



POLICY BRIEF:

Elevating Development to the Heart of Australian Foreign Policy

Australia's strategic circumstances, including the ongoing effects of the COVID-19 pandemic, demand a long-term approach to our development policy and budget settings, our partnerships, and our capability. This will enhance our ability to seize opportunities, work with other nations and share our expertise to shape a world that we and our partners want to see.

KEY POINTS

- The COVID-19 pandemic has reversed regional and global poverty reduction, accelerated inequality and undermined human security, and previewed disruptions that are accompanying intensified geopolitical competition and the effects of climate change.
- But the region's future is not predetermined. Effective and inclusive development, alongside strengthened diplomatic and defence engagement, can help Australia work with neighbours, allies, friends, and communities to shape the world that we and our partners want to see.
- Elevating development to the heart of Australian foreign policy requires the policy, budgetary, partnership and decision-making architecture to support an effective development program that delivers on both Australia's and our partners' interests

RECOMMENDATIONS

- Recognise and resource an effective and inclusive development program as a unique national capability that can help Australia work with our partners to shape a world that delivers human security, peace and stability, prosperity for all, and a cooperative region.
- Deliver a new standalone development policy, within a year of the 2022 Federal Election, in consultation with regional partners, delivery partners, and the wider foreign policy community.
- This policy should centre poverty reduction as the overarching goal of Australia's development cooperation program, address the drivers of human insecurity and inequality, and explore opportunities to apply feminist foreign policy principles and modalities to Indo-Pacific and global relationships.
- Develop tailored 10-year development cooperation agreements with key partner nations in the Indo-Pacific to support the new policy. As whole-of-government and whole-of-society strategies, these will help us develop stronger and more effective relationships with our neighbours based on a shared vision of development priorities and impact.
- Legislate 0.5 per cent ODA/GNI by 2025-26, 0.7 per cent ODA/GNI by 2029-30, and an annual ministerial statement to the Parliament on development performance.
- Appoint a Minister for Development Cooperation and Humanitarian Assistance to Cabinet and Cabinet's National Security Committee.
- Re-invest in DFAT's specialised development policy, aid management and performance areas; re-establish the Office of Development Effectiveness and the Independent Evaluation Committee; appoint senior representatives for development partnerships at key regional and multilateral posts; and appoint an Associate Secretary for Aid and Development.

STRATEGIC AND DEVELOPMENT CONTEXT

INDO-PACIFIC

The COVID-19 pandemic has had a profound impact on Australia's Indo-Pacific operating environment – costing lives, decimating livelihoods, and undermining stability.

According to official estimates, COVID-19 has killed almost one million people in the Indo-Pacific, reversed decades of continuous economic growth and poverty reduction in Southeast Asia, and caused deep contractions in incomes and progress against human development indicators in the Pacific.¹ As many as 80 million people in Asia and the Pacific have been thrown into extreme poverty as a result of the pandemic.²

The scars from the crisis will last for decades. Pandemic-induced school closures interrupted the education of more than 800 million children across Asia. The impacts of this interruption — learning loss, mental distress, missed school meals and routine vaccinations, heightened risk of school drop-out, increased child labour, and increased child marriage — will have intergenerational consequences.³

At the same time, the pandemic has compounded existing, pre-COVID disparities — unequal economic opportunities, uneven access to health services and formal social protection programs, and exposure to systemic marginalisation. Demand for gender-based violence support services in some Pacific Island countries tripled during the early stages of the pandemic.⁴ Marginalised groups — including women, people with disabilities, informal sector and migrant workers, ethnic minorities and youth — have been disproportionately affected by the humanitarian, health and economic consequences of the pandemic.

While the vaccine rollout promises a post-COVID regional recovery, the pandemic has exposed critical gaps in resilience. These gaps portend the kinds of political, economic, and social disruptions the Indo-Pacific can expect from both intensifying conflict and the effects of climate change. Renewed civil unrest in Solomon Islands in late 2021 highlights the potential long-term consequences of uneven development and service provision coupled with fragile political settlements.⁵ In the case of climate change, rising sea levels, increased extreme weather events, and under-pressure ecosystems, converging with COVID-19, highlight the increased incidence of 'double disasters'. These disasters simultaneously affect livelihoods, compound inequality, and reduce resilience to future shocks.⁶

GLOBAL

Major reversals in development gains over the last two years have accompanied the deepest global recession since the 1930s. Worldwide, extreme poverty has risen for the first time in more than 20 years. The pandemic plunged as many as 100 million more people into extreme poverty worldwide in 2020; has exacerbated the protracted humanitarian crises in South and West Asia, the Middle East and Africa; has disrupted access to vital health and education

services for hundreds of millions of people; and has placed new strains on the rules-based multilateral system.⁷

As a regional power with global interests, Australia can neither ignore its equities in this system, nor shirk its obligations. In 2021-22 Australia will again fail to meet its fair share of global humanitarian finance.⁸ If Australia genuinely wants to strengthen the international rules-based order we must invest more to meet shared humanitarian and development challenges. Commensurate with our status as a G20 economy, this must include funding our fair share of finance for global public goods in critical areas such as climate change, health, and education.

HUMAN DEVELOPMENT AND HUMAN SECURITY

Ultimately, the pandemic and the inequalities it has exposed has reinforced the enduring relevance of the fundamental building blocks of human development and human security – access to quality health and education services, secure economic opportunities and sustainable livelihoods, and inclusive political and economic institutions.

Societies in which these opportunities, services and institutions cannot be accessed in a broad-based, equitable manner — whether due to state weakness or to restricted access — are less likely to prosper and succeed.⁹

This relationship is most clear in the case of gender equality. As the World Bank and others have shown, gendered inequality at the individual level is a significant predictor of instability at the state level: the larger the gap in experiences and opportunities between men and women, the more likely a country is to be involved in inter- and intra-state conflict, and to use violence as a first response in a conflict setting.¹⁰ Similarly, if men and women participated equally in the global economy, annual global GDP would increase by 26 per cent by 2025, adding US \$28 trillion.¹¹ More gender-equal societies results in more stable and prosperous states.

In this sense, national security is inextricably linked to human security. This link compels us to foster more inclusive institutions and power relationships – for example, between men and women, between those with and without a disability, between people and the natural ecosystems that support humanity – to advance human security and development in the wake of the pandemic.

AUSTRALIA'S INTERNATIONAL DEVELOPMENT PROGRAM

AN EXPRESSION OF INTERESTS AND VALUES

Australia's development program is perhaps the most tangible and practical tool we have to address the shared challenge of achieving a more stable, peaceful, and cooperative region. It is a compelling expression of shared interests and values.

Since the late 1950s, the development program has helped Australia build trust and enhance regional relationships. Former recipient countries such as India, Malaysia and Thailand are now key trade and strategic partners. The development program has been a foundation of Australia's relationships across the Pacific, helping forge stronger bilateral and people-to-people bonds that have enabled deeper cooperation in era of significant strategic change and uncertainty. It has been an integral part of Australia's integrated, civil-military efforts to support peace and stability in Cambodia, Timor-Leste, Bougainville, and Solomon Islands. And it has meant that Australia has had a voice in the global economic, trade and multilateral rules-based order of the post-war era.

As well as advancing our interests, Australia's development cooperation is an important expression of our values on the regional and global stage: democracy, human rights, gender equality, and the rule of law. It is a significant and important source of influence and persuasion in an era in which autocratic and authoritarian alternatives are growing more prominent.

A UNIQUE NATIONAL CAPABILITY

Australia's development cooperation represents a unique national capability. At its core it comprises a network of trusted relationships and deep expertise that has been built over decades of working side-by-side with regional governments, civil society, the private sector, and multilateral partners. This network operates at the international, national and community levels to help shape a shared vision for our region. It is a critical element of Australia's foreign policy and statecraft.

Australia's development program is the principal mechanism through which Australia can work at the sub-national level – whether it be partnering with local doctors and health clinics in Papua New Guinea's Western Province, collaborating with water management experts in the Mekong Delta region of Vietnam, or working with non-government and multilateral agencies providing critical humanitarian support to conflict-affected communities in remote parts of Myanmar, Afghanistan, and Syria. No other element of Australia's foreign policy apparatus delivers this depth or breadth of networks, expertise, and relationships, nor connects us so deeply with citizens and communities around the world.

FORGING NEW PARTNERSHIPS

The development program also represents a critical platform for building new partnerships with governments, civil society, and communities in our region. These connections are more important than ever as the region begins to emerge from the COVID-19 pandemic, against the backdrop of the most competitive and uncertain strategic environment since the end of World War II.

Indeed, Australia's ability to forge successful relationships through new multilateral and 'mini-lateral' partnerships with groupings such as the Quad will depend largely on the degree to which we can bring practical, focused effect to this cooperation in areas including health, climate change, energy, and digital technology. Similarly, Australia's ability to deepen our established relationships with bodies such as ASEAN and the Pacific Island Forum will require expanding our ability to help these groupings problem-solve in the face of the intensifying impacts of climate change – including disaster preparedness and response, natural resource management, food security, and inclusive economic growth.

The extent to which the development program can achieve these kinds of foreign policy dividends depends to a significant extent on whether it is able to deliver tangible impact and results for Australia's partner countries and communities.

POLICY, RESOURCING AND DELIVERY

A NEW DEVELOPMENT POLICY

Australia's development policy is a key pillar of our foreign policy and statecraft. As such, our policy architecture requires: a strategic assessment of Australia's operating environment; clear long-term objectives designed in consultation with partners and matched with capabilities; a supporting multi-year budget framework; and regular, rolling updates to the policy during its lifecycle. In November 2019, the Australian Government committed to developing a long-term international development policy, and in support established an expert-led consultation process. However, the need to pivot to the COVID-19 response placed this policy process on hold and an interim, two-year strategy called 'Partnerships for Recovery' was announced in May 2020.

With this interim policy due to finish in mid-2022, one of the first tasks of an incoming government will be to renew the process for a standalone development policy that articulates Australia's goals, priorities, and how the program will work with partners. This policy should be developed as a matter of urgency, within the first 12 months after the Federal Election.

The process to develop the policy should be expert-led, evidence-based, and include consultation with regional partners, delivery partners, civil society, and the wider foreign policy community. It should be the first order of business of a DFAT-convened Annual Development Dialogue with partners, experts and whole-of-government agencies. The new policy should align with any update to Australia's 2017 Foreign Policy White Paper or a new foreign policy statement. It should also encompass all forms of development finance, including development assistance delivered through government agencies outside of DFAT.

The new policy should ensure a focus on poverty reduction as its core goal. It should also explicitly identify the areas in which Australia has a clear comparative advantage as a 'partner of choice' in supporting stability, prosperity, and human development – including in health, civil society, climate change, humanitarian assistance, disability inclusion, and addressing the needs of children and youth, including access to a quality basic education.

Gender equality must be at the forefront of this work. As society which believes in the goal of gender equality, Australia has a long history and identity of working to advance the position of women and girls, both globally and in our region. An incoming government should build upon this record to explore opportunities to apply the principles and modalities associated with a feminist foreign policy to key Indo-Pacific and global relationships, working with regional partners, civil society and other bilateral donors who are pursuing this approach — including Germany, Sweden, France, Canada, Spain, Mexico, and Luxembourg. A feminist foreign policy approach would centre core issues of human security, build more inclusive institutions, and

transform power relationships in both our development programs and our wider diplomacy. This would involve working in partnership through all of Australia's foreign policy instruments – development, diplomacy, and defence – to transform the norms and institutions that affect gendered outcomes across political leadership, economic participation, peace processes, conflict prevention and disaster response.

10-YEAR DEVELOPMENT PARTNERSHIPS

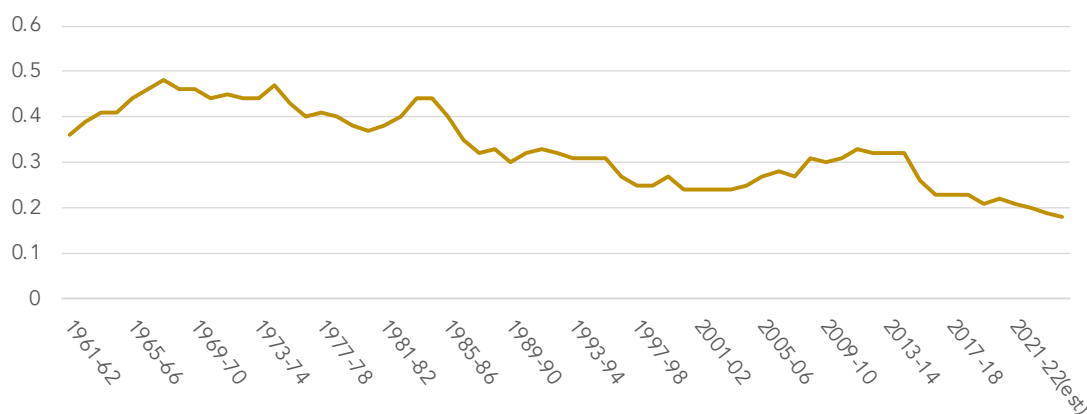
Australia's partners want deep and sustained partnerships defined by mutual respect, mutual accountability, and local ownership of development goals. This requires deeper people-to-people and community links which stand the test of time and create solidarity between Australia and its partner nations. This involves deep grassroots links between people, community, and civil society – relationships that endure over time and build solidarity between Australia and its partners. To support these links, Australia should establish tailored 10-year development partnerships with key partner nations in the Indo-Pacific. As whole-of-government and whole-of-society strategies, these partnerships will set our engagement to maximise development impact. Regional leaders such as the President of Indonesia, President Joko Widodo, have called for this kind of long-term vision for our development cooperation.

"Indonesia and Australia must become the anchors for development partners in the Pacific region Indonesia and Australia must become true friends for countries in the Pacific region, collaborating as development partners, addressing the impacts of climate change, alleviating poverty and social inequality, and creating new centres of economic growth in the Pacific region."

President of the Republic of Indonesia, His Excellency Mr Joko Widodo, Address to a Joint Sitting of the Australian Parliament, 10 February 2020.

These strategies must also recognise and value the different and complementary role of all actors involved in development. In doing so, they should support and resource the creation of partnerships between non-state actors. Track II diplomacy, through the generation of NGO, business, faith-based, education and trade union links, will be fundamental to Australia's success in the Indo-Pacific region.

AUSTRALIAN OFFICIAL DEVELOPMENT ASSISTANCE: % OF GNI



Source: Development Policy Centre, Australian National University

BUDGET SETTINGS

Australia's current, development budget settings do not reflect our changing strategic circumstances, our regional and global interests, or our values.

Despite recent temporary increases made in response to COVID-19, Australia's development cooperation budget, measured both as a share of national wealth over time and compared with other OECD donors, has remained at historic lows over the last several years. In 2021-22 Australia's ODA is estimated to reach just 0.21 per cent of GNI and, on current projections, will fall to an estimated 0.18 per cent in 2024-25.¹²

Australia currently ranks 21 out of 29 OECD economies for ODA as a percentage of GNI – below the UK (0.7 per cent), Canada (0.31 per cent) and New Zealand (0.27 per cent), well below the OECD donor average (0.32 per cent), and even below that of smaller, non-G20 economies such as Hungary (0.27 per cent) and Spain (0.24 per cent).¹³

A new development policy should include legislated, stepped targets for achieving the 0.7 per cent ODA of GNI by 2030 target that Australia has agreed to as a signatory to the Sustainable Development Goals. This should include a legislated commitment to reaching 0.5 per cent ODA/GNI by 2025-26 as an interim target and 0.7 per cent by 2029-30.

A long-term, legislated budget framework will allow a more effective approach to matching our development objectives with capabilities; support improved planning with partners around their long-term development strategies; and better accommodate flexible responses to short-term priorities without compromising long-term goals.

In order to enhance transparency, maintain bipartisanship and strengthen public confidence in a growing development program, the Australian Government should deliver an annual ministerial statement on development effectiveness to Parliament, and strengthen efforts to communicate the importance and value of the program to the Australian community.

MINISTERIAL ARRANGEMENTS AND DFAT CAPABILITY

A growing, results-focused, and more strategically important development cooperation program will require strengthened engagement in the Cabinet. A Minister for Development Cooperation and Humanitarian Assistance should be appointed, elevated to Cabinet, and included in Cabinet's National Security Committee. This would reflect the recent decision by Australia's principal ally, the US, to appoint its USAID Administrator, Samantha Power, to the White House's National Security Council.¹⁴

The last several years have seen the erosion of DFAT's specialised development leadership and capability, both in Canberra and overseas. Responsibility for the development program is currently fragmented across multiple geographic and sectoral policy areas of DFAT. The abolition of the Office of Development Effectiveness (ODE) and the Independent Evaluation Committee (IEC) in 2020 has been coupled with the ongoing reduction in DFAT's specialist development positions in Canberra and at key posts and a lack of a central focal point for the development program across DFAT and government.

This has come at the cost of strategic coherence, effectiveness, and transparency. This is despite the development program constituting over 60 per cent of DFAT's budget. This lack of coherence undermines Australia's ability to capitalise on the strategic benefits of an effective and inclusive development program, increases DFAT's reliance on short-term contractors and consultants to the detriment of core capability, and risks weakening support for the program in the Parliament and among the public.

Reversing financial cuts and rebuilding DFAT's development management and leadership capability are critical priorities. An incoming government should re-establish both ODE and the IEC, deploy dedicated development specialists to senior leadership positions in key Pacific, Southeast Asian and multilateral posts, and appoint a new Associate Secretary for International Development and Humanitarian Assistance, along the lines of DFAT's recently appointed Associate Secretary for Trade and Investment. This latter position should provide a focal point for development strategy, effectiveness, and accountability across DFAT, and serve as a point of coordination on development issues across government.

ENDNOTES

- 1 <https://covid19.who.int/table>
- 2 <https://www.adb.org/news/covid-19-threatens-asia-and-pacific-progress-sdg-adb-data-show>
- 3 <https://www.unicef.org/eap/press-releases/future-of-800-million-children-across-asia-at-risk>
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- 6 <https://news.un.org/en/story/2021/08/1098412>
- 7 <https://blogs.worldbank.org/opendata/updated-estimates-impact-covid-19-global-poverty-turning-corner-pandemic-2021>
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- 11 <https://www.mckinsey.com/featured-insights/employment-and-growth/how-advancing-womens-equality-can-add-12-trillion-to-global-growth>
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