The Ethics of Development
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Chapter 3: The Ethics of Development: Aid – A Two Way Process

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The Waigani Seminar has become a tradition at the heart of social economic and political debate over the years of critical change in Papua New Guinea. In 1986 the Seminar addressed its attention to the ethics of development, its focus on a whole range of issues related to the lives and well-being of this proud nation today. It is in this forum that many of those often regarded as Papua New Guinea's radicals have taken the platform alongside people from overseas to speak their minds as they set out to contribute to the thinking and the building blocks on which this nation is based. Many of them have gone on to take their places in Papua New Guinea's Parliament, to go back home to reflect their commitment to decentralisation by participating in provincial government, to move into key economic or entrepreneurial roles or to represent their country at posts overseas. It is probably not an exaggeration to say that if Papua New Guinea's modern history has not actually been hewn from the stone of these Waigani seminars, then most of those who have had a hand in it have been here.

I am pleased to add to my own experience and long acquaintance with this country by joining this list of radicals gone respectable with responsibility. I hope this metamorphosis has meant for none of us any loss of the fire and commitment which dared us to question assumptions, and which dared us to question an often inappropriate status quo. Indeed, I am proposing to be a little radical and to pound a paradox.

The paradox is that to be realistic, we must be radical in our approach to this tendentious question of the ethics of development. By radical, I mean departing from conventional thinking about development assistance or foreign aid. I want to seize the opportunity offered by the provocative title of this Waigani Seminar to try to turn the development debate around or (perhaps more modestly) to get Australia and Papua New Guinea, unique partners in the aid business, to think more creatively about it. Looking back over thirty years of the development debate, I see most starkly an 'us' and a 'them' division of the world into donors and recipients, which is obviously the product of history. We carry this historical baggage with us to our certain cost. The time has come to cast it off to our mutual advantage.

In the beginning, aid was often seen to be the major means by which former colonial powers and the developed Western world pooled their collective guilt and turned the other cheek. The concept has progressed dramatically, through United Nations Development Decades I, II and the Brandt Reports (Brandt et al 1980, 1983). A concentration on volume, perhaps begun with the Pearson Report's recommendation of a donor target of Official Development Assistance (ODA) as 0.7% of Gross National Product (GNP), accepted by the United Nations in 1970, has shifted to a concentration on impact. This shift away from quantity towards impact and quality both produced - was a product of - a new consciousness among donors about their aid machinery and also about the need for a much more marked contribution to the development process from recipients themselves. Experience over the years had led to the conclusion that donors can be practically impotent without the proper support, planning and commitment of recipients. One critical result of this state of affairs is that we all, donor and recipient alike, have rights, responsibilities and interests in our commitment to the development process. I propose to look at the evolution of the aid debate to see what we might have learnt from it, at the international climate which bears upon the aid mandate, and at the Papua New Guinea-Australia aid relationship in the context of contemporary circumstances.

We can now see with hindsight that development has not been easy and that it is taking much longer than at first we supposed. We were expecting to compress hundreds of years of development into a mere few. Quite naturally, we failed. So UN Development Decade I of the 1960s had to be followed by UN Development Decade II in the 1970s and now by UN Development Decade III.

The thinking in the 1950s and 1960s was that development was a linear process along which all countries travel. The advanced countries had, at various times, passed the stage of 'take-off' and the developing countries were expected to follow them. Development was seen primarily as a matter of economic growth and secondarily as a problem of securing the social changes necessarily associated with it. This approach tended to focus on constraints: lack of capital, foreign exchange, skills or management. The removal of these constraints would set in train, by a 'trickle down' process, the natural forces making for movement towards growth.

By the mid 1960s, however, the abounding optimism about development was replaced by a growing pessimism. It was being argued that the traditional development approach - increasing aggregate income through large-scale infrastructure investments, institution building, improved agricultural technology and the importation of other Western technologies - had widened intra-country income disparities. As a result, there was a turn to an incrementalist approach which concentrated on nutrition, health, housing, education, employment generation and integrated rural development. The 1970s therefore saw an approach to aid which replaced the focus of maximising per capita GNP with the distribution objectives of helping rural poor. In this, economic growth was not the primary priority and was even seen to be largely irrelevant. The eradication of poverty, the reduction of inequality and the need for more secure and more diversified jobs and livelihoods took its place.

Later still, a third approach moved away from the specific problems of development towards the world's common problems of resources, energy, the environment and population. Here the emphasis was on scarcity and interdependence, on potential interests and conflicts, and hence on the need to evolve a world order that resolves them. It was characterised by the North-South dialogue and some of its most notable products, from a development point of view, were the Brandt Reports (1980, 1983).

Even in the best economic circumstances, the internationalism at the roots of the Brandt Reports would have required the authority of the kind of supra-nationalism of which the post-war idealists dreamed. The reality was, instead, a propensity in the West firstly to be more critical of the value of aid itself and, secondly, to be even more concerned about where the increasingly scarce tax dollar was spent. This last concern was underlined by increasing awareness of the deficiencies in recipient administrative skills resulting in bad choices, wrong decisions and corruption.

Some remarkable progress has been made over the years. For example, the GNP per capita of developing nations as a group grew at an average rate of 3.4% annually between 1950 and 1975. This was faster than the developed nations had grown in any comparable period before this time. It is interesting to note that most of the particular success stories of concessionary aid have occurred in agricultural programs. India, one of the largest recipients of agricultural aid from the World Bank, the International Development Association and the United States Agency for International Development, illustrates the point. In the early 1970s India was importing more than 10 million tons of grain each year. By the second half of the 1970s, she had become largely self-sufficient in food grains thanks to a combination of 'green revolution' technology, programs to improve marketing, agricultural credit for small farmers and irrigation.

But I want to emphasise that though concessionary aid played a significant role, the Indian Government played the major role, both in implementing the programs, and by improving policies relating to produce prices and the de-regulation of fertiliser distribution. Thus the institutional ability and political will of the country concerned appear to be among the most critical components of development success.

There is not enough evidence for us to draw categorical, sanguine conclusions about the effectiveness of concessionary aid in promoting the conditions for self-sustained growth or other forms of development in every situation. A cross-sectional sample of developing countries today reinforces the impression that aid is not, in itself, an important determinant of development. In some heavily aided countries growth has been slow, while in some of the more rapidly growing countries - Hong Kong, Brazil, Malaysia and Mexico - aid has been fairly unimportant; and in some countries, like China, not important at all. The elimination of mass poverty in rural China after the revolution of 1949 brought about sweeping social change, remains one of the most dramatic transformations in human history and was achieved almost without any foreign assistance. We therefore have to concede that in most cases, concessionary aid is a marginal input in the development process. This has led in some quarters to conditionality and the recommendation of new, more interventionist development strategies. These include the increased use of the powerful leverage gained to encourage conditions which relate aid to economic liberation led by major policy reorientation and reform, administrative capacity building or more efficient use of human and financial resources.

At the same time as we see a trend towards more stringent and perhaps interventionist aid application, we can also see a weakening of the commitment to aid itself: aid fatigue. Paradoxically, these shifts are taking place against a background of increasing aid dependency in certain parts of the developing world.

At the same time, too, the importance of aid in resource flows has been steadily diminishing, and commercial or non-concessional resource flows have been increasing. Between 1960 and 1982 total global ODA more than doubled; using 1982, prices ODA rose from US$16 billion to US$35 billion. However, in 1982, for the first time, the volume of aid in real terms and in terms of the GNP target, declined. In 1970, aid amounted to about 60% of total global financial resource flows to developing countries. In 1981 this proportion fell to roughly one-third. Western donors gave nearly 50%, the Organisation of Petroleum Exporters (OPEC) 20% and the socialist bloc 6%.

More recently we have seen a dramatic reduction in the generosity of the oil producers and increasing parsimony by multilateral agencies. We must expect a similar decline in Western bilateral aid if the international recession deepens. The United States, for so long the biggest single aggregate donor, has set the trend. In the 1950s the US was providing a little more than half of total global ODA; in 1985 its contribution had dropped to less than a third. From an ODA/GNP ratio of 0.56% in 1961, it had fallen to 0.24% by 1985.

The changing nature of international relations is also contributing to a questioning of the aid mandate. The Marshall Plan's injection of millions of dollars into Europe between 1948 and 1951 was remarkably successful in rebuilding a war-torn continent. It was believed that a similar stimulus from the developed to the developing world would have a similar startling result. But altruism was tempered by the ideologies of a world divided by Cold War, rigid bipolarity and associated alliances. One result was the predominance of political motives for aid as a means to win friends or to maintain the links with colonial clients on the road to independence.

More recently, we can see that even ideology is fickle in the face of shifting economic sands; that economic downturn leads to a resurgence of narrow national perspective. International relations are now characterised less by idealism and internationalism and more by the self-interested Hobbesian dogma of nature as 'a war of all against all'. We are witnessing, for example, the beginning of something which looks dangerously like a trade war between the great trading nations, with no quarter given for traditional friends. And the evidence suggests that we will all suffer eventually.

In 1980 a study of Agricultural Protection in OECD Countries assessed the effects of agricultural protectionism in developed countries on the annual export earnings and concomitant welfare gains of less developed countries. It found that a major reduction in trade restrictions on agricultural commodities by the Organisation for Economic Co-operation and Development (OECD) countries would provide substantial extra foreign exchange earnings to less-developed countries - earnings slightly larger than current foreign aid flows to agricultural development (Valdez & Zietz 1980:8).

I offer another paradoxical thought here: that there is in fact, in this apparently unhelpful situation, some cause for cheer. This is no exercise in Orwellian double-think, nor an attempt to camouflage an uncomfortable problem. The new economic circumstances in which aid is struggling to hold its place have helped concentrate debate on a question that is crucial to real success in development assistance.

Who, other than a small coterie of conscientious aid professionals, has asked what has become of the aid provided by taxpayers? Nowadays we have grown to understand that interest in volume alone is far from enough. The Jackson Report in Australia was the culmination of a process of review which concentrated on the key question of the effectiveness of aid delivery (Jackson 1984). I can state unequivocally that Australia's commitment to that effectiveness is undiminished by budgetary developments. Vocal as critics may be of the cuts in our aid volume, they are more than matched by other critics who decry Australia's aid policies and insist that charity begins at home. If there was ever any doubt about this, it is dispelled by the letters to me from people all over Australia clearly stating the view that the duty of their government is the welfare of Australians, not foreigners. The Australian Government firmly opposes this line of argument. So do most Australians. But it does mean that in such a climate governments have to be more conscious than ever of the imperative to maximise the impact and effectiveness of the aid/tax dollar. And it should be clear from what I have said so far that I am referring to governments of recipient as well as donor countries.

All this seems to suggest to me that we have moved a long way from the 'us' - 'them' dichotomy of the early years of the aid era towards a mutuality of rights, responsibilities and interests in the aid exercise. I suggest, moreover, that this is the case domestically, bilaterally and internationally.

There are now a number of relatively well-off developing countries who could join the donor club and assist the less well-off. They could do so perhaps with greater sensitivity and success than those who have shared none of their experiences. Development assistance is not a monopoly, any more than poverty or need is. For example, the countries of Melanesia, who have a wantok system Australians can only marvel at, already have a head start in their sense of common identity, their shared interests and their tradition of mutual support. Is not Papua New Guinea far better equipped than Australia, socially and culturally, to assist the Solomon Islands after a cyclone? Are not Papua New Guinea and Fiji more likely to have workable solutions to the problems of the small island economies than we can provide (for example by examining the complementarity of their markets)? Development is no longer a one way process from the rich to the poor. By turning it around to be a process of exchange between richer and poorer, it will have come of age to reflect the range of experiences and the realities of the later 20th century. As a responsibility shared by all sovereign states, aid for development is far more likely to find acceptance among all our constituencies. And as such it may even, eventually, have more chance of contributing towards that internationalism which ultimately eluded the framers of the United Nations Charter and all the political theorists who followed them.

Let me now tum to the Papua New Guinea-Australia aid relationship. No other nation provides so great a share of its foreign aid to just one country as Australia does to Papua New Guinea. By international standards, moreover, the flow of Australian aid to Papua New Guinea is very large - almost $A100 per capita per year. By comparison, Indonesia receives about $A9 per capita from all sources, India about $A3 and China receives less than $A1. Australia's aid to Papua New Guinea is also unique in that it is a package of 90% untied budget support with the rest going to a training and technical assistance program. Australia still provides 85% of Papua New Guinea's total aid receipts - and 26% of its total budget revenue. From Independence in 1975 to 1986, Australia has, at current prices, provided almost $A4.3 billion in aid to Papua New Guinea. Has this huge transfer and budget support in fact been a distorting influence on the development of Papua New Guinea? The question might well be asked, because while other countries which receive aid from a range of donors have developed project planning and management capacity, Papua New Guinea, with substantial aid from a single source going direct into its budget revenue, has had little incentive to develop these capacities or to seek assistance from a wider field of donors. As early as 1978, a World Bank Report indicated that Papua New Guinea needed to re-orient its economy away from essentially Australian standards of investment, consumption and incomes, towards those more appropriate to, and within the long-term means of Papua New Guinea (World Bank, 1978). I suggest, moreover, Papua New Guinea is ultimately not well served by being buffered by Australia from some of the pressures of the world economy.

Unquestionably, Papua New Guinea has a rich natural and human resource base. It will, however, need to address with some urgency certain domestic constraints on the country's development. The Goodman Report of 1985 identified the shortage of educated and trained people as one major constraint on Papua New Guinea's development and the absence of an official population policy as another. It saw that the population of Papua New Guinea is growing rapidly, creating demands for food, employment and public services which have to be met before a general improvement in living standards can be achieved (Goodman et al 1985). Papua New Guinea's future prosperity and growth - and the prevention of further erosion of the real value of aid - will depend upon the successful management of the challenge these constraints present.

The 1986 Australian budget demonstrated that questions of choice in the distribution of resources are not always easily resolved. The Australian Government's decision that Papua New Guinea could not be exempted from the overall reductions in the aid budget was taken after considerable discussion of the relative impact on Papua New Guinea and on other recipient countries. In other words, aid cannot be divorced from the realities of donors' economic circumstances.

Australia will provide about $A960 million as ODA in 1986-87, a fall of about $A70 million from 1985-86. In real terms this was a reduction of $A140 million and it followed a reduction of $A50 million in real terms in the aid budget for the previous year. It was a most difficult decision for the Australian Government. It reflected changed economic conditions which were largely outside our control. It reflected Australia's reduced capacity to provide assistance because of the urgent need to curb Government spending and, in particular, to reduce pressures on Australia's external account. It followed an examination of unprecedented rigour of Government outlays. Cutbacks in Australian Government spending have been made not only in aid programs, but also in such significant domestic areas as transport, communications, social security, health, education and defence. Even so, we have found $A960 million for aid in 1986-87: a clear indication of our continuing commitment to promote the economic and social progress of developing countries, particularly in our region.

It has been said that our decision imposed strain on the relationship between Papua New Guinea and Australia and that it suggested a changing attitude by Australians towards providing aid in the future to Papua New Guinea and other neighbours. Relations between sovereign states are a product of history, geography and economics, as well as strategic and other shared interests. For better or for worse, all these will forever make for robust relations between Papua New Guinea and Australia. Of course there will be strains as we explore new political and other interests or directions. We have to face the fact that a rising generation in Papua New Guinea will have a different perspective on the relationship from that of the people who have gone before them. This is also the case with younger Australians who have not witnessed Papua New Guinea's evolution to independence and who consequently see Papua New Guinea as just another foreign country. This will call for careful management. I am confident that we can live and work together for as long as we each recognise that, at bottom, the foundation of so many of our shared interests is so solid.

As for our aid policy, I can only state that while the ratio of Australia's aid to GNP will fall from 0.46% in 1985-86 to 0.39% in 1986-87, as a percentage of GNP it remains above the average for members of the Development Assistance Committee of the OECD. Looking ahead, the Government hopes that, as Australia's economic situation improves, it will be possible to resume providing for real growth in our aid budget.

In conclusion, let me say that Australians generally support the proposition that we have an obligation to contribute what we can to the economic and wider social development of others. This support is expressed at all points along the political spectrum, even in the face of global aid fatigue.

I said at the outset that my object here was to try to turn the development debate around. The way forward is to see development not as a one way process from rich to poor, but rather as an exchange between richer and poorer. I have sought to emphasise that responsibility for effective aid lies also with those nations which receive it, and the success of development co-operation depends heavily upon the strength of the institutions, political will and administrative skills of developing countries. As the World Bank argues, it is domestic policies which hold the key to developing country performance.

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