

Australian Aid

Q & A



Catalyst
UNITED FOR JUSTICE

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What are the 'Millennium Development Goals'?

In September 2000 the nations of the world, including Australia, adopted the Millennium Development Goals. These set the goal of halving extreme poverty by 2015. Eight goals were set, with specific targets for each goal.

Goal 1: Eradicate extreme poverty and hunger

- Reduce by half the proportion of people living on less than a dollar (US) a day
- Reduce by half the proportion of people who suffer from hunger

Goal 2: Achieve universal primary education

- Ensure that all children complete primary schooling

Goal 3: Promote gender equality and empower women

- Ensure girls have the same access to education as boys

Goal 4: Reduce child mortality

- Cut infant and child deaths by two thirds

Goal 5: Improve maternal health

- Reduce by three quarters the proportion of women dying in childbirth

Goal 6: Combat HIV/AIDS, malaria and other diseases

- Halt and begin to reverse the spread of HIV/AIDS
- Begin to reverse the incidence of malaria and other diseases like TB

Goal 7: Ensure environmental sustainability

- Reduce by half the proportion of people without access to safe drinking water
- Transform the lives of at least 100 million slum dwellers by 2020
- Reverse the loss of environmental resources

Goal 8: Develop a global partnership for development

- Address issues such as trade, debt, aid and public health to promote economic growth and poverty reduction

Do Australians favour an increase in the aid budget?

For a number of years AusAID, the Australian Government's International Aid Agency, has commissioned surveys of Australian attitudes to overseas aid. Surveys were conducted in 1998, 2001 and 2005. These show that not only do the vast majority of Australians favour a strong aid budget, but that the numbers who believe the aid budget should be higher are increasing.

Key findings of the 2005 report are:

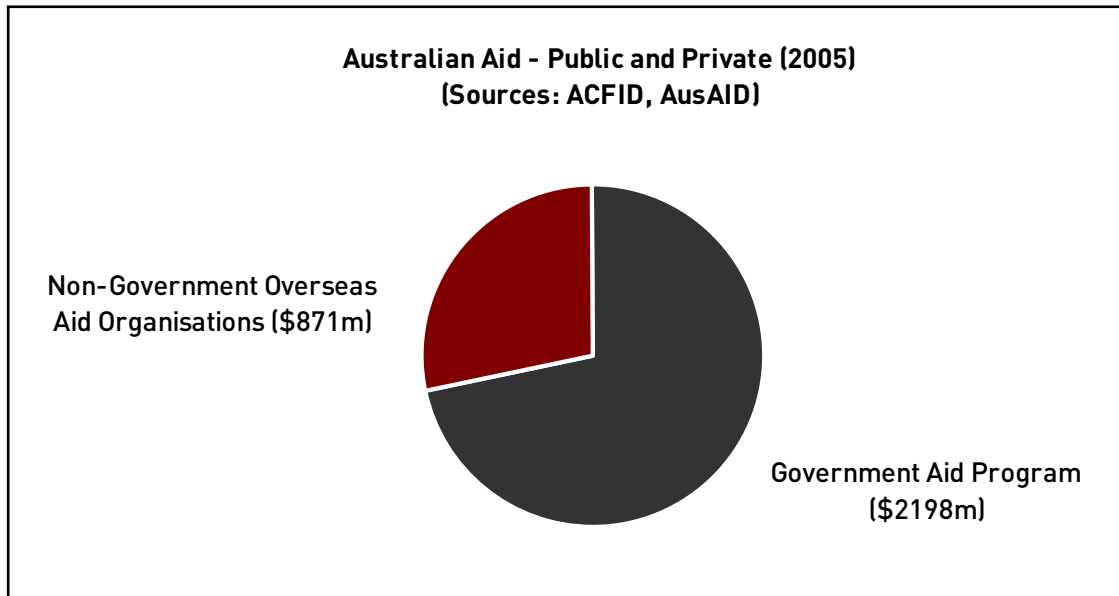
- Nine in ten Australians regard reducing poverty as either an "extremely" or "very" important issue facing the world today.
- 75% of Australians have, in the last 12 months, personally contributed money, time or services to an organisation that provides foreign aid (up from 50% in 2001).
- Nine in ten Australians approve of Australia giving aid to poor countries, and seven in ten approve of "a lot" of aid being given (up from 58% in 2001)
- Almost half the Australian population believes the Australian Government should spend more on aid (45%, up from 40% in 2001), and 21% believe it should be "a lot more" (up from 16% in 2001). Less than one in ten Australians think the Australian Government gives too much in aid (down from 13% in 2001).
- Seven in ten (68%) Australians believe that humanitarian or moral reasons should be the key motivation for aid, while only 1 in 3 (29%) believe self interest should be the guiding theme.
- These findings were consistent across age, gender and social groupings.

Source: Newspoll, "Overseas Aid Study" March 2005. Prepared for Public Affairs Group, AusAID. Available at http://www.ausaid.gov.au/publications/pdf/newspoll_05.pdf

How much do Australians give in aid?

In 2005 Australians gave \$3168 million in aid. This was made up of \$871 million in private donations to Non-Government Aid Organisations such as World Vision and Baptist World Aid, and \$2,198 million provided in the Commonwealth Government aid budget.

It is expected that the private donation figure will be around 25%-30% lower in 2006, as the 2005 figures reflect the large one-off donations made by Australians in response to the Asian Tsunami. At the same time the Government figure is expected to increase to around \$4 billion by 2010.

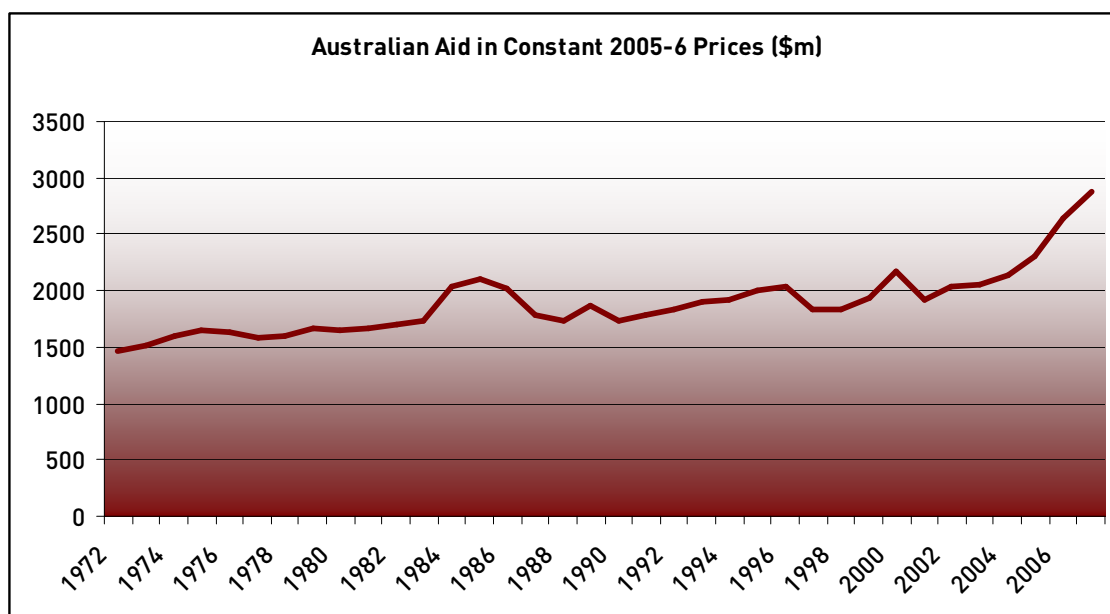


Doesn't the Australian Government already give a lot in aid?

In 2006-7 the Australian Government aid budget is \$2.95 billion. This amounts to 0.3% of Australia's national income and 1.3% of Federal Government expenditure. The Federal Government has also announced its intention to increase aid to \$4 billion by 2010. This will equal around 0.35% of national income. Although these are substantial sums they cannot be characterised as adequate for a wealthy nation like ours.

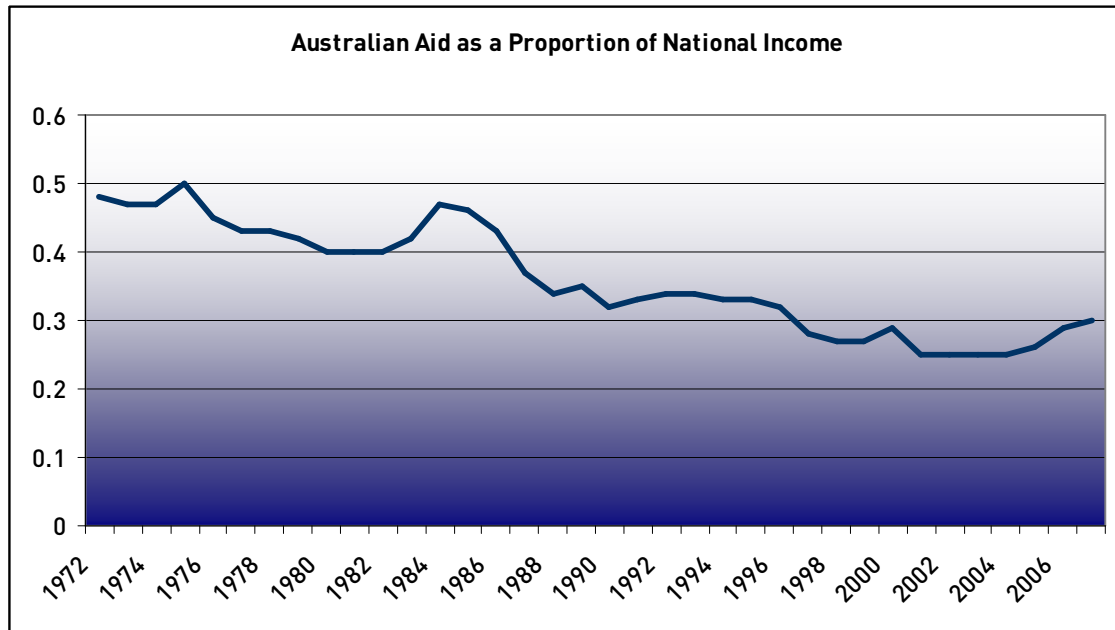
1. Australia has grown richer but our aid budget has fallen as a proportion of national income.

Since 1972, the Australian Aid budget has increased in real dollar terms, from around \$1.5 billion in 1971-2 to around \$3 billion in 2006-7 (constant 2005-6 dollars)¹.



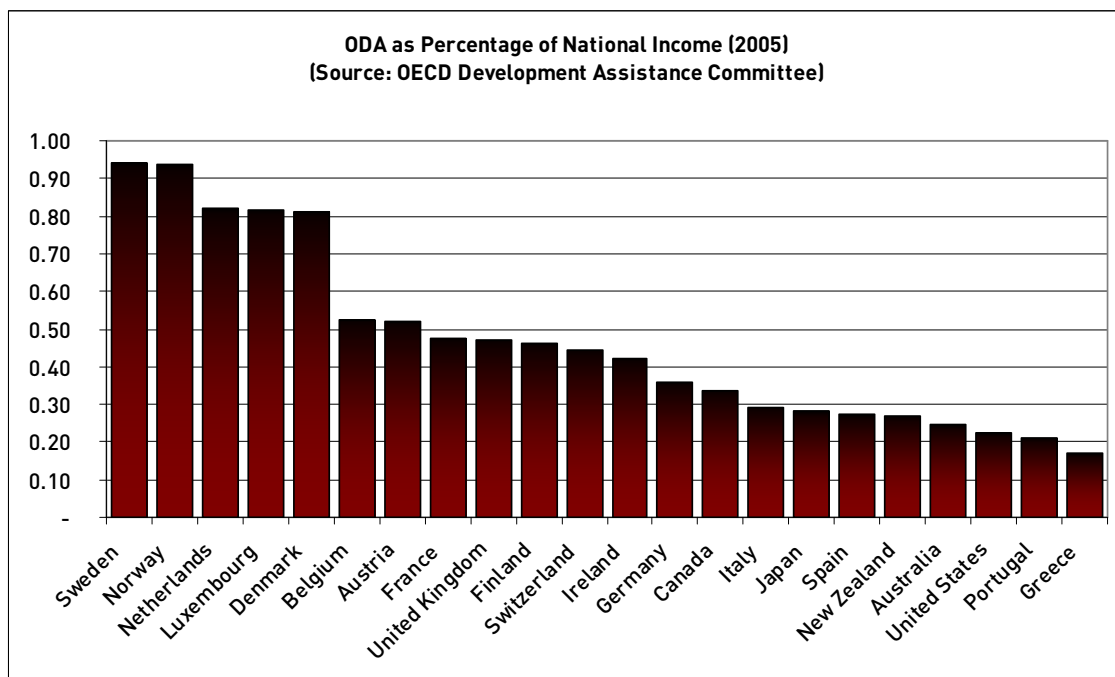
Although the aid budget has been increasing in real dollar terms, it has been increasing at a far lower rate than our national income. Our giving has not kept pace with our growing wealth. From a high of 0.5% of national income in 1975, the aid budget fell to a low of 0.25% from 2001-2005.

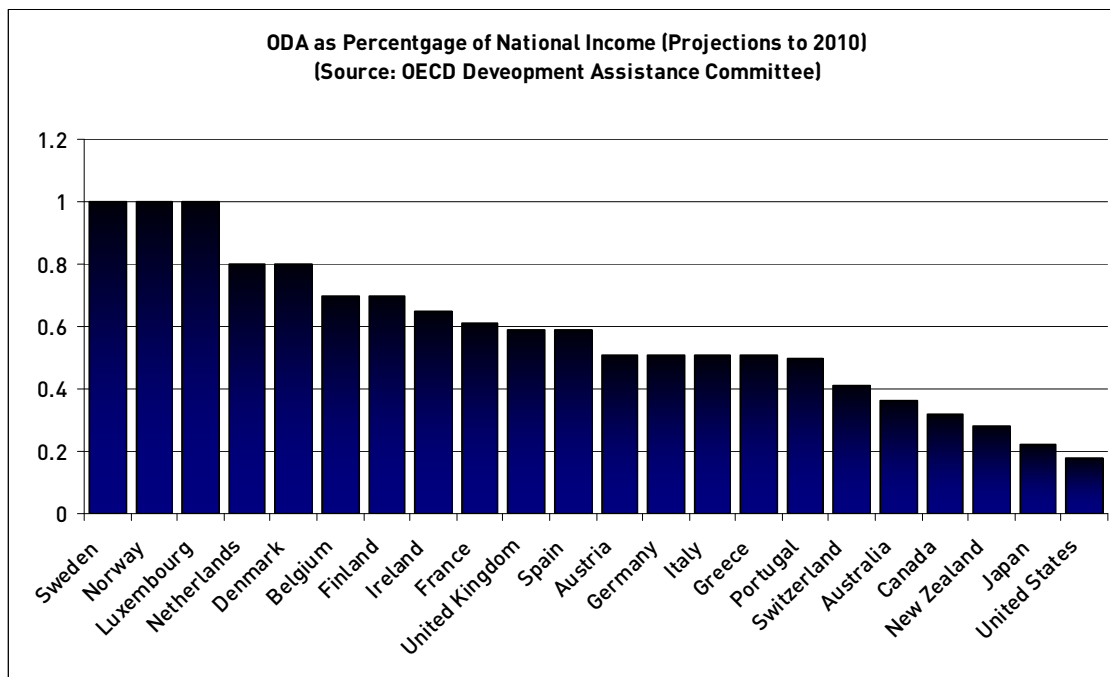
¹ See Alexander Downer, "Australia's Overseas Aid Program 2006-7" (Commonwealth of Australia 2006). Available online at http://www.ausaid.gov.au/budget06/budget_2006_2007.html



2. Australian Government spending on aid is low compared to other wealthy nations.

Compared to other western nations, the Australian aid budget is low. As the graphs below show, Australia places fourth last when considering aid as a proportion of national income. Even with the proposed increase to \$4 billion by 2010 our position compared to other nations will remain much the same, because other nations are also increasing their aid.





3. Australian Government spending on aid is insufficient to achieve the Millennium Development Goals.

The UN Millennium Project suggests that if the Millennium Development Goals are to be accomplished by 2015 it is necessary for the richer nations of the world to achieve an aid budget of 0.5% by 2010 and 0.7% by 2015, and ensure that the bulk of these funds be directed towards achieving the MDG's.

Australia's aid budget falls significantly short of what is required for our poorer neighbours to achieve the MDG's. This calls into question the commitment we made in September 2000 that

"We will spare no effort to free our fellow men, women and children from the abject and dehumanizing conditions of extreme poverty, to which more than a billion of them are currently subjected. We are committed to making the right to development a reality for everyone and to freeing the entire human race from want." (UN Millennium Declaration)

Shouldn't tax deductions be included in Government aid figures?

The Commonwealth Government offers a tax deduction to those who contribute to a recognised charity. These charities include many aid and development focussed Non Government Organisations. Tax deductions provided to those who make charitable donations to NGO's are *not* counted as part of a country's "Official Development Assistance". If they were this would make only a very minor difference to Australia's official aid levels.

In 2005 private donations to overseas aid NGO's totalled \$871.8 million. This is the highest figure ever reached and reflects the widely spread response to the Asian Tsunami. Assuming all who made donations claimed tax deductions, the total deductions would amount to around \$220 million.

This a substantial sum, but represents only 0.026% of national income. In other words, if tax deduction were included as part of Official Development assistance figures Government assistance would have lifted from 0.26% of national income in 2004-5 to less than 0.29%. This is still vastly short of the international aid target of 0.7% of national income.

How much are the aid budget and aid target in dollar terms?

Australia's aid budget in 2006-7 is 0.3% of national income, or \$2.94 billion.

If the Government committed 0.5% of national income to aid, this would be a total of \$4.9 billion in today's dollars. If the aid target of 0.7% of national income was achieved this would be an amount of \$6.9 billion.

How much is the aid budget as a proportion of Government income?

The international aid target is 0.7% of national income. National income includes all earnings by companies and individuals, and in 2006-7 is expected to be around one trillion dollars.

The Federal Government collects around one-quarter of national income in tax. In 2006-7 for example, Federal Government revenues are expected to be \$231 billion. This means that while the aid budget of \$2.94 billion represents 0.3% of national income, it accounts for 1.27% of Federal Government income.

If the Government committed 0.5% of national income to aid, this would be a total of \$4.9 billion or 2.12% of Federal Government income. If the aid target of 0.7% of national income was achieved this would be an amount of \$6.9 billion or 2.96% of Federal Government income.

Where does the 0.7% international aid target come from?

The widely quoted international aid target is for wealthy countries such as Australia to commit 0.7% of their national income to foreign aid.

This target was adopted at a 1970 meeting of the United Nations. On November 19, 1970 the UN General Assembly resolved that

“Each economically advanced country will progressively increase its official development assistance to the developing countries and will exert its best efforts to reach a minimum net amount of 0.7 per cent of its gross national product ... by the middle of the Decade.[ie., by 1975]”

The 0.7% target was reaffirmed at UN gatherings in 1980, 1990, the 1992 “Earth Summit”, the 1995 World Summit for Social Development, the 2002 World Summit on Sustainable Development, and the 2002 International Conference on Financing for Development in Monterrey, Mexico.

Why was a figure of 0.7% adopted? If poorer countries are to overcome poverty they need to grow their economies. In the 1960’s and early 1970’s it was thought that a growth rate of 5% per annum was required and that to achieve this developing countries required foreign investments of an amount equivalent to around 1% of rich country income. An amount equal to 0.3% was already being invested in developing countries by international companies, leaving a “gap” of 0.7% to be invested by governments.

The basis upon which these calculations were made is no longer widely accepted. It is recognised that economic growth cannot be produced simply by increasing investment, and that even where economic growth occurs, there is no guarantee that the poor will share in it. Nonetheless, the target has remained.

In 2005, a task force of development experts asked what it would cost to achieve the Millennium Development Goals. They calculated that poor countries lacked the resources to achieve these on their own. The “shortfall” could be made up by foreign aid could and amounted to 0.44% of rich country income in 2006, rising to 0.54% by 2015².

The UN Millennium Task Force suggested that the international aid target of 0.7% should remain the guide for foreign aid budgets. This would allow for aid to be directed toward the Millennium Development Goals and for aid to be directed at targets that lay outside the scope of the Millennium Development Goals, such as humanitarian aid in times of natural disaster and helping poor countries adapt to climate change.

It should be noted that Australia has never promised it will reach the international aid target. Rather, we accepted it as a target toward which we will move.

² See “Investing in Development. A Practical Plan to Achieving the Millennium Development Goals” (2005, UN Millennium Project) Available at www.unmilleniumproject.org

What could be achieved if Australia reached the 0.7% target?

In 2005 the UN Millennium Project released a series of reports detailing strategies for achieving the Millennium Development Goals³. To gain an idea of the costs involved Millennium Project economists identified five poor countries and investigated what it would cost per head for the MDG's to be achieved in each of these. It then used these countries as a guide to estimate the cost to achieve the MDG's across all poor countries. In August 2005 Make Poverty History Australia released a paper that used the research by the UN Millennium Project to estimate what impact Australia could have if our aid budget was lifted. It attempted to provide conservative estimates⁴.

In 2005-6 the Australian aid budget was \$2491 million or 0.28% of national income. The Make Poverty History paper found that if the aid budget was increased to 0.5% of national income (or an additional \$1960 million) and focussed on targets identified by the Millennium Development Goals **all** the following could be achieved:

- An average of 40,000 less child deaths per year, rising to over 80,000 per year by 2015;
- An average of 1,200 less maternal deaths per year, rising to 2,500 by 2015
- At least 9,000 less AIDS deaths each year
- An average of 9,000 less deaths from TB each year, rising to 17,000 by 2015
- Almost 11 million more people with access to safe drinking water
- Around 60,000 more children receiving basic education.

If aid was lifted to 0.7% of national income the results would be even greater:

- An average of 70,000 less child deaths per year, rising to over 144,000 per year by 2015;
- An average of 2,200 less maternal deaths per year, rising to 4,400 by 2015
- At least 15,000 less AIDS deaths each year
- An average of 16,000 less deaths from TB each year, rising to 30,000 by 2015
- Almost 19 million more people with access to safe drinking water
- Around 100,000 more children receiving basic education.

³ See "Investing in Development. A Practical Plan to Achieving the Millennium Development Goals" (2005, UN Millennium Project) Available at www.unmilleniumproject.org

⁴ Make Poverty History, "Expanding the Australian Aid Program Within Our Region" (2005)

Don't poor countries need trade, not aid?

It is sometimes claimed that poor countries need “trade, not aid”. This argument recognises that longer term solutions to global poverty will emerge only as poorer countries grow their economies and as the poor within those countries are included in the process of economic development.

But to say that poor countries need trade *not* aid sets up a false “either-or” argument. Poor communities need trade *and* aid. Trade will help countries grow their economies, which can help lift their populations out of poverty. But trade alone is not enough. Aid is also required.

1. We should not equate economic growth with growth in trade.

Poor households and communities clearly need opportunities to generate wealth. As their incomes grow households are able to purchase essential goods and services and invest in new technologies and skills. With rising incomes poor households can purchase nutritious foods, send their children to school, access medical care, source clean water, and more.

International trade is one way that countries can increase their income, but it is not the only way. In most developing countries the majority of the population and the majority of the poor live in rural areas. International trade in manufacturing and services may help governments generate income to supply basic services to the poor, but more often than not incomes of the poor are rapidly grown through improvements in the agricultural sector and participation in local markets. For example farmers who learn better farming techniques and can access fertilisers get a higher crop yield which allows them to sell in local markets.

China is a good example. In recent years China has experienced very high rates of economic growth and has been very successful in reducing poverty. The World Bank reports that between 1981 and 2001 the number of Chinese people living in extreme poverty fell from 53% to 8%⁵.

According to the same World Bank report, the gains to China's poor came mainly from reform of the agriculture sector. Prior to the 1980's Chinese farmers were forced to work on collective farms where incentives to work were weak and output was low. Reform began in the 1980's. At the start of these reforms over 80% of the Chinese population lived in rural areas and poverty was concentrated there. The reform program saw farmers shift from collective farming to working their own household farms. Farm output increased dramatically. It is therefore not surprising that *“growth in the primary sector (primarily agriculture) did much more to reduce poverty and inequality than growth in either the secondary or tertiary sectors”*.

Poor communities need opportunities to generate wealth, but it is a mistake to assume that international trade will necessarily be the main driver of wealth creation that benefits the poor. The World Bank found:

“The view that greater openness to trade brings rapid gains to the poor is not borne out by our data. China's periods of more rapid expansion in external trade were not associated with poverty reduction. Nor do we find evidence that the tariff reductions implemented since the mid 1990's...have had anything but a rather minor impact on poverty and inequality...[We] find that there are likely to be both gainers and losers among the poor from trade reforms.”

⁵ Ravallion and Chen, “Learning From Success. Understanding China's (Uneven) Progress Against Poverty” *Finance and Development* 2004 16-20.

2. Not everyone shares in the benefits of economic growth

It's tempting to think of the populations of poorer countries in terms of a single group – “the poor”. The reality is far more complex. Within any developing country there are those who are extremely poor, those who are moderately poor, those who are sustaining a decent living and those who are very rich. As a result countries can experience substantial economic growth yet still have large numbers of extremely poor people.

Although trade may help a Government expand its income, the reality is that for most poor countries the expansion will not be fast enough to provide governments with the revenue they require to provide basic services to *all* its people. The UN Millennium Project, for example, analysed how much it would cost developing countries to achieve the Millennium Development Goals by 2015, and found that poorer countries did not have anywhere near the resources to achieve them on their own⁶. This leaves developing country governments in a terrible bind – either they spread their resources very thinly but inadequately across their entire population or they must develop certain sections of their population base in the hope this will eventually generate the income to develop others. In the meantime the poor continue to suffer. Aid can however fill the gap. Aid that focuses on improved health and education, for example, means not only fewer deaths and suffering, but a workforce that is vastly more able to generate economic growth and thus be lifted out of poverty.

The poor cannot wait for years until the benefits of economic growth reach them. They are suffering and dying now and need our assistance now.

3. Aid is needed to help countries develop the capacity for economic growth.

Trade can be a very powerful engine for economic growth, but for any community to participate in the international economy they require more than opportunities to participate. They also need the resources necessary to participate. These include:

- infrastructure (eg., decent roads, reliable electricity supply),
- effective social institutions (eg., government, law and order, banks),
- physical capital such as plant and machinery (eg., farm equipment, computers)
- a healthy and educated workforce
- access to finance

It is meaningless, for example, to talk of increased trade opportunities if a poor country has an inadequate transport system. How can a farmer trade his goods if he cannot get them to market? Similarly, how can a country provide the dependable, regular supply of goods demanded by its trade partners if workers are frequently ill, electricity that supplies the factory is unreliable, and the Government's customs infrastructure is poorly skilled?

In these circumstances aid can help build the capacity for trade.

Conclusion

Economic growth is essential to the fight against poverty, and trade is an important part of any country generating economic growth. But trade alone will not be sufficient.

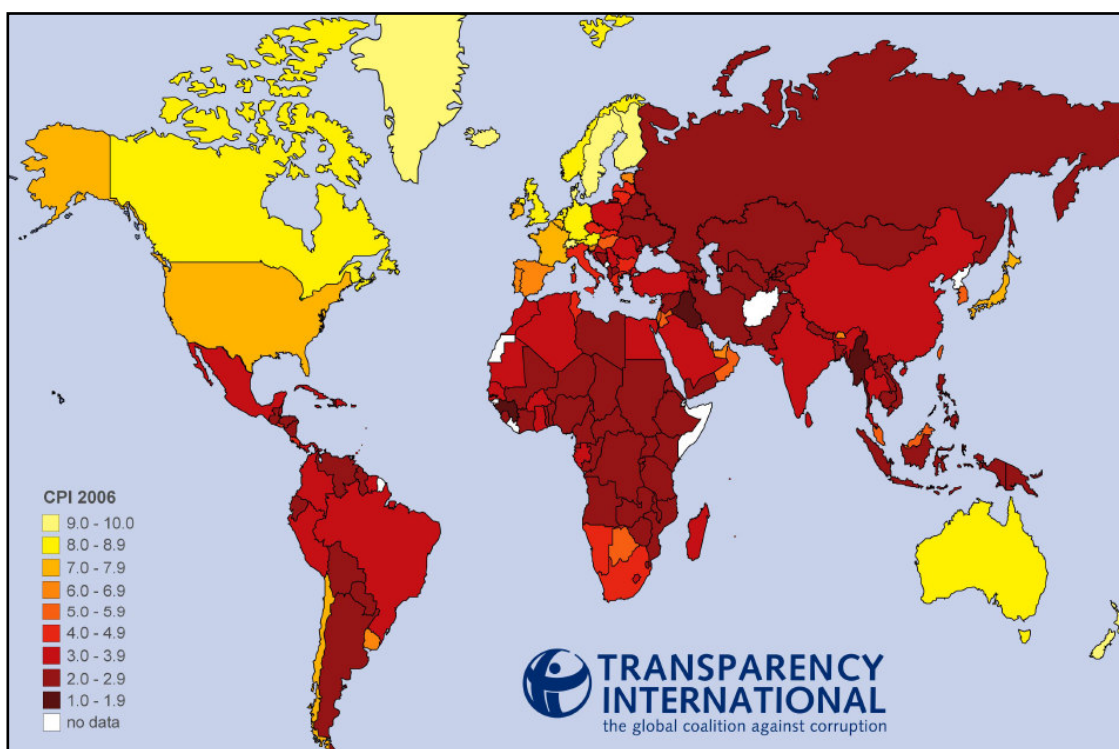
⁶ See Jeffrey Sachs (editor), “Investing in Development. A Practical Plan to Achieve the Millennium Development Goals” (United Nations Development Program, 2005)

Doesn't corruption make aid ineffective?

Corruption is a serious problem in most of the world's poorer countries, but it is not true to suggest that corruption necessarily makes aid ineffective.

1. Corruption is a Serious Problem

Transparency International, a widely respected international organisation, uses a ten point scale to identify which countries are perceived as corrupt⁷. Countries with a score of less than five out of ten are considered to have a severe corruption problem. In 2005, only one developing country, Botswana, had a score greater than this. In other words, every country that currently receives aid from Australia has a serious corruption problem. The map below highlights this. Countries coloured in red have a ranking of 5 or less.

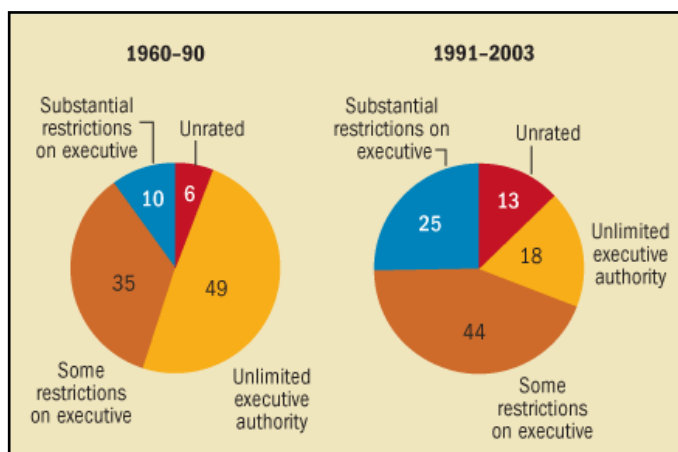


It has been estimated that corruption costs developing countries as much as 25% of their national income. It can weaken economic growth, impair a country's capacity to respond to disaster (eg., through shoddy workmanship) and manage its affairs (by failing to have the best people for the job), see government funding diverted from socially beneficial activities, and entrench disadvantage.

Tragically, the impact of corruption tends to fall most heavily upon those who are poor. Significant projects (eg., health care programs) may not be carried out when government funds are diverted by corruption; governments may spend funds in ways that benefit those with power (eg., placement of wells on the land of the wealthy); service providers (eg., police officers, teachers) may demand bribes that the poor cannot afford; those who are poor are often powerless to take action against those who are corrupt and exploiting them.

⁷ The Corruption perceptions Index can be accessed at TI's website, www.transparency.org

2. Past aid delivery often turned a blind eye to corruption



Source: Gleb, Sundberg and Fitzpatrick (forthcoming). Cited in Sundberg and Gleb, "Making Aid Work" (IMF, Finance and Development, 2006)

Aid is sometimes dismissed on the basis that it has been used corruptly. It should however be noted that past practises are not a very good guide to how aid can be used well. During the Cold War aid was often delivered to corrupt dictators perceived to be "anti-communist". The aim was to shore up anti-communist governments rather than relieve poverty. This is demonstrated by the chart to the left. From 1960-1990, just on half of all aid went to dictatorial governments (ie those with "unlimited executive authority"). Since 1990 this has been dramatically reduced. Donor countries are now far less likely to

turn a blind eye to the misuse of aid.⁸

3. Aid can be effective even in a corrupt environment

Experience shows that aid can be effective even in corrupt environments. For example, the following aid outcomes were all achieved in corrupt environments.

- Between 2000 and 2005 the Global Alliance for Vaccines and Immunization prevented approximately 600,000 child deaths
- UNICEF's Accelerated Child Survival and Development program has significantly reduced childhood deaths and illnesses in seven African countries even in conditions of very poor governance and high levels of corruption
- Australian aid to Papua New Guinea has seen
 - the number of children attending school double between 1992 and 2002
 - medical equipment provided to all 680 health centres and district hospitals
 - peace and economic growth in Bougainville
 - improved agricultural productivity
 - a reduction in infant mortality from 86 deaths per 1000 children in 1975 to 58 per 1000 in 2000
 - an increase in literacy from 45% in 1975 to 64% in 2000.

4. Delivery method is the key

The key is to deliver aid in a way that minimises "leakage" from corruption. Aid can be delivered in a number of ways:

- Budget support – aid funds are provided directly to governments to spend in line with their budgeted priorities;
- Sector support – aid funds are provided directly to budgeted programs in a particular sector, such as health or education

⁸ Further information can be found in Sundberg and Gelb, "Making Aid Work" (IMF, Finance and Development Journal, December 2006). This can be sourced online at <http://www.imf.org/external/pubs/ft/fandd/2006/12/sundberg.htm>

- Project support – aid funds are provided directly to particular projects, such as building a road or hospital.
- Community support – aid funds are provided directly to small-scale community development projects

These four methods of delivery can be considered a descending scale, with the method adopted selected on the basis of a country's record in terms of transparency, accountability and competence. In the best case scenario, aid is delivered as budget support. Assuming a government has proven responsible in its management of funds, and has relatively transparent, accountable and competent administration, aid delivered as budget support has proven highly effective. Where governments have not proven as capable, transparent or accountable, sector support can be employed. Where corruption and incompetence within sector support programs result in significant leakage of aid funds, program support can be provided. As a last case scenario aid can by-pass governments and be delivered through grassroots community organisations and non-government organisations.

The key is to ensure that aid is delivered in a way that is accountable and minimises the possibilities of corruption. For example, the Global Fund for AIDS, TB and Malaria requires proof of effectiveness before renewing funding and uses independent bodies in each country to monitor the use of funds.

By developing appropriate measures, the danger that corruption presents can be minimised. Australia has been careful to implement many of these measures. Consequently, 2004 Budget Estimates Hearings heard that there is no clear evidence of large-scale corruption losses from Australian aid projects.

5. The Benefits of Maintaining Aid

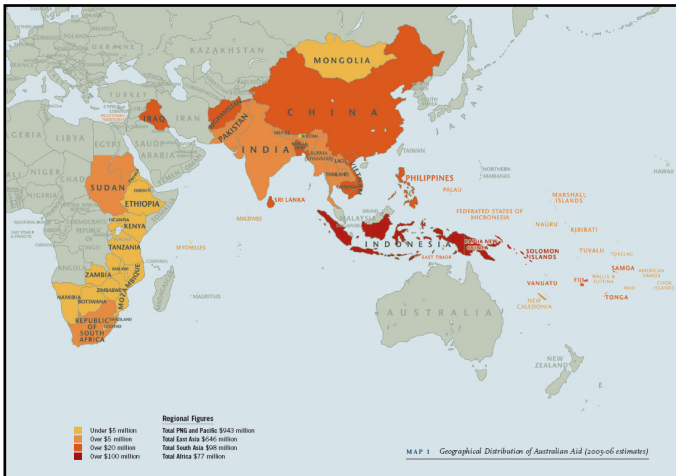
It is sometimes argued that aid should be withdrawn from corrupt governments. While this may be an option of last resort in extreme cases, the consequences of withdrawing aid are significant:

- It will hurt the poor, not the corrupt – well designed aid programs can help alleviate the suffering of the world's poor. Withdrawing aid will hurt them, but leave the beneficiaries of corruption untouched.
- It will cost developed countries more in the end – issues such as disease, crime, conflict and environmental damage cross borders. It is more effective to combat these at the source rather than waiting until they cross into Australia's borders
- Reform is more likely to be achieved when we engage with poorer countries than if we disengage. As aid is only a small portion of recipient country revenues withdrawing aid will not necessarily change the behaviours of corrupt governments. It is arguable that engaging poorer countries will create better chances to exercise a positive influence. For example, the promise of admission to the European Union and the World Trade Organisation have been very effective in producing reform in developing nations.

Acknowledgement: This analysis of aid and corruption draws heavily upon "Can aid be effective when corruption is present?" (Make Poverty History, April 2006)

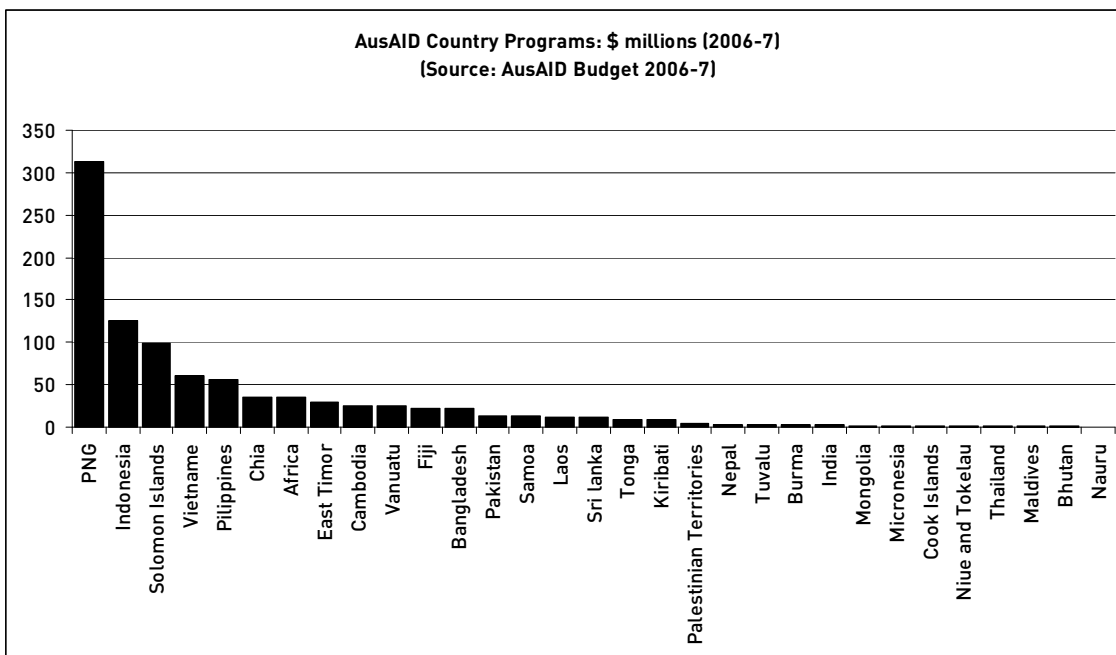
How and where is Australia's aid budget spent?

1. Australian Government aid focuses on our region



The Australian aid program focuses on the South East Pacific, as shown by the map to the left. The darker the colour, the higher our aid to that area.

Papua New Guinea, Indonesia and the Solomon Islands are the primary focus of our aid program. Between them they account for over half of aid spending that is country specific. These realities are reflected in the following graph, that identifies our country to country aid programs .



2. How Australia focuses its aid

Australia has elected to focus its aid program on our geographic region. When selecting countries to receive aid it is arguable that historic and strategic interests play a significant role. Historically we have ties to the Asia-Pacific region, and to Papua New Guinea in particular. Strategically, we have a number of interests that could be advanced by aid delivery:

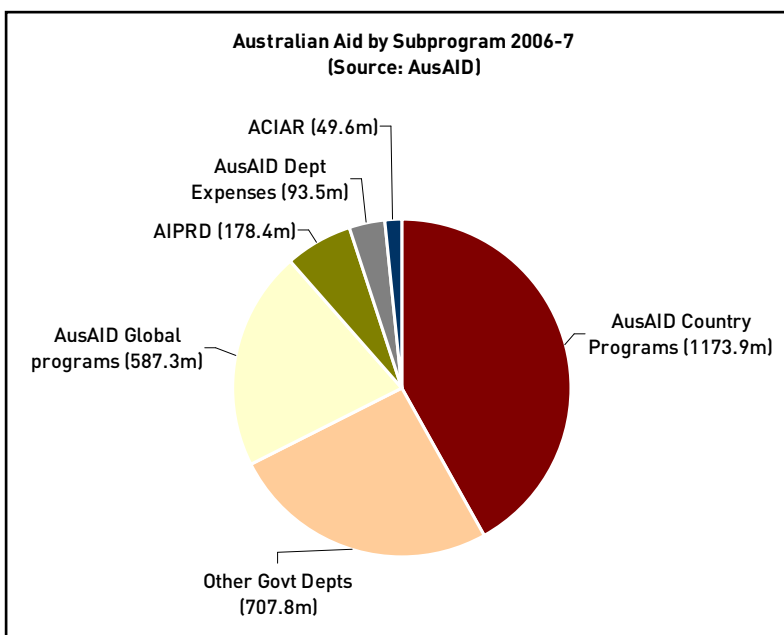
- Security – protecting our borders from refugee flows, disease (eg., avian flu), and terrorism;
- Economics – building relationships that will advance our trade interests;

- Military – while it is highly unlikely any of our near neighbours will invade Australia, if nearby States collapse Australia, as a major regional power, could be expected to provide armed forces to help restore order.

If poverty and disadvantage alone were the basis upon which countries were selected to receive aid our aid program would be very different. This is evident from the table below. One of the widely accepted measures of poverty is the Human development Index calculated each year by the United Nations Human Development Program. This measures disadvantage in terms of income, life expectancy, education levels, and literacy. None of the most disadvantaged nations in the world are a significant focus of our aid program, and only one of the most disadvantaged countries in our region (Papua New Guinea) features among our top five aid recipients. If we consider need in terms of raw numbers of poor people, the picture is similar. Of the five countries in our region with the greatest numbers of malnourished people only two are among our top five aid recipients, and the aid levels to these are much smaller than to our top three aid recipients.

Top 5 Recipients of Australian Aid Ongoing Spending (2006-7)	5 Most Disadvantaged Countries in the World (by HDI Ranking)	5 Most Disadvantaged Countries in Our Region (by HDI Ranking)	5 Countries in Our Region with Largest Number of Malnourished People
1. PNG 2. Indonesia 3. Solomon Islands 4. Vietnam 5. Philippines	1. Niger 2. Sierra Leone 3. Mali 4. Burkina Faso 5. Guinea-Bissau	1. East Timor 2. PNG 3. Nepal 4. Bangladesh 5. Bhutan	1. China 2. India 3. Bangladesh 4. Philippines 5. Vietnam

3. Aid by Subprogram

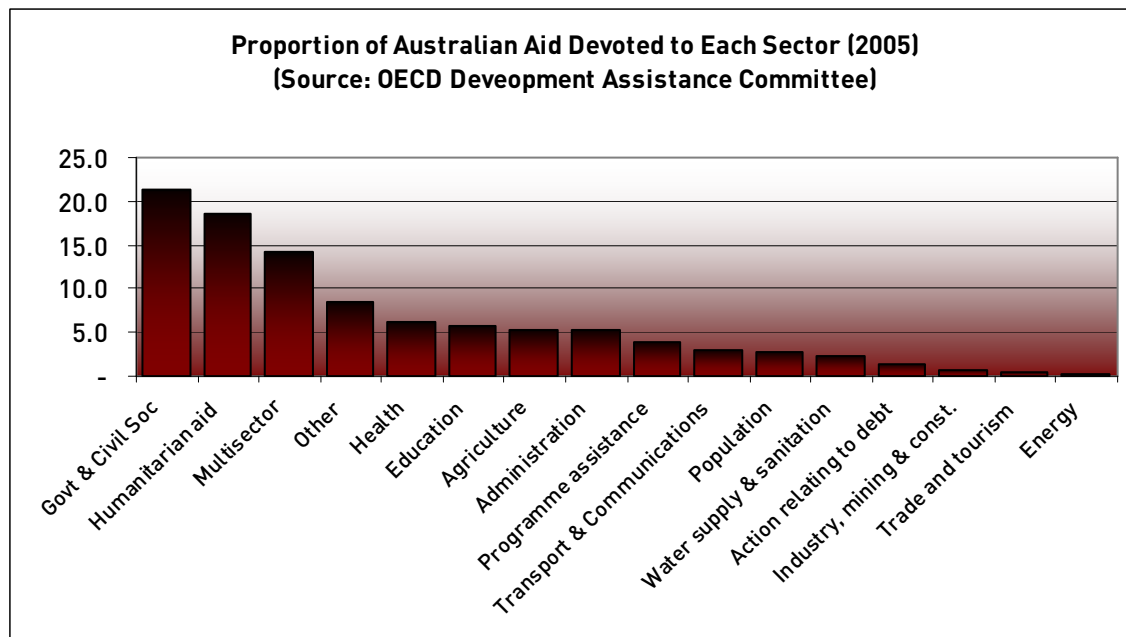


Australian aid is delivered in a number of ways. AusAID Country programs are those in which aid is directed to individual countries by the Australian Agency for International Development (AusAID). Australia also delivers aid to specific countries through other departments of the Australian Government (eg Australian police the Solomon Islands); international bodies ("global programs") such as the Multilateral Debt Relief Initiative and UNICEF; the Australia-Indonesia Partnership for

Reconstruction and Development (APRID), set up after the Tsunami; and the Australian Centre for International Research (ACIAR).

4. What is aid spent on?

In recent years the Australian aid program has focussed heavily on improving “governance” within recipient countries. “Governance” refers to the capacity of a government to be open, transparent and accountable, to manage its finances and planning, and to deliver services such as health and education. In the chart below “governance” spending includes the “Govt and Civil Society” sector, at over 20% of the Australian aid program, and portions of most other areas.



The increased focus on governance reflects a shift that has taken place internationally. A consensus among donors is that aid cannot be effective if poor country governments are not effective.

Critics argue that while governance is important, the Australian aid program has become overly-focussed on this area. “Governance” aid is frequently spent in ways that never have any direct benefit to the poor. For example, Australia provides training, including university scholarships, to people in the public service of developing countries. Such people are unlikely to be among the poor of that country. Similarly, significant sums are spent paying the salaries and living expenses of Australians who are working for poor country governments (eg Australian police in the Solomon Islands). Critics suggest that as Australia increases its aid to 0.7% of national income there should be a scaling up of services that directly benefit the poor, such as clean water and sanitation, basic health, and primary level education.