

**Statement by the Minister for Foreign Affairs,
the Hon Alexander Downer MP**

**Tenth Annual Statement To Parliament On
Australia's Development Cooperation Program
29 November 2000**

I am pleased to make the Tenth Annual Statement to Parliament on Australia's development cooperation program.

In last year's annual statement, I noted the very positive review of the aid program by the Development Assistance Committee (DAC) of the OECD. For the first time, a DAC review recognised that Australia has legitimate geo-political reasons for concentrating its aid program on countries in the Asia Pacific. This is not news to us. But it was encouraging to have that explicit recognition from the broader donor community of where Australia's interests, and the aid program's priorities, lie.

The Asia Pacific focus is evident in the figures. The final aid budget outcome for 1999-2000 was around \$1.75 billion, \$100 million higher than expected at the time of the May 2000 budget. This represents an ODA/GDP ratio for 1999-2000 of 0.28 per cent. Each year, about three quarters of the aid budget goes to the Asia Pacific.

But more striking than the figures, as events over the last year have again demonstrated, is the aid program's integral role in Australia's engagement in the Asia Pacific region. The depth and breadth of that engagement, and the strength of our regional relationships, are reflected in the program. Just a few examples tell the story.

One million people attending the opening of the My Thuan bridge in Vietnam in May this year, a bridge which is improving the lives of many poor farmers in the Mekong delta

More than 2,900 students from the region currently studying in Australia under aid-funded scholarships, who will return home not only with needed skills but with enduring links to Australia

Some 285 Australian Youth Ambassadors, and many other volunteers, are contributing their skills and developing lasting friendships in many countries across the region

We are helping developing country partners both reap the benefits of globalisation, and deal with its challenges, including through a wide range of trade-related activities such as successfully promoting tariff reform in Samoa, and strengthened social protection systems such as the jointly managed Thai-Australia social protection facility.

The aid program also reflects and promotes Australia's fundamental national interests in regional peace, stability and prosperity.

The region has seen some positive developments over the last year. Recovery from the financial crisis in East Asia has continued, although uneven and fragile. The Morauta government in PNG has pressed ahead with an ambitious economic and political reform

agenda. And in the South Pacific, with some notable exceptions I will return to, governance and economic reform issues are making progress.

The aid program has made a constructive contribution to these positive developments.

In East Asia, the program's focus has been on economic and financial sector reform to restore the fundamentals of growth, alleviation of social impacts and the creation of stronger social protection systems. The aid program is providing technical assistance and other support to improve PNG's economic management, public sector administration and delivery of services. In the South Pacific, activities in support of economic reform and governance now account for 20 per cent of Australia's aid.

But set against these positives, we are all only too conscious of the many challenges to peace and security in the region. The coup in Fiji, conflict in the Solomon Islands, East Timor's transition to nationhood and peace efforts on Bougainville are cases in point. And Indonesia is undergoing tremendous economic and political changes as its democracy evolves.

And it is not only such situations of outright conflict which are destabilising. Other issues also pose a threat to national and regional security. Environmental degradation, people smuggling, drug trafficking, money laundering, and communicable disease are of increasing concern. In the face of such non-military threats, as well as broader security concerns, Australia's development cooperation stands alongside the defence and diplomatic arms of government in working for regional stability.

The linkages between economic growth and development and enhanced prospects for peace and security are clear. The aid program's objective of poverty reduction and sustainable development contributes both to the internal stability of nations and to their willingness and capacity for peaceful and productive relations with their regional neighbours and internationally.

But while economic growth promotes stability, it is of itself no cast-iron guarantee against the outbreak of conflict. As developments in the South Pacific over the last year have shown, ethnic tensions, traditional and cultural pressures, uneven economic development and lack of institutional capacity can lead to instability. And when conflict arises, it can result in the reversal of hard-won development gains.

In many such cases, it is difficult to conceive of an effective Australian response in the absence of an aid program, whether it be providing short term emergency assistance, supporting peace building and reconstruction activities, or providing longer term support for economic recovery.

Solomon Islands is a case in point. The Solomon Islands government and people themselves must take responsibility for ensuring the Townsville Peace Agreement holds. The solution must be home-grown. But Australia, and others in the international community, can bolster their resolve and help with some of the tools needed for peace to take hold and for nation rebuilding to begin.

The aid program is integral to the overall Australian effort in Solomon Islands. Humanitarian assistance has been provided to meet the basic needs of disrupted and

displaced communities. Peace building and conflict resolution activities include facilitation of peace negotiations, assistance to reconciliation efforts of women's and church groups, rehabilitation activities and the reintegration into productive civilian life of youth and men who have been involved in the conflict. Australia's support for strengthening law and justice will be crucial to long term stability. The aid program will also be part of an international community effort to help reinvigorate the country's economy and address some of the underlying issues at the root of the conflict.

Events in **Fiji** have also highlighted the fragility of political and social stability in the Pacific. Again, the aid program has been part of the overall Australian response, but in a different form, given the nature of Fiji's political crisis. Aid figured in the sanctions announced in July. Some non-humanitarian activities were suspended or terminated. But Australia does not want to punish the ordinary people of Fiji or damage Fiji's longer term economic prospects. So the program's focus is now on helping the poorer sections of the Fiji community and supporting macroeconomic stability and public sector reform. Australia also stands ready to support appropriate activities to promote Fiji's return to constitutional and democratic government.

East Timor also shows the aid program at work in advancing Australia's interests in regional peace and security. In the last budget, I announced a commitment of \$150 million over four years to help East Timor move towards stable and viable nationhood. Australian aid is helping to get children back to school, people housed, agriculture revived, basic services restored and a nascent East Timorese administration established. The needs of East Timor are great but progress is being made.

The future – working in partnership with the region to meet challenges

Looking to the future, the challenge is to continue to build upon the aid program's contribution to peace, security and sustainable development in our region.

Promoting **poverty reduction** and the **sustainable development** necessary to enhance prospects for stability will continue to underpin the aid program. An important element of this will be working to strengthen further the program's poverty reduction framework, based on the following four arms: sustainable and equitable economic growth, increased productivity of the poor, greater accountability of governments and reduced vulnerability.

Countries which have embraced globalisation through an outward-looking approach to development have delivered real improvements to the welfare of their people. Accordingly, Australia's aid program will continue to assist countries to take advantage of the opportunities of globalisation by helping them develop their capacities in key areas of trade policy, governance and financial reform.

A priority will be to further **strengthen our development partnerships** in the region. The emphasis will continue to be on strong bilateral links, backed by working with relevant regional organisations and carrying out regional activities where appropriate to address transboundary issues and common development challenges.

We are in the process of finalising with Indonesia a new aid strategy. The program will respond to the challenges of Indonesia's political and economic transformation by

focusing on improved governance and addressing the needs of vulnerable communities. The effective implementation of the aid program depends on a high measure of cooperation with and input from Indonesia. It is one of the pillars for building a relationship of mutual respect and confidence.

Support for East Timor's transition to independence will remain a high priority. Our focus will be on building the capacity of the East Timorese to govern a stable and democratic nation, seeking to develop peaceful relationships with its neighbours.

As our closest neighbour and largest bilateral aid partner, Papua New Guinea's major development challenges will continue to demand our attention. The new Development Cooperation treaty, with its groundbreaking emphasis on performance benchmarks and the new Incentive Fund, moves the aid relationship on to a higher level of mutual trust and cooperation. The Bougainville peace process is at a critical juncture. Responsibility lies with the PNG government and people of Bougainville to work through the difficult issues to achieve a lasting settlement. The aid program will continue to back up their efforts, in direct support of the process as well as assisting development on Bougainville.

Events in the last year have driven home yet again Australia's important and abiding interests in the South Pacific, and its stability and peaceful development. Aid will remain a central element of Australia's relations with the Pacific island nations.

Our aid programs in the Pacific are about increasing self-reliance, not dependency. The key to self-reliance, in the Pacific and elsewhere, is improved governance. This means continuing with a strong focus on helping build island nations' capacity to develop the policy and institutional frameworks necessary for better economic performance. The aid program will continue to be a catalyst for good governance by providing early, flexible and responsive assistance to governments wanting to pursue economic reform.

We will also factor into our programs additional support for democratic institutions, including strengthening of parliamentary operations, and for the institutions of law and justice. Greater attention will be given to maintaining service delivery at the local level while central institutions undergo reform, and more support for rural and provincial development.

In the South Pacific and East Asia, addressing the governance issues is also at the heart of meeting the challenge of **nation-building**. That challenge makes itself felt around the Asia Pacific region, whether it be in these very early days of nation- building in East Timor, tackling the legacy of many years of conflict in Cambodia, or in PNG where the fragmented nature of society is illustrated by the 800 socio-cultural groups with their own languages. Australia cannot do the nation-building for others. But through the aid program we can help the people of those countries themselves take up the challenge.

Looking at the **regional development challenges**, HIV/AIDS stands out as a priority. HIV/AIDS is not only a health problem - it is a broader development issue. Unchecked, the spread of the disease can devastate a nation's productive resources, cut a swathe through generations and dramatically reduce economic and social development. The magnitude of the challenge has been recognised by the ASEAN countries. The 1999 International Congress on AIDS in Asia and the Pacific (ICAAP) noted that AIDS

threatens to reduce or even reverse Asian economic growth. In Papua New Guinea, the potentially alarming dimensions of the HIV/AIDS threat are emerging.

Earlier this year, I announced a six-year \$200 million global HIV/AIDS initiative. It will have a strong focus on our region, including a recently commenced \$60 million HIV/AIDS project in PNG. We intend to work closely with the ASEAN countries in developing appropriate strategies. As I announced at a seminar on HIV/AIDS held in Parliament House last week, I will host a ministerial session as part of the 6th ICAAP to be held in Melbourne in October 2001.

The so-called '**digital divide**' is another challenge gaining increasing prominence in the global and regional development agenda. Australia is leading the way in capturing efficiency gains from information and communications technology. We have achieved that position by getting the policy settings right, including encouraging a competitive telecommunications market.

Through the aid program, we can use our knowledge and experience to work with our regional partners to establish the right policy and regulatory environment to draw in the private sector, and support the necessary human resource development. We are currently looking at what we might be able to do to ensure the most effective contribution. Next year, for example, we will support an e-commerce and paperless trading symposium in Beijing in 2001.

As I announced last week, the Australian Government and the World Bank have agreed to undertake a joint feasibility study to look at how information and communication technologies can be used to alleviate poverty, with a particular focus on promoting education opportunities in developing countries. This program is sometimes known as the new Colombo Plan. The study will look at building on Australia's knowledge and practical experience in distance learning activities.

The aid program will retain a flexible capacity to respond appropriately to emergency and humanitarian relief needs as they arise, whether from natural or man-made disasters. The program has demonstrated, particularly over the last few years with the PNG drought and tsunami and in East Timor, that it is able to respond quickly when our neighbours are faced with circumstances beyond the capacity of their own resources.

These are just a few of the challenges. Australia does not profess to have all the answers. But we do have a deep knowledge of and broad engagement in the Asia Pacific region and we have relevant skills and experience. The international community looks to Australia to take a leadership role in the region, particularly in the Pacific. We also have a contribution to make to broader development thinking, bringing an Asia Pacific perspective and highlighting the regional development challenges and workable responses.

We have the will to work with our regional partners to achieve the stability and prosperity from which we all gain. The aid program will remain an important means of advancing that goal.

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