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Symposium: A Decade of Howard Government

The Howard Government, Australian aid and the consequences

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In 1997 the Howard Government gave Australia's foreign aid program a 'poverty reduction' focus with a 'national interest' link (Downer 2002), later developing 'good governance' as the principal program theme. This anticipated the IMF and World Bank's 1999 abandoning of 'structural adjustment' in favour of 'poverty reduction' programs, and built on National Competition Policy (NCP) established by the previous Labor Government. Most aid moneys are now contracted to private Australia (and New Zealand) based companies, and the total aid budget has grown considerably. However, more contracts for Australia-based companies have not made any real impact on poverty reduction, nor have the many 'good governance' contracts acted to support democracy in the region.

Despite some changes—such as abandoning Labor's Development Import Finance Facility (DIFF) scheme, which subsidised developing country imports of Australian goods—the Coalition Government's program has shown more continuity than divergence with Labor programs. This paper suggests that the Australian aid program is best understood by identifying and explaining its main neoliberal and neocolonial themes, including the interventions in public administration, supported by 'good governance' arguments. Some consequences of the Australian program can then be illustrated, through recent developments in Papua New Guinea and East Timor, two of Australia's most important aid recipients.

NEOLIBERAL 'GOOD GOVERNANCE'

At the root of neoliberal models is the claim that expanded private investor interest will advance the public good. This 'happy marriage' of private interest and public good admits no basic conflicts of interest in institution building, policy co-ordination or distribution of benefits. However analysts in developing countries have often noted the privileging of exporter interests, the disadvantaging of poor communities, and the erosion of the democratic state caused by neoliberal policies of structural adjustment, poverty reduction, and good governance (for example Cheru 1999; Chossudovsky 1997).

Neoliberal features are well established in the Australian bilateral aid program (managed by AusAID), as well as in the World Bank and Asian Development Bank programs, in which Australia has a significant regional role. The neoliberalism of the current program is expressed as a 90 per cent contracting out of the now \$2 billion plus AusAID annual budget, to private Australian-based corporations and the frequent selection of private bodies and export oriented enterprises as the beneficiaries of these projects. The contracting of aid projects to private companies built on National Competition Policy, developed by Labor in the 1990s. Neocolonial relations are in turn entrenched through this powerful system of corporate subsidy and indirect budget and policy control.

Much of AusAID's 'good governance' programs in Papua New Guinea go towards helping contain the social disruption caused by the resource industries, urbanisation, and a rich-poor divide (the 'dual economy') generated by aid industries. Many millions of dollars have been spent on policing and prisons in this poor country. For example, in AusAID's 2002 budget, \$57 million was allocated to a constabulary project led by ACIL Australia P.L., while another \$58 million was set aside for an prison project led by ACIL and SAGRIC International PL (AusAID 2002). Yet such spending has done little to reduce corruption (to which the police are closely linked) or wider violence and crime (which have deeper social causes). Deployments of police and army in Papua New Guinea have often been carried out to secure important investments such as logging camps, mines and gas fields, and to put down protests by villagers whose lives have been disrupted by these big corporate developments (Forbes & Fyfe 2004; Australian Conservation Foundation 2006).

The Australian aid program has become corporate property. AusAID claims that 'goods and services are delivered as country program assistance, usually by Australian and New Zealand companies, organisations or

institutions, selected from a competitive tender process' (AusAID Public Affairs 2004). In fact, AusAID contractors must have an Australian (or New Zealand) headquarters, the tender process is very difficult for small organisations, 'preferred contractors' are given special AusAID briefings and, in the end, most contracts go to a handful of big Australia-based management groups. So in AusAID's 2003–04 budget, ACIL had 31 contracts worth \$323 million, SAGRIC had 22 contracts worth \$297 million, Hassall and Associates International had nineteen contracts worth \$238 million and Kerry Packer's GRM International had nineteen contracts worth \$195 million (AID/Watch 2005).

These private companies take large management fees from their AusAID project funds, then deduct high executive, consultant and technician salaries. An important consequence of this merging of corporate welfare with 'aid' is that the programs themselves are tailored to large managed projects. Yet large, profitable projects are often not what poor communities need. AusAID funded educational infrastructure in Papua New Guinea has focused on big school buildings for mostly private schools and colleges (PNG Incentive Fund 2003), neglecting the small local schools which most children attend. The result is a scattering of iconic buildings, but little impact on mass education.

Large scale projects, bypassing the normal coordination function of public administration, also create a form of parallel governance. AusAID's Incentive Fund, which organised tenders for education and other infrastructure over 2000–03 (PNG Incentive Fund 2003), seemed to become Papua New Guinea's de facto Ministry for Public Works. The PNG Education Department tendered for funds to this \$150 million 'project', along with private schools and colleges, the country's oil palm industry and the provincial governments. This approach even attracted criticism from former World Bank Director Klaus Rohland, who saw such parallel governance as corrosive of 'social capital' in Papua New Guinea (Rohland 2002). The World Bank's preference, however, was for a more direct form of 'technical assistance', involving foreign financial managers.

INTERVENTION AND LEVERAGE

Under the Howard Government, aid moved into a more direct administrative role with the Regional Assistance Mission to the Solomon Islands (RAMSI) and then Papua New Guinea's Enhanced Cooperation Program (ECP). The ECP aimed to insert 210 Australian police and 64 bureaucrats into Papua New Guinea's government administration. It was said 'to help address Papua New Guinea's development challenges in the areas of law and order, justice, economic management, public sector reform, border control and transport security and safety' (Department of Foreign Affairs and Trade 2004). The headline figure of A\$800 million was presented as 'aid' to Papua New Guinea. In practice, most of this money was earmarked for Australian salaries and Port Moresby rents. Two hundred foreign police, who travelled in groups of 3 or 4 and did not speak local languages, were hardly likely to have a significant impact on 'law and order' in a country of more than five million. Most likely the police would have been deployed around some major roads, airports, Australian missions and support facilities for Australian companies.

When the immunity from prosecution offered to the foreign police was successfully challenged in Papua New Guinea's courts, the program collapsed. The PNG Supreme Court found that the enabling legislation for the ECP could not interfere with the independent function of the Public Prosecutor, nor could its 'immunity' provisions prevent PNG citizens from bringing rights violation cases against ECP officials (Nonggorr 2005). The Australian Government seemed to assume that this court defeat was simply a 'technical' problem, which the PNG Government could quickly repair with a constitutional amendment. This was not to be. The ECP was changed into a much smaller operation.

This kind of direct intervention is uncommon. The more normal form of Australian aid intervention has been policy leverage. Since the 1980s, for example, Australia has argued for global agricultural trade liberalisation and for food security policies based on expanded trade (Department of Foreign Affairs and Trade 1996; AusAID 2004). Consequently, AusAID has refused to support food security programs aimed at strengthening domestic agriculture. Despite East Timor's history of famines, Australia and the World Bank maintained their stance that food security should not be achieved through local production but rather through commercial development, land registration and the use of a 'buffer fund' for emergency relief (a dangerous idea, as cash reserves are the first thing to disappear in a crisis). Australia and the World Bank refused to support pre-independence requests from the East Timor leadership for help in reconstructing the

country's rice fields. They also refused to support public grain silos, or public abattoirs. A strategy document asserted that 'the principle should be public financing and private delivery of most of those services'. And while it was claimed that projects should be 'participatory in design, selection and implementation' the document also demanded that:

the government should not own revenue generating enterprises, such as meat slaughterhouses, warehouse facilities, grain storage facilities, tractor pools or rural service centres. Government participation in these and similar activities would be costly and would inhibit private entrepreneurship (International Development Association 2000, pp. 3–4).

The Australian role here was paternal, and not respectful of East Timorese self-determination. Public capacity building in support of food security concerns was temporarily obstructed; but the move was ignored. After independence the East Timorese leadership restored its original policy.

Australia has also refused to support the development of a rice industry in Papua New Guinea, a country which pays Australia around \$100 million per year for rice imports (International Trade Centre 2003). The self-interest here is plain.

HETERODOX AID AND PUBLIC OPINION

Not all Australian aid has neoliberal or neocolonial overtones; but the forms of aid based on solidarity and respect for independent communities are increasingly heterodox. A scholarship system for university students in most aid recipient countries remains, though numbers are low and the scheme is overshadowed by the dominant view of tertiary education as an Australian export market. AusAID scholarships for East Timor, for example, at 20 per year (International Development Association 2005) are a fraction of those offered by Indonesia in the colonial era and are neither accompanied by English language scholarships nor automatic living allowances.

There are several joint international programs, both in emergency and developmental aid, which escape the rigours of neoliberal ideology. Despite the commitment to export oriented agriculture, for example, the Australian Centre for International Agricultural Research was an AusAID funded partner in the international Seeds for Life program. This program tested a range of crops for suitability in East Timor's conditions, crops that were nutritionally important and useful in local markets, such as cassava, potatoes, maize and rice (Palmer 2002; Australian Centre for International Agricultural Research 2004). The program supported East Timor's food security program, contributing to the development of drylands rice and sorghum (da Silva 2005). The East Timorese plan is to more than double domestic rice production, making the country 75 per cent self sufficient (MAAF 2005, 21–22). Under the plan, cash cropping would focus on a diversified group such as copra, vanilla, fruits, spices, cassava, nuts, beans and chicken. Australian participation in this project demonstrates that there is expertise and goodwill ready to support a neighbour's autonomous policy.

Some AusAID subsidised non-governmental organisation (NGO) projects (such as those run by Australian People for Health, Education and Development Abroad, and by the Australian Conservation Foundation) have assisted capacity building amongst community groups and have supported small village projects. However the AusAID contribution to NGO programs is diminishing in real terms. The contribution is static at less than 100 million: 30 per cent of NGO funds in 1998 but less than 20 per cent in 2002 (Tomar 2004). The Howard administration also favours those NGOs that do not engage in criticism of government policy. Several East Timorese NGOs that were critical of the Australian role in the Timor Sea negotiations had their AusAID funds cut (La'o 2005).

Australian public opinion does not support neoliberal aid. Nor did public support for foreign aid dry up during the racist controversies of the Howard administration. Polls in 1998 and 2001 showed strong support for overseas aid (84 per cent and 85 per cent respectively), and the numbers who disapproved of aid fell from 13 per cent to 11 per cent (Newspoll 2001). Public opinion does not support the strong and explicit link between humanitarian aid and commercial advantage, despite this being the policy of both major parties. Public views on the 'proper motivation' for aid has been recorded as 50 per cent and 61 per cent (in 1998 and 2001, respectively) to 'help the poor or humanitarian', with only 7 per cent and 3 per cent (in 1998 and 2001, respectively) agreeing that to 'assist trade' was a proper motivation (Newspoll 2001). An earlier poll

had only 19 per cent agreeing that giving aid ‘where there is a commercial benefit’ was appropriate (Saulwick 1992). Neoliberal ideology, of course, claims there is no normal conflict between aid and self-interest.

SOME CONSEQUENCES OF THE AUSTRALIAN AID PROGRAM

Neoliberal ‘poverty reduction’ relies on ‘trickle down’ effects, which are at best weak and unreliable. Further, the self interest promoted by these programs fosters corruption, undermines shared institutions and generates considerable resentment.

What is the ‘poverty reduction’ evidence for Papua New Guinea, Australia’s major aid recipient? AusAID argues that Australian aid has ‘contributed to notable improvements in Papua New Guinea since the country’s independence’, including improvements in life expectancy, infant mortality and education (AusAID Public Affairs 2004). This is misleading. Papua New Guinea, with more foreign aid than most, has made very poor progress. Papua New Guinea’s life expectancy rate is still a long way behind the developing country average, and its progress in reducing infant mortality and raising adult literacy has been sub-normal. By 2000–05 Papua New Guinea’s infant mortality had fallen to 65 per cent of its 1970–75 rate; but the developing country average had fallen to 55 per cent. By 2003 Papua New Guinea’s adult literacy had risen just over 1 per cent from its 1990 rate; the developing country average had risen 14 per cent (United Nations Development Programme 2005; see Table 1).

Table 1: Social Indicators: PNG and the Developing Country Averages

	Life expectancy		Infant mortality		Adult literacy	
	1970–75	2000–05	1970	2003	1990	2003
Papua New Guinea	44.7	55.1	106	69	56.6	57.3
Developing Country av.	55.6	64.9	109	60	67	76.6

Source: UNDP 2005, Tables 10 & 12

In Papua New Guinea, school enrolments fall off dramatically at secondary level, when a ‘user pays’ policy applies. Failures in education aggravate health outcomes. There are very few trained health workers. Yet for more than twenty years Papua New Guinea has had exports at more than 40 per cent of GDP, and foreign aid (mostly Australian) at more than 10 per cent of GDP (World Bank 1988 & 1999). Papua New Guinea is a classic case of the failure of strategies of ‘export led development’ and neoliberal aid. Ordinary PNG people have not benefited from the mining, the logging and the oil palm monocultures.

This failure should not be surprising. Most international ‘aid’ fails in its stated objectives. A recent IMF study showed that bilateral aid in general has no demonstrable impact on either infant mortality or educational levels (Masud & Yontcheva 2005, p. 20).

Neoliberal programs deny the damaging impact of inequality. Such an approach, for example, subsidises oil palm companies with dozens of highly paid executives (Incentive Fund 2003; New Britain Palm Oil Limited 2004), yet argues against even low level minimum wages and fails to support mass public education. Yet criminologists have long told us that inequality and labour market instability contribute to crime and insecurity (Braithwaite 1979; Blau & Blau 1982; Woods 1978). Nevertheless, AusAID’s approach to high crime rates in Port Moresby has been to spend millions of dollars on police and prisons, instead of addressing legitimate social concerns about gross inequality and sharing the benefits of development.

Australian interventions have been resented. The bullying of East Timor in the oil and gas negotiations destroyed much goodwill. The Howard Government argued its ‘generosity’ in providing up to \$40 million in aid per year to East Timor, while refusing to negotiate maritime boundaries. These negotiations were worth many billions of dollars to East Timor. The latest ‘resource sharing’ agreement of 2006 involves a 50/50

share of the Sunrise oil and gas field (previously 82/18, Australia's way), a field which East Timor has claimed as 100 per cent its own. The East Timorese still feel they are being robbed, and serious injustice over oil is not compensated for by small time AusAID charity (see Anderson 2003).

Resentment over injustice, policy leverage and corporate aid has contributed to new relationships. In the oil dispute, East Timor employed Norwegian advisers, to help it deal with Australia. Telstra, which had charged unfriendly commercial rates, was replaced by a Portuguese company in East Timor's telecommunications joint venture. East Timor has now expanded its irrigated rice fields by 30 per cent and is developing dry rice cultivation, as part of its food security policy (da Silva 2005). Both East Timor and Papua New Guinea now have Chinese government programs to help with their dryland rice production. Malaysian companies in Papua New Guinea, in logging, retail and media, provide the major investment competition for Australia.

Finally, and partly as a result of the tiny educational and health opportunities offered by Australia's program, East Timor has gained important assistance in health worker training from Cuba. There are now almost 200 East Timor students studying medicine in Cuba, and another 400 will join them soon. Further, the current 60 Cuban doctors in East Timor will soon grow to 300 ('Fidel announces expansion of cooperation with Timor Leste' 2005). Cuba's scholarship program for East Timor is now five times that of AusAID. The Autonomous Government of Bougainville has noticed these developments, and has also secured agreement for medical scholarships from Cuba. Papua New Guinea may soon follow.

CONCLUSION

The Howard Government's aid program has built on neoliberal and neocolonial themes developed by Labor in the 1980s and 1990s, in particular on the commitments to commercial leverage and competition policy. Aid based on solidarity and respect for independent communities has been marginalised. The program is now mostly a system of private contracts to a small group of Australia-based companies. However, very large sums of Australian aid money have failed, over three decades, to produce respectable education and health outcomes in Papua New Guinea. Attempted interventions in constitutions, land tenure systems, agricultural policy and policing have been resisted and have caused considerable aggravation. One result of this has been that East Timor and Papua New Guinea have developed new relationships, in particular with Malaysia, China, and Cuba. Despite the 'good governance' label, there has been little recognition of the principle of self-determination, the first article of the international bill of rights.

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