‘one objective’, it would have recommended that Australian aid to the South Pacific cease forthwith instead of indicating that it should continue more or less at its present share of bilateral flows. Absolute poverty, in terms of inadequate nutrition and shelter, characteristic of the poor areas of Asia, Africa and parts of Latin America, does not exist in the South Pacific on a significant scale. The deprivation of education and health services in Papua and New Guinea and other Melanesian countries could have been easily remedied during the past 20 years of independence. In other South Pacific countries, basic education and health standards as well as nutrition and shelter are quite high. The term ‘primitive affluence’ still accurately describes rural living standards in most of the South Pacific. Development assistance has been notably unsuccessful in mitigating poor health and education. It enabled mineral rents to be wasted instead of being devoted to poverty alleviation.

The Simons Committee was clearly influenced by the political direction of its terms of reference which indicated that particular attention should be given to Papua New Guinea and the islands of the South Pacific because of these countries’ political and strategic importance to Australia. The Committee also implicitly recognised that, in international political terms, other donor countries regard Australia as having a development assistance responsibility for the South Pacific, although Japan is, in some instances, replacing Australia as the principal donor.

Low education and health indicators in Melanesian countries are used to suggest that living standards in the South Pacific are not as high as per capita income levels suggest. The Simons Committee did not ask why, in spite of high aid flows and, in the case of Papua New Guinea, high mineral income, poor education and health persist. For the smaller islands a reason for continuing high aid flows was considered to be these islands’ susceptibility to hurricanes and
other natural disasters. The Simons Committee apparently recognised that the South Pacific is a very small customer for Australian goods and services and that Australia is not a major market for South Pacific exports. The case for aid thus rests almost entirely on political considerations.

Readers of the Pacific Economic Bulletin will not learn much that is new about the South Pacific economies. The Simons Committee did not compare the performance of the South Pacific islands to similar countries in other parts of the world or to neighbouring East Asian countries. Although the Committee recognised that economic growth is the principal factor in poverty alleviation, its report does not raise the issue of why the countries of the South Pacific have performed poorly in economic terms.

For Papua New Guinea, the analysis is not only weak, but wrong. While it is true that 80 per cent of the people ‘live in rural areas and rely on subsistence agriculture’ (p101), it should have been noted that at least a third also cultivate cash crops. It is well known that a strong mineral sector in an undeveloped economy leads to particularly difficult ‘booming’ sector problems, but the mismanagement of the cash crop economy has added markedly to Papua New Guinea’s poor economic and social performance. The management of the urban economy has been no better. The resulting levels of urban unemployment and social disruption deserve more analytical insights than the statement that the ‘biggest development challenge facing Papua New Guinea…revolves around questions of governance and institutional capacity’ (p101).

The Simons Report endorses the shift from budget to project and program aid now some 20 years in train and to be completed by the year 2000. It notes that AIDAB/AusAID has managed the process well, arguing that the shift in emphasis from project to program aid has been particularly successful. Examples of progress in education are quoted. Is it possible, however, that a firmer project orientation, with an insistence that this was the only way that aid would be disbursed, might have persuaded Papua New Guinea to move on ‘governance and institutional capacity’ issues? In the absence of such pressure, Papua New Guinea has not only not been able to use Australian aid effectively, but has also not been able to absorb World Bank and Asian Development Bank funding for the infrastructure it so badly needs. A joint implementation effort by Australia and the two multilateral Banks could have broken, and could still break, the infrastructural bottlenecks in Papua New Guinea, without in any way impinging on the country’s sovereignty. By providing roads to the hinterland and other communications, investment in infrastructure would have enabled the extension of cash cropping by getting goods to market and thus raising incomes, improved nutrition by bringing protein foods into remote areas, and education and health services to the poorest areas. For all the talk of poverty alleviation, the Simons Committee does not show much evidence of understanding how to go about it.

Most of the Papua New Guinea section is not taken up with raising living standards but with the political relationship with Australia. How future aid arrangements are worked out can surely be safely left to the staff of the Department of Foreign Affairs which includes AusAID.

Some of the detailed recommendations sit strangely in a review of Australian aid.
The view that short-term public administration courses (located in the region) would substantially affect education and the quality of management will provide laughs for those who have worked at raising management and administrative skills in the South Pacific for the last 20 years and more. And how does this fit the One Clear Objective?

For the rest of the South Pacific, the Committee recommends business as before. There is to be no extension of aid to the former United States dependencies. The smaller Pacific islands are warned that sources of aid are drying up, although Japan’s contribution is increasing. Some time in the future, some of the more prosperous islands should be graduated. For the very small islands, trust funds might be set up as in Tuvalu and Kiribati. Countries that persist in wasting their timber resources and creating environmental hazards or managing their economies egregiously badly are warned that Australia should pull out its aid rather than engage in long dialogues about ‘benchmarks’ for progress have been met. The latest in a long series of proposals for an island-wide investment fund is given a cool reception. As for Papua New Guinea, there is, however, no indication of the general principles by which these islands can become independent of aid.

The Simons Review has allowed to lie dormant the fundamental question of how long donors will pay for small islands to continue to pretend that they are independent political and economic entities, entitled to a costly superstructure of parliaments, public services and international representation. Sooner or later, the islands of the South Pacific will have to form a federation that rationalises their political expectations and makes them economically viable. Why not sooner?

The overall tone of the Simons Report is somewhat grudging. The very considerable improvement over the last 20 years in the professionalism of AIDAB/AusAID staff and the introduction of the policies and practices that the Simons Committee approves, are not recognised. The Simons Report makes the mandatory bow in the direction of gender issues, but the Committee apparently failed to notice that, as a result of the attention paid on the-job training for female as well as male staff, women have come to play a more important role in AIDAB/AusAID than in any other government agency in Canberra.

Reference
