



Abt Associates Submission to the Australian Government's New International Development Policy & Performance Framework

Using Development for Long-term Security, Stability, Prosperity and Resilience

1. Strategic context for Australian aid

1.1 In [our 2017 submission](#)¹ to the Australian Foreign Policy White Paper we detailed the strategic operating context for Australian aid. Our assessment remains unchanged.

Internationalism has increasingly given way to nationalism; Asia remains the locus of global growth and population; geopolitical and commercial competition for pre-eminence in the Pacific has intensified; governance remains a challenge – most acutely in Melanesia; the graduation of Asian countries to Middle or Upper Middle Income Status (MIC/UMIC) is impressive but masks growing inequality – including gender inequality, and; the impact of transboundary threats (we singled out climate change and disease) continue to be borne unevenly by the Asia-Pacific.

1.2 Depending on how Australia responds, we judge these factors to be the key enablers – or blockers – to Australia achieving the objective of “security, stability, prosperity and resilience in the Indo-Pacific”.

1.3 The remainder of this submission focuses on *why and how* Australia could best position its development policy and program to achieve this stated objective in its new development policy framework.

2 Play the long game: address causes not symptoms

2.1 The new framework presents a strategic choice for Australia: will it use its development program to gain influence and respond hard and fast to urgent challenges that threaten security, stability, prosperity and resilience regardless of cascading impacts or possible long-term consequences? Or position the aid and development program to tackle deeper but more intractable drivers of conflict, economic stagnation, inequality and instability? While it may be possible (within limits) to do both at once, the decision about *where* Australia comes down on this spectrum – a greater focus on aid and development to enhance influence and address immediate problems, or to focus on the important – is critical. This decision will influence, if not determine, country priorities, designs, budgets, management approaches; as well as how Australia measures success.

2.2 Our overarching message for the new Framework is simple: focus the majority of aid and development on the long game. Refocus country and regional strategies to address the underlying drivers of instability, insecurity, inequality and poor growth in Indonesia and the Pacific *without overlooking* South East Asia: thereby shoring up Australia's national interests in the region and its position as partner of choice for coming decades – not just months or years.

- Responding *only* to proximate and immediate threats as they emerge (e.g. natural disasters, outbreaks of intra-state violence, economic crises) is important, but will not address the fundamental drivers which perpetuate conflict, economic stagnation and inequality – and thus undermine Australia's long-term strategic, commercial and geopolitical interests – in the region.

3 Drivers of instability, insecurity, economic stagnation and inequality

3.1 Instability, economic stagnation, inequality and insecurity are linked and exist at various levels in the Asia-Pacific. They exist at a household or interpersonal level (e.g. gender-based violence, seasonal poverty), through to internal state conflict (e.g. West Papua, Bougainville) or – less likely – interstate war and global or regional financial collapse. Economic stagnation and inequality are both causes and symptoms of conflict and insecurity, and instability resulting in conflict can set back a country's growth and development trajectories for decades². Broadly speaking, six issues that pose risks to long-term prosperity and stability are: vulnerability to climate change; gender-based violence (GBV) and inequality³; weak governance; demographic change; poor health and education outcomes, and; serious and organised crime. These issues are related and one can cause escalation in another.

¹ See: <https://www.fpwhitepaper.gov.au/sites/default/files/submission/170227-306-abt-associates.pdf>

² World Bank 2019 “By 2030, fragile and conflict affected countries will be home to 46% of the world's extreme poor. Conflicts also drive 80% of all humanitarian needs and reduce gross domestic product (GDP) growth by two percentage points per year, on average.”

³ Gender inequality undermines economic growth (see for example OECD (2012), *Closing the Gender Gap: Act Now*); human development (see for example World Development Report (2012) *Gender Equality and Development*); poverty reduction and economic growth (see for example Nieuwenhuis et al (2018), *Gender equality and poverty are intrinsically linked*) peace and security (see for example Hudson et al (2008/9) *The Heart of the Matter: The Security of Women and the Security of States*, pp. 7-45).

4 Where Australian aid could focus to achieve its objectives

4.1 If Australia wishes to use its development program to tackle these drivers of insecurity, instability, inequality and economic stagnation – and secure its long-term interests in the Asia-Pacific – it could focus on three key issues:

- i. *The inability of states to enforce rules and deliver services* – conflict is lower, and GDP is higher when states working at both national and local levels can legitimately enforce laws and regulation (and not just further narrow interests), extend authority (security, judicial and policing) over its borders, and its populations are healthy, employed, and educated;
- ii. *Inequality of opportunity and income* – communities, workplaces, countries and economies do better when women are given equal opportunities in all aspects of public and private life;
- iii. *Existential environmental and trans-boundary threats* – the impact of climate induced disasters and trans-national crime and disease (e.g. coronavirus) are being borne unevenly by the Asia-Pacific region. Strong prevention, preparedness and emergency warning and response systems can reduce the impact of these challenges.

4.2 This could translate into four sectoral areas for the aid program. See diagram on the right.

4.3 Critical to note is that the aid program is operating in a constrained budgetary environment. Australia *cannot do everything everywhere*. Choices must be made to invest in those sectors which will have the greatest return on Australia’s investment.

4.4 For Abt, this means: health and education; improving the status of women and underrepresented groups; addressing the causes of climate change and promoting resilience to disasters/ epidemics, and; supporting effective governance and developmental leadership. Gender and inclusion must also be mainstreamed and resourced across all Australia does.



5 How to achieve this: practical suggestions for the Framework and for DFAT

In framing the new policy paradigm

5.1 Within these sectors, only work on issues that have been identified by Australia’s partner governments as important to them. Global evidence is clear. Aid funds will only be effective if they work on problems and issues that partner governments see as a priority and want to tackle. Aid will have not achieve value for money if there no domestic political will or collective action to change the status quo. Donors cannot drive change alone.

5.2 Talk in terms of our common values and beliefs. The Asia-Pacific outpouring of support for the current bushfire crisis reminds us that there is more that *binds* us to our neighbours than sets us apart. Australia can use the new policy to re-frame how it wants its relationship to look in the Pacific. Let adversarial, Hobbesian and protectionist rhetoric – that pits the narrow country interests of one against those of the other: ‘protecting our interests’, ‘contain geopolitical threats’ – give way to concepts that foster productive, mutual respect and common experiences and values.

5.3 Language matters. Sometimes it is in Australia’s interests not to say something is in our interests. The aid policy is a chance to choose language that outlines the mutuality of our aid, diplomatic and defence support. Development is not a zero-sum game, and many of Australia’s closest neighbours – Melanesia especially – want a partnership of respect and equality with Australia. They desire a more equal cultural, commercial, and political exchange, focusing not just on what Australia can ‘do for them’, but what they can give back. They want their interests recognised as co-equal with Australia’s.

5.4 Build trust, achieve influence: Using Australia’s aid program to react to the political whims of partner countries will not secure Australia’s long-term interests in the Asia-Pacific. Influence comes from trust; and trust comes when countries

see that Australia is ‘in it for the long haul’: committing and delivering a consistent aid budget allocation across political cycles, and in line with a clear set of priorities both countries have agreed to (see 4.2 and 5.2 above).

- 5.5 Establish country-level whole-of-government strategies for Australia’s major bilateral partners. These would describe how the full gamut of Australia’s capabilities and policies – regarding trade, aid, defence, immigration, labour and educational opportunities, cultural and environmental exchange – would be brought to bear to achieve the Government’s objectives. State and local government assets could also be considered here. If endorsed by Cabinet and overseen by PM&C, these strategies would enable greater coordination among departments as opposed to allocating responsibility to a line agency.
- 5.6 Agree and monitor the progress of bilateral and development priorities in these country strategies with partner Governments. This could be achieved through greater use of Ministerial, Prime Ministerial and bilateral travel within the region, and annual partnership discussions to review progress and address issues arising. Our neighbours want a say in how aid is being delivered and assessed, and to understand how effective their own policies and programs are.

Sector and country focus

- 5.7 As described above, the Australian aid budget is constrained. By focusing Australian aid on a narrower set of drivers and sectors, greater value for money can be achieved than spreading the aid program thinly across many sectors. Likeminded development partners and Governments can be encouraged ‘pick up the tab’ in sectors Australia will not focus. This is especially the case in MIC and UMICs, where Australian aid will rarely be used for direct delivery but instead on helping partner governments leverage their own resources for service delivery.
- 5.8 Protect aid allocations to Indonesia and a small number of priority South East Asian (SEA) countries where insecurity, instability and economic stagnation is pressing and poses risks to Australia. While we support Australia’s pivot to the Pacific, there are significant economic and strategic challenges faced by Indonesia and SEA nations – which also pose risks to Australia. Even though many SEAs have achieved MIC or UMIC status, this should not obfuscate issues of rising inequality; pressures for state fragmentation and religious radicalisation, challenges to core institutional arrangements which have supported growth to date, and urbanisation and youth unemployment. These challenges do not disappear once a certain GNI per capita is reached; and for some countries these factors slow growth and undermine their ability to transition to MIC/UMIC status. This has implications for Australia’s economy.
- This approach would also require Australia to differentiate between aid country strategies for lower income and fragile contexts and MIC/UMIC countries. In fragile or low-income contexts Australia may need to supplement government capacity and support direct delivery of essential services; whereas in higher income countries the focus is on helping partners leverage their own resources. The caveat to this is that any investment in direct delivery by Australia needs to be accompanied by a clear transition plan and mutually agreed targets. Otherwise Australia risks undermining the sovereign role of government and exposing itself to moral hazard.

Measuring success of the Framework

- 5.9 In order to ‘measure success’ of the Framework, investment needs to be made in country and program level monitoring evaluation, research and learning (MERL). The quality of DFAT’s results reporting to Parliament and the public at the aggregate (Framework) level will only be as good as the investment made in MERL at the country and program level. We therefore suggest quarantining 5-10% (ideally 10%) of the budget for country and program-level analysis, and MERL.
- In particular, country and regional strategies need to be underpinned by a sound, multi-disciplinary assessment, which identifies the drivers and possible solutions to insecurity, instability, inequality and economic stagnation. These should be reviewed and updated annually – preferably independently – and investment made in rigorous evaluation and monitoring to assess whether or not whole-of-government country plans are succeeding. It will also be important to ensure that the MERL agenda is not captured only by accountability needs and results reporting. Evidence shows aid programs are more effective (and therefore spend tax-payer money better) if investments are made in applied research, learning and rapid-cycle evaluation during project implementation.

6 Conclusion

- 6.1 Australia needs to reinvigorate its reputation for generosity, innovation and risk taking on the regional and global stage. The new development framework is an exceptional opportunity to do this by focusing on the long-term drivers of stability security, equality and growth, protecting support for Indonesia and select SEA nations, and showing that we are committed to building trust and addressing the critical global and local issues which matter to our region.

Contact: Jacqui De Lacy, Managing Director, Abt Associates; Lavinia Tyrrel, Practice Manager and Deputy Technical – Governance.