

Integrating Australian aid and diplomacy

*Are we meeting
the national interest test?*

Summary

- 1. No western country would gain more from faster Asia Pacific progress**
 - But we don't think our development assistance is a key asset in achieving this
- 2. Integration of our diplomacy and international development work can help resolve this paradox**
 - But only if development becomes a more respected part of our international relations
- 3. Currently we are not tracking well on some key indicators including spending, skills and our level of ambition for aid results**
 - There is a real risk 'integration' will damage our national interests
 - Clarifying what we're trying to achieve is the top priority
- 4. The “development community” has clearly failed to win support for the idea of an effective aid program in the national interest.**
 - We must be proactive in defining a forward agenda that creates opportunities from crisis

The macro-level context

- **Post 9/11 militarisation of foreign relations**
 - Growing dominance of US Alliance
 - Intensive ADF and diplomatic deployments outside our region
 - ADF-led border protection – decade long, acrimonious debate
 - Security response becomes reflexive
 - ☒ Wrong-headed initial ebola response (applauded by commentators) ‘close the borders’. Loss of policy weight in WHO etc
- **Risk of return to ‘fortress Australia’ mindset**
 - Fear of asylum seekers, conflict in Middle East and Afghanistan intersects with weak knowledge of region & ambivalence about engagement
 - Solution to every problem is not ‘send in the troops’. Need much wider range of tools
 - ☒ Knowledge of development issues and aid is pitiful, especially amongst officials and foreign policy commentators

How's the neighbourhood ?

- **We have diverse developing countries on our doorstep**
 - Guarding our northern approaches
 - Stopping or potentially transmitting all manner of threats
 - Strong incentives to work together - long, hard, patient work, not just quick fixes
- **East Asia - world's fastest growing region for 50+ years**
 - And most populous – totalling 2bn people, Indonesia more than 250m
 - It has become more market-oriented, more open and more democratic
 - These incomplete transitions are vital for our security and prosperity
 - Countries are confronting new problems, searching for new ideas and building new partnerships
 - ❖ Much more competitive international relations environment
 - ❖ Need to evolve new ways of collaborating
 - ❖ Opportunities if we can keep up. If not left behind
 - China changes everything – do we get it?
- **Almost 20% of national income comes from trade with Asia and 1 in 6 jobs**
 - This could double by 2030, if growth and development continue
 - Geopolitical weight will shift decisively. We are not ready
- **Asia matters** – and globally while the Pacific matters less, it is our backyard, and our responsibility

Where do we live again?

Australia's recurring national amnesia

- **Asia experience and literacy remain very weak**
 - Few speakers of regional languages
 - All sides still looking to the Anglosphere. Recycled leaders represent us in Europe & US
 - ❖ Never Jakarta or Tokyo
 - Gov to be commended for North Asia trade deals and New Colombo Plan, but need to do much more and sustain the focus . Use every lever
- **Residual racism easily stoked – leaders take care!**
 - Indonesia phone tap jingoism
 - Japanese submarine criticism
- **Gillard government commissioned *Australia in the Asia Century White Paper***
 - Provided zero resources to implement it!
- **Cumulative aid cuts of 33% (one program, 20% of all expenditure reduction)**
 - A neighbourhood improvement program that directly benefits us
 - Underwriting practical engagement with Asian Pacific nations
 - Savings diverted to ... defence. *Would Lieutenant General Peter Leahy agree?*

So what was the Treasurer thinking?

- **Maybe he wasn't ...**
 - Was this a Captain's call???
 - And a shot across the bows of the Foreign Minister
- **Little opposition to earlier cuts**
 - Easy money/'Clever' politics
 - First ODA cuts a deliberate down-payment on domestic cuts
 - December 15 cuts tip the hat to Palmer, Lambie and friends
- **Seen as of no consequence**
 - After all 'aid contributes little or nothing to our national interest'
 - Was no argument on this
 - ☒ Acute lack of knowledge amongst commentators
- **Government gave credence – “top-up with private donations”**
 - Child sponsorship versus helping Vietnam measure impact of government spending
 - ☒ Very different products
 - Opposition largely talking welfare, not always development
 - ☒ Lack a mature concept we can build consensus around

Consequences of cutting 33%

- **Reversal of Howard ODA scale-up - 0.35% of GDP by 2010**
 - Repudiates his modest, sensible, strategic vision (forget the Rudd mania)
 - Less engagement, less influencing
 - Strongly reinforces view of ODA as lowest priority expenditure
- **Unable to respond proportionately to next disaster, state failure or emerging opportunity e.g. Myanmar.** Poorly positioned for post MDG realignment
- **Large scale renegeing on commitments and breaking of contracts**
 - International reputation will be diminished
 - Influence reduced locally and globally
 - Howard government initially unconcerned about ODA rankings: changed mind when hit bottom group
- **Dissonant messages re who we are, where we are going & what we value**
 - Over 20 years without recession, but have to slash our international burden share
 - A major trading nation, located in East Asia, but need to focus inwardly
 - Getting more comfortable with multiculturalism/being part of Asia – but pandering to bigots
 - Becoming more inclusive in our concerns, but stopping at our borders
 - Lacking leadership that harmonises and projects our values

Australia's economic strength means nothing unless we help the world's vulnerable - Mike Baird

Aid as charity

Persistent & damaging Australian mythology

- **Little challenge to old notion of aid as charity**

- Left intact by previous AusAID/DFAT schism:
 - ☒ Derisory DFAT Dep Sec dismissal of aid - “well digging”
 - ☒ Helena Carr – Minister’s delegate to assess aid projects- and lead disarmament talks???
- Little serious interest in development issues from think tanks
- Charity image bolstered by some NGO fundraising
- Damaging reticence of other actors to drive public discussion

- **Australian aid isn’t about handing out money**

- Its about ideas, policy and programs to accelerate growth, development and poverty reduction
 - ☒ We are not “borrowing to give away”. Plain wrong & undermines whole effort
 - ☒ Generating more local revenue important, but wrong to say makes aid redundant
 - ☒ Recent Lowy survey shows we just don’t understand what the program does
- Australian experts in positions of extraordinary trust and influence inside developing country ministries – deep and long engagement is what’s required
- Unique networks and intelligence that neither AusAID nor DFAT always well used
- “Ballast” in relationships – Gareth Evans

Big aid contributions to the national interest

1. Post-Tsunami Indonesia scale-up

- ✓ John Howard “reset the Indonesia relationship” post East Timor independence.
- ✓ Infrastructure policy
- ✓ Tax and expenditure reform to allow fuel subsidy cuts
- ✓ PNPM – Quality assuring President’s no. 1 priority, reaching into every village modernising relations and governance as well as water pumps

2. 50 years working to stabilise, join up and modernise the Mekong region.

- ✓ Rapid movement from conflict to cooperation.
- ✓ Infrastructure, social sector investments, trade facilitation
- ✓ Very close collaboration with ASEAN and ADB
- ✓ Countries relatively well disposed to Australia

3. Melanesian stability

- ✓ Regional Assistance Mission in Solomon Islands RAMSI - Decade long diplomatic, development & defence recovery and reconstruction program
- ✓ PNG – It could be worse, much worse! \$500m helps ensure a functioning state

□ Characteristics: long term collaboration; deep knowledge and skills - the patient, low profile end of our international relations. Big powerful stories, not told just by collating abstract “results”

More in the national interest

The government wants the aid program to be more in the national interest but hasn't clearly articulated what this means. This policy confusion will lead to incoherence

Three divergent possibilities:

1. More about us, here and now

- Turn off the theorising about what maximises development
- Put the program more fully at the service of our immediate priorities – people movement, live cattle trade, international vote winning etc
- Otherwise keep it simple and transactional - colour and movement
- ☒ Doing a lot of this already – *Sheridan's list*
- ☒ Big opportunity cost in terms of impact, engagement, reputation
- ☒ We know what this looks like – 1970s mess that led to Jackson Report
- ☒ Aid instruments much better suited to working the long term

2. The Australia Inc. model

- Target big commercial deals
- Bankroll companies and interests with blended finance
- Grease the wheels
- ☒ Big change in how we do business.
- ☒ Inconsistent with prevailing policy and values. Andrew Robb and others anti tied aid
- ☒ Similar drawbacks to 'more about us'

Options for an aid program more in the national interest

3. Bring development to the fore of Australian diplomacy

- **Reassert the centrality of Asia Pacific region** in our diplomacy
 - ✓ Project **clearer vision where we want region to go**, where we fit in and how we'll help
 - ✓ Encourage **more long term thinking and strategising** as well as managing today's crises
- **Immerse our diplomats in the regional development experience**, including what has worked what hasn't and why - and ensure they actively join up all of our efforts
 - ✓ Fully integrate development into our pursuit of stability & prosperity - don't keep as separate business line
 - ✓ Use proactively to engage, link, learn and contribute
 - ✓ Make and take new opportunities to collaborate on regional public goods
- Use new policy to **reshape our development programs** and to influence our friends and allies and global thinking
 - ✓ **Focus bilateral effort on the important relationships**, go light elsewhere
 - ✓ **Stress engagement** – people, institutions, organisations
 - ✓ **Work on the hard stuff** instead of using aid as the fall guy – eg look at renegotiating the entire spectrum of relations with small Pacific states
- Become the **leading global authorities on 'middle income' country development**
 - ✓ Economic policy, urbanisation, water, financing extended social services etc

❖ **Most importantly the government must clarify what it wants**

Where does “integration” fit in?

- **Integration announcement by PM spoke of policy alignment/coherence**
 - An idea whose time had come, but
 - ❌ No debate about models and options
 - ❌ Coming immediately after election-eve budget cuts, looked like clear de-prioritisation of international development work
- **Since then integration conflated with AusAID absorption within DFAT**
 - ❌ Immediately limits possibilities, implicitly leaves the rest of Department unchanged
 - ❌ Should be about how do we get best return from our overall investment and effort
 - ❌ Should have just as many implications for our diplomacy as our development work
- **Internationally lots of excellent, integrated programs – some delivered by one organisation, others by two or more**
 - Hallmark is that they take development seriously as a discipline and reflect that in their diplomacy
 - Germany; UK; Nordics

How is Australian integration going?

- **Some things are going well**
 - Secretary interested in outcomes of DFAT Capability Review eg being less reactive
 - Structured processes – DFAT grappling with and thinking through issues
 - Retention of central quality assurance and performance systems
 - Two way development/diplomacy integration occurring in South East Asia
- **Other things not going well**
 - ☒ Disproportionate budget cuts
 - ☒ Mixed messages from government about overall objectives and policy
 - ☒ Lack of ambition for outcomes – low risk, low reward
 - ☒ Loss of experience and skills – especially local and in-country. Lost globally sought expertise
- **Additional risks to watch**
 - ❖ Diplomacy and/or development crowded out. Deputy Head of Mission jobs too big
 - ❖ Erosion of contestability over time – need to retain checks and balances
 - ❖ Less transparency, less public information
 - ❖ Lack of skills and experience causes sub-contracting to multilaterals, losing engagement

Where should we go from here?

Priority actions for government

1. Produce a **compelling vision** for integration and an **overarching policy** that makes development a highly respected part of our diplomacy (as per Option 3)
2. Reflect this by:
 - a) **Renaming the department** to include its development mandate
 - b) **Appointing high-level, Head of Development** as per Canadian model
 - c) **Adopting a skills policy** that mainstreams development, but does not homogenise it
3. **Use the budget crisis to reset policy and programs** – two step (18 month) process to start again with a semi clean slate instead of slicing primarily where money is accessible
4. Take a very **hard-headed, explicit and tiered approach** to investing deep development knowledge and skills in a handful of key relationships and issues. Recognise the costs and be prepared to pay
5. **Revisit scale of cuts** when there is a new vision and better policy

Priority actions for others

- 1. Recognise weakness of our development discourse & work to improve it**
 - Weigh in at every opportunity – be proactive. Big picture, plain English. Less theory, more political economy
 - Locate organisational publicity within wider policy context – domestic as well as international
 - Develop new lexicon and concepts that dispel the “give away” mythology
 - Develop politically savvy opinion leaders – good ‘talent’, able to engage and hold their own
 - Much more engagement with the foreign policy writers and thinkers - journalists, analysts, commentators
- 2. Work the parliament more intensively**
 - Look to develop new fora and friends
 - Stronger incentives for good policy. Awards/events etc as in US and UK
- 3. Consider setting up a Cooperative Research Centre for Development**
 - A virtual Overseas Development Institute (ODI)
 - Modest, affordable, organised program of applied research and review on key issues
- 4. Organise annual, one day policy conference to produce 3-5 big messages for government in two page communique.** Forget thirty page reports with 50 recommendations
- 5. Independently establish a team of credible, senior development experts to produce a report on integration after two years’ experience to help shape future policy**
 - Model on 1818 Report by World Bank Alumni

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