

Labor's Pat Conroy on aid and development

by Pat Conroy

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Photo: ACFID

The below speech was delivered by Pat Conroy MP, Shadow Minister for International Development and the Pacific, at the Australian Council for International Development (ACFID) Conference in Sydney on 24 October 2019.

Many of you will have heard from my predecessor, former Senator Claire Moore, and from Labor's Shadow Minister for Foreign Affairs, Senator Penny Wong, about Labor's strong and enduring commitment to international development. We see international development as a key responsibility for any Australian Government – an important part of the way Australia engages with the world and an expression of our values as a nation.

As one of the world's richest countries, Australia needs to play its part in lifting people out of destitution and despair. This requires support for development in all its facets – from responding to humanitarian crises, to the reforms needed to drive sustainable economic growth, to investing in human development needs around food security, health, education, gender equality and human rights.

Helping lift people out of poverty is the right thing to do. It reflects the Australian character – a generous nation, committed to the fair go. Millions of Australians reach into their own pockets to support this work and to support your organisations out of their sense of compassion and decency.

Helping lift people out of poverty is also in Australia's national interest.

At a time of significant global challenges, we need to advance prosperity, stability and security in our region. Development policy is a key component in the toolkit for Australia's international engagement. This is why Labor has been so concerned about the Coalition Government's cuts to Australia's foreign aid budget.

The cuts to Australia's official development assistance (ODA) have totalled more than \$11.8 billion since 2013. We are now on a trajectory which will see ODA falling from 0.33 per cent of gross national income in 2013-14 to 0.19 per cent next

financial year, the lowest level on record.[1] Amongst OECD member countries,

Australia has fallen from being the 13th most generous country in 2012 to the 18th spot in 2017 in terms of ODA as a share of GNI.

This comes as the challenges of tackling poverty are growing more severe, despite remarkable progress over the last quarter century. More than one billion people have been lifted out of extreme poverty since 1990, due in no small part to the growth of China and India. Yet more than 700 million people around the world still live in extreme poverty, surviving on less than US\$1.90 a day. And nearly half the world's population lives on less than US\$5.50 a day.

We cannot take continuing convergence of developing and developed economies for granted. The rate of poverty reduction has slowed down markedly over the last five years. And World Bank analysis suggests that severe poverty is becoming more entrenched and harder to root out in countries affected by violent conflict and weak institutions, particularly in sub-Saharan Africa.

In 2001, there were 64 low-income countries around the world. Thirty-five of these countries have graduated to middle income status since 2001 – but 29 remain stuck in low-income status, with annual per capita incomes at or below US\$1,025.

The barriers to development faced by today's low-income countries are profound. Compared to their counterparts of two decades ago, today's low-income countries are held back by:

- Conflict and violence
- Fragile institutions and weak governance
- Geographic disadvantage
- High levels of dependence on agriculture already impacted by climate change, which will only get worse
- A weaker commodity demand outlook, and
- Significant debt vulnerabilities.

And in middle income countries, despite improvements in per capita incomes at an aggregate level, there are still areas of entrenched poverty and deep inequalities.

At the same time as the challenges are growing more severe, traditional development assistance models and sources of funding are under pressure. These pressures include government funding cuts, nationalist political sentiment, strategic competition in international relations and the emergence of new donor countries with different priorities.

Politics and aid budgets

In responding to these trends, governments and non-government organisations need to consider a range of issues that go beyond traditional aid, as suggested in your conference theme.

I want to canvass three areas for your consideration.

The first goes to the pressures on ODA budgets and the domestic political arena. In democratic systems politicians respond to voters. Yet evidently the Coalition has seen the aid budget as a pool of funding it can raid with impunity. Notwithstanding criticism from the Opposition, sustained representations from the sector and deep concerns expressed by tens of thousands of Australians, the cuts continue.

This is despite the fact that hundreds of thousands of Australians are regular supporters of aid organisations.

It is despite the fact that the need to fight poverty brings together organisations ranging from churches and faith-based communities to service groups like the Rotary movement – and from major corporations and wealthy philanthropists to community organisations and social justice campaigners.

The sector understandably does not seek to get involved in partisan activities. Yet there is an apparent mismatch between the breadth of its support base, the understanding of aid in the wider community, and the political incentives faced by the Coalition Government.

Labor went to this year's election with a policy of increasing ODA as a share of GNI each year from our first Budget. While we did not prevail at the election we will continue to hold the Government to account. Yet the cumulative impact of the Coalition's cuts is so large that the sector now faces a stark reality – restoring the aid budget to its level as a share of GNI when this Government came to office would cost the federal Budget around \$2.3 billion a year, or more than \$9 billion over the forward estimates.^[2]

The case for increasing Australia's development assistance is clear. The Budget is projected to achieve a surplus this year – removing the only rationale ever provided by the Coalition for the cuts. And the cuts have been so severe that the aid budget is now inadequate to meet the Government's own foreign policy priorities, particularly its Pacific Step Up.

The need to increase Australia's development presence in the Pacific as part of the Prime Minister's Step Up foreign policy initiative, can now only be accommodated by cutting development assistance for other countries in our region. Australia's assistance to the Pacific is coming at the expense of cuts in Australia's contribution

to multilateral institutions and assistance to middle income countries. For example, it is incredibly irresponsible to gut Australia's aid to Pakistan. That's a perverse outcome which is undermining Australia's foreign policy and security interests in an open and free Indo-Pacific.

Yet the policy case for boosting aid will need to be supported by political action if this government is to be persuaded of the need for change. As supporters of international development we will need to work hard, and to develop more effective and well targeted political strategies, to reverse the cuts.

Role of the private sector

A second set of issues “beyond aid” goes to the place of the private sector in financing international development. Official development assistance around the world is measured in billions of dollars. Yet the World Bank has noted that eliminating extreme poverty by 2030 and boosting income growth amongst the world's poorest 40 per cent will cost trillions of dollars every year. The Bank's former president, Jim Yong Kim, has argued that accelerating inclusive and sustainable growth requires a new approach towards financing development – “one that helps make the global market system work for everyone and the planet.” [3]

Private sector funding sources will have a critical role to play. The emergence of new sources of funds and new players in development finance is examined in *The Business of Changing the World*, the recent book by Devex co-founder Raj Kumar.[4] One of the most notable new sets of players are billionaire philanthropists – Kumar calls them “disruptors with deep pockets.” He notes that there are around 2,000 billionaires around the world with combined assets worth some US\$9 trillion. Just over 200 of these individuals have signed The Giving Pledge, committing to donating more than half their wealth to philanthropic causes. As Kumar puts it that means a “tidal wave” of philanthropic funds is looming – based on existing commitments, over \$US500 billion, or more than 150 years of Australia's current levels of ODA. Donors like The Gates Foundation and Michael Bloomberg are on track to be giving away as much as governments spend on ODA.

Impact investing is another alternative funding source for promoting development. Growing numbers of investors, both individuals and institutions, are looking for ways to put their savings to work in achieving social goals. Impact investors seek social or environmental impacts as well as financial returns – and some seek to align their investments with the Sustainable Development Goals. Some major international corporations are also seeking to align their financial goals with social impact goals including the SDGs.

The OECD has been working on policies for unlocking commercial finance through “blended finance” which it defines as the strategic use of development finance to mobilise additional funds for development. Innovative financial tools such as development bonds are also being designed.

The increasing involvement of private sector actors holds out the potential for significant new sources of funding. However it cannot be a replacement for public aid.

Apart from purely philanthropic funds, most private investments will require a financial return and will not be adequate to meet needs such as health or education, stronger institutions and governance, or social development programs in areas such as gender equality.

The growth of private funds will also bring new challenges. Challenges around priorities, coordination, relationships with communities and governments in developing countries, transparency, effectiveness and sustainability. Development finance institutions, or DFIs, can help bridge the gap between private investment and public aid.

Economic growth is needed to generate shared prosperity. In the poorest countries, however, the private sector’s contribution to growth is **constrained** by lack of access to finance, poor infrastructure and lack of education and skills amongst the local labour force.

DFIs like the World Bank’s International Finance Corporation, the UK’s Commonwealth Development Corporation or the new US International Development Finance Corporation reduce these barriers by supporting projects in low and middle income countries in conjunction with private investors. The amount of financing committed by DFIs is **estimated** to have grown from around US\$12 billion in 2000 to US\$87 billion by 2017, up from 22 per cent of all ODA in 2000 to 60 per cent in 2017.

Australia does not have a bilateral DFI, although it contributes to multilateral DFIs through the World Bank and the Asian Development Bank.

The new Australian Infrastructure Financing Facility for the Pacific (AIFFP) also provides an opportunity to expand the role of the Australian Government in providing finance for infrastructure projects, including in partnership with the private sector. Labor was pleased to see the Government adopt our proposal for an Australian infrastructure bank for the Pacific.

We understand that the aid sector has valid concerns about the design of the

AIFFP. Labor will be scrutinising the implementation of this initiative closely. The AIFFP needs to support infrastructure projects that not only generate economic benefits but do so in a way which is inclusive and sustainable. It also needs to take into account the impact of climate change on the resilience of infrastructure and the need for ongoing maintenance and sustainment of infrastructure assets.

The aid budget should not be diverted to fund feasibility studies for AIFFP projects. There also need to be strong systems in place to ensure that this Facility does not lead to unsustainable debt burdens for our Pacific friends. Our view is that if the AIFFP is well designed and managed, and if it applies sound economic and social criteria in selecting projects, it can make a positive contribution to development in the Pacific.

Development and security

The third issue I wanted to raise under the “beyond aid” theme is the nexus between development and security.

This year’s [pre-election statement](#) by ACFID and the International Development Contractors’ Community rightly pointed to the strategic context facing Australia as one that required a stronger development effort. It argued that the Foreign Policy White Paper’s recognition of the need for international cooperation on economic, environmental, health and security challenges had not been matched by the level of resources needed to deliver on those international priorities. And it made out the case that in a changing world, international development needs to be reframed as a collaborative enterprise in pursuit of shared regional and global interests.

Security and development agendas are increasingly coming together around issues such as:

- Movement of people and the global refugee crisis
- Health pandemics
- Climate change and natural disasters
- Protecting communities from violence
- Transnational crime, and
- Illegal or unsustainable exploitation of natural resources.

The Pacific Islands Forum’s Boe Declaration last year led the way in developing a new concept of regional security – one which embraces the economic, human and developmental dimensions of security as well as its geo-strategic dimensions.

Climate change is a striking example of the intersection between development and security policy. The Chief of the Australian Defence Force, General Angus

Campbell, has **pointed out** that climate change has security implications because of its impacts on natural disasters, movement of people, access to resources and the territorial integrity of vulnerable countries. Developing countries in the Pacific are especially vulnerable to rising sea levels, more frequent and intense weather events and disruptions to agriculture. This is likely to require ADF personnel to take part in more humanitarian operations in coming years.

The potential for developing countries to face the loss of habitable territory may see movement of people or tensions over access to resources.

From a development perspective, climate change will make it even harder for vulnerable countries to achieve economic growth. It will also exacerbate challenges around food and water security, sanitation, the spread of diseases and other health impacts. Development and security also come together around the impact of poverty and state fragility on civil strife, international conflict and violent extremism.

The former British Prime Minister Tony Blair **has said**: “For policymakers in the West ... security and development cannot be seen as separate issues. Development, foreign and security policy initiatives must be interlinked.” He argues that tackling the interconnected issues of development, governance, investment and counter-extremism requires better coordination between government agencies.

Military force alone cannot achieve lasting security. Development must also be deployed along with diplomacy and defence cooperation if we are to achieve peace, prosperity and stability.

Development tackles the root causes of insecurity and instability, helping prevent conflicts before they emerge by promoting opportunity and hope for the future, especially for young people and women and for marginalised members of society.

Development also improves our international relationships through the cooperation and engagement it requires with countries we assist and our partners in multilateral and regional development settings.

So when it comes to the rationale for international development, and debates over the level of resources devoted to this mission, there are cogent security and national interest-based arguments in addition to humanitarian arguments for boosting Australia's efforts.

Of course we need to avoid excessive “securitisation” of development policy.

And in conflict zones there are important reasons to maintain the independence of humanitarian assistance from political or military agendas, as World Vision's Megan

Williams and Caelin Briggs have [recently pointed out](#).

Yet greater awareness by policymakers of the security benefits that can flow from development may give the sector greater traction in obtaining the resources and attracting the political support it needs.

Conclusion

I want to conclude by acknowledging the contributions made by everyone in this room, along with the organisations and the donors and supporters you represent. Your work is critical to the welfare of the most vulnerable and disadvantaged people on the planet.

Often your work is the difference between life and death for those people. Always your work always gives them reason to hope for a better future.

It is difficult, demanding and tremendously important work. It deserves support and recognition.

On behalf of federal Labor, thank you for all of your efforts.

I look forward to continuing to engage with, and learn from, Australia's development community.

References

[1] Parliamentary Library, 2019, [Official Development Assistance \(ODA\): A Quick Guide](#), 30 April 2019; Australian National University, Development Policy Centre, [2019-20 Aid aggregates spreadsheet](#), 3 April 2019

[2] Based on ANU 2019-20 Aid aggregates spreadsheet: $0.325/0.208 \times \$4,044 \text{ m} = \$6,310 \text{ m}$.

[3] International Finance Corporation, *Annual Report 2018: Redefining Development Finance*, p 3.

[4] Kumar, Raj, 2019, *The Business of Changing the World: How Billionaires, Tech Disrupters and Social Entrepreneurs are Changing the Global Aid Industry*, Beacon Press.

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