

STANDING COMMITTEE ON FOREIGN AFFAIRS, DEFENCE AND TRADE  
Inquiry into Australia's Overseas Aid and Development Assistance Program

Evidence submitted by

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## **Australia's Leadership in a New Aid Paradigm for the 21<sup>st</sup> Century**

### **PREAMBLE**

It is an honour to provide evidence for the above mentioned inquiry. I have a long association with Australia, Melanesia, and the countries of Asia Pacific. From 1965 to 1966, I worked in the Solomon Islands and built an airstrip on the Weather Coast of Guadalcanal. I did my PhD at the University of New South Wales, during which time I lived in the Enga Province of Papua New Guinea. I have subsequently visited Australia and the Asia Pacific Region many times in connection with development issues, with a special focus on health. I was among the creators of the AusAID-supported Pacific Malaria Initiative, which is driving malaria elimination in the Solomon Islands and Vanuatu. I am the co-Chair of the Asia Pacific Malaria Elimination Network (also primarily supported by AusAID), which brings together 15 countries across Asia Pacific to accelerate their dramatic progress towards elimination of malaria. I have enjoyed close relations with the Australian Government, including AusAID and DFAT, over many years. I am especially grateful for the strong support given by Australia to the Global Fund during my tenure (2002-2007) at the Global Fund.

### **A BIG OPPORTUNITY**

The dissolution of AusAID and the restructuring of the Australian aid program provide a once-in-a-generation opportunity to rethink and reengineer Australia's aid program. While there are funding commitments that could not be prematurely abandoned, the restructuring in Canberra provides something close to a clean slate for vision, strategy, and policy. If Australia wants to do aid differently, now is the time for bold action. Australia has the opportunity to replace the outdated aid models, largely created in the 1960s, with a new aid paradigm for the 21<sup>st</sup> century.

## **A REGIONAL APPROACH**

The first mantra of Australian aid in the future should be a relentless focus on the Asia Pacific Region. This is Australia's comparative advantage and its geopolitical interest. There is simply no point in spending small amounts of Australian taxpayers' money in African countries, where there are already too many donors competing for attention and influence.

The one exception to this regional focus on Asia Pacific, is the funding of global enterprises which have impact in Asia Pacific and beyond. This is the subject of the next section.

## **SUPPORT FOR GLOBAL INITIATIVES**

Australia has been a strong supporter of a number of highly effective and innovative global collaborations. These are most evident in the health sector. Outstanding among these are the Global Fund to Fight AIDS, TB and Malaria (the Global Fund), the Global Alliance for Vaccines and Immunization (GAVI), and the Medicines for Malaria Venture (MMV). Australia should continue to support these and similar organizations, but with an important caveat; namely that Australia should use its leverage as a funder and a member of the governance structures of these organizations to ensure that they are fully active in Asia Pacific.

For example, any tendency for the Global Fund to become primarily a Global Fund for Africa, should be resisted by the Australian Government. A continuing strong role of the Global Fund in Asia Pacific should be a condition imposed by the Australian Government on ongoing funding to the Global Fund. Similar arguments apply to other global initiatives. For example, MMV has focused on new drugs against *Plasmodium falciparum*. These are important in Asia Pacific; however, even more important in Asia Pacific are new drugs against *Plasmodium vivax*. Australia can be a strong advocate for greater attention to research and development work on *Plasmodium vivax*, through its influence on the appropriate governing and scientific advisory bodies.

## **REGIONAL PUBLIC GOODS**

The heartland of Australia's assistance to the Asia Pacific Region should be regional public goods. Things that benefit all countries in the region. Things that can elicit collective commitment, collective financing, and collective action. Things that are undoubtedly good for all citizens of all countries in the region. Things that individual countries cannot achieve on their own, and for which only collective action and joint enterprise will deliver the desired outcomes.

There are excellent examples of such regional public goods in the health sector. Malaria elimination stands out as one of them. Great progress has been made. Australia has played a leading role, which is much appreciated in the region. By 2035, the whole of Asia Pacific can be malaria-free, which will be a historic achievement of unparalleled magnitude.

Other health sector examples of regional public goods would include the fight against drug resistance and the efforts to curtail the rapidly rising trade in counterfeit medicines of all kinds.

Outside the health sector, there are also a number of priority regional public goods in which Australia can show leadership in concerted efforts with China, Indonesia and other heavy hitters in the region. Examples include global warming, deforestation, and biodiversity.

## **MELANESIA AND THE PACIFIC ISLANDS**

Notwithstanding the recommended focus on a small number of large regional public goods, a more nuanced sub-regional and bilateral approach is required for Melanesia and the Pacific Island nations more broadly.

Concerning Melanesia, Australia has many decades of history of pouring large sums of taxpayers' money into ineffectual aid programs in Papua New Guinea and the Solomon Islands, particularly. While support from Australia to these two countries is essential and clearly in Australia's best interest, the type of aid needs radical rethinking.

When we examine failures in aid to Melanesia, it would be generally true that aid for the social sectors, particularly health and education, channeled through government has been ineffective, and/or has had only short-lived impact. Future policies could include greater emphasis on infrastructure, including transport, electrification, and telecoms, together with a greater focus on the private sector and public-private partnerships in supporting health, education and other sectors.

Certainly, continuing to pour good money after bad is not an attractive option, and whatever is done, it should be bold and radically different.

For the tiny Pacific Island nations, clearly special strategies and policies are needed. For many of these countries, Australia is the only or predominant source of financial and technical assistance. They face unique challenges for which tailor-made solutions are required. Again, the guiding principle should be that if it hasn't worked well in the past, it should not be continued. The risk of trying bold new approaches is less than the risk of continuing with failed policies.

## **AVOID REGRESSION TO BILATERALISM**

The most obvious risk from the merger of AusAID into DFAT is that the Australian aid program becomes more bilateral in its operations. This is precisely the opposite of the global trend in aid policy and of the desirable trend for Australia's relationships with the Asia Pacific. Aid in general has been relatively unsuccessful since the aid industry came into being in the 1950s and 1960s. There is little evidence that aid has alleviated poverty or that individual bilateral projects have had a lasting impact. There is, by contrast, substantial evidence that large global and regional efforts, particularly in the health sector, have achieved much. The eradication of smallpox, the progress in antiretroviral therapy, the dramatic

reductions in malaria worldwide, and the fact that the great majority of children in the world are now immunized are all outstanding examples of large and coordinated global aid efforts.

The future of Australian aid in Asia Pacific surely lies in joining together with China, Indonesia, India and other leading nations of the region to gather collective finance, and take collective action, to address a small number of high priority issues that are widely agreed to be of great importance for the region as a whole and for each nation and citizen within the region. A highly bilateralized aid program would fragment such regional clarity and cohesion and could lead to a plethora of “feel good” projects in individual countries. Many of these projects would not achieve lasting impact, and would not represent value for money for the Australian taxpayer.

### **THE PRIVATE SECTOR**

Across Asia Pacific, governments are generally too large and generally try to do too much. Aid programs which assist a bloated and overambitious role for the state make this problem worse. A fundamental principle of the Australian aid program in Asia Pacific should be that it encourages private sector-led economic growth, stimulates greater roles for the private sector in areas such as health and education, and certainly does nothing which crowds out or impedes private sector initiatives. By “private sector” I mean all entities that are not governments; including for-profit and not-for-profit companies, NGOs, CBOs, and faith-based organizations.

A greater use of public-private partnerships, including PPPs in the health and education sectors, is an attractive avenue for the future. For example, the major hospitals in Port Moresby and Honiara are desperately in need of refurbishment of the physical infrastructure and a complete transformation of the delivery of care. Rebuilding these hospitals and allowing the Ministry of Health to then staff and run them will initially lead to poor services in smart buildings, and very soon to poor services in dilapidated buildings. A solution to this problem that other countries have tried with considerable success is the Public-Private Integrated Partnership (PPIP), under which a private consortium co-finances, builds and maintains new hospital infrastructure and also staffs and runs the hospital and provides all the services under a long-term contract with the government. Only by innovative approaches such as this, will transformational and lasting progress be made. Australia has significant experience in both PPP and PPIP models in the health sector domestically, and thus has expertise to bring to bear. The PPIPs at Joondalup and Midland Health Campuses in Western Australia are examples of innovations which Australia can share with its neighbours.

### **SCIENCE AND ADVANCED TRAINING**

Australia has a long and distinguished history of funding scientific collaboration between leading centers in Australia and leading centers in Asia Pacific. Australia also has a long and distinguished tradition in offering advanced training at its leading universities to the future leaders of science, business and government in the countries of the region. These collaborations are highly productive, much appreciated, built lasting friendships, and are a win-win for Australian institutions and those

elsewhere in the region with whom they are collaborating. The recently launched New Colombo Plan is an excellent example of investment and innovation in this field.

Other new initiatives in this area could include a program of long-term twinning between leading schools of medicine, engineering and business (for example) in Australian universities and selected counterparts in the Asia Pacific Region. Experience elsewhere with twinning suggest that success requires long-term commitment, co-governance, and clearly articulated mutual benefit for both sides of the relationship. Such collaborations typically fail when the time horizon is too short and where one party (typically the institution in the more wealthy country) controls the funds and dominates the decision-making. These mistakes of the past can be readily avoided.

### **TRADE BEFORE AID**

In all discussions about Australia's mutually beneficial relationships with the countries of Asia Pacific and with the region as a whole, it should be kept in mind that trade is more important than aid. Facilitating expanded trade with the countries in the region is in everybody's best interest. Australia should reduce remaining vestiges of protectionism and ensure that, particularly the poorer countries in the Asia Pacific are offered the most advantageous access to Australian markets. Removal of duties, tariffs, and quotas can have far larger and more lasting impact on GDP per capita than even massive transfers of aid.

### **TRANSPARENCY**

Radical transparency is *a sine qua non* of any 21<sup>st</sup> century aid program. The taxpayers of the donor country have a right to know exactly how their aid agency is investing resources in other countries. The citizens of those other countries have a right to know exactly how the money is being allocated and what progress and achievements are claimed by the recipients. Only by such transparency can donors and recipients be held accountable and only by such transparency can fraud or misuse of funds be quickly exposed through the vigilance of civil society organizations in the recipient countries.

In the 2013 Aid Transparency Index, AusAID was placed 24<sup>th</sup> out of 67 aid organizations scored and ranked for transparency. Australia scored 43%, in comparison to the highest scorers which achieved over 80%. Bilateral aid agencies which scored higher than Australia include (in order of good performance) United Kingdom, Canada, Sweden, Denmark, Netherlands, New Zealand, USA and Germany.

Becoming a top scorer in the Aid Transparency Index is a readily achievable short-term priority for the Australian aid program. It would do much to enhance credibility and deter or detect corruption.

### **LEADING A 21<sup>ST</sup> CENTURY AID PARADIGM**

Because of the fundamental reengineering of the Australian aid program that is underway, Australia has a rare opportunity to radically improve the vision, the strategies, the policies, and the business model of

its aid program. Given that the past decades have witnessed both disappointing performance by the Australian aid program and the transformation of the geopolitical situation in Asia Pacific, radical reengineering is highly desirable.

If Australia takes a bold new approach to its aid program, it would not be alone. Countries such as the United Kingdom are undertaking major changes which include strong support for multilateral initiatives (such as the Global Fund and GAVI), increased focus on global public goods, an emphasis on private sector solutions where these solutions are possible, and a greater sense of prioritization and focus. The UK and other aid agencies are also pushing the frontiers on transparency and on the independent evaluation of results.

Australia, with its history of engagement and relationships with countries in the Asia Pacific region, can join others in pioneering what will become the 21<sup>st</sup> century paradigm for aid. This paradigm rejects the patronizing assumptions of the past and is appropriate to new geopolitical realities. It emphasizes, wherever possible, collective commitment, collective financing and collective action for the achievement of regional or global public goods. Where bilateral aid to support failed states and vulnerable nations is still required, the new emphasis includes a recognition of the limitations of weak government bureaucracies and seeks public private partnerships of various kinds to upgrade infrastructure and deliver education, health, and other critical services to all citizens. This new aid paradigm also embraces the philosophy of social investment, where returns on investments are measured, good results trigger further investments, and poor results lead to the reduction or termination of support.

Australia is well-placed to be a leader in this long overdue transformation from a post-colonial, 1960s approach to aid to a genuinely 21<sup>st</sup> century model. The governments and peoples of the Asia Pacific Region will applaud and welcome this new model, with its emphasis on mutual respect, joint decision-making, and collective action.

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*January 17, 2014*