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**Key Challenges and Solutions in Delivering Successful Aid for Commercial Ventures in Asia**

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*Paper prepared for presentation at the “Prosper or Perish: Asian Poverty and the Australian Economy” conference conducted by the Crawford Fund for International Agricultural Research, Parliament House, Canberra, Australia, June 28, 2001*

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# Key Challenges and Solutions in Delivering Successful Aid for Commercial Ventures in Asia

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The Foundation for Development Cooperation is a privately funded, international development think-tank based in Brisbane. It was established in 1990 as the result of the vision and determination of a single individual, Bill Taylor, and has established itself as a small but influential player with particular expertise in the areas of regional cooperation and microfinance.

In recent times, FDC has extended its range of interests by networking with similar organisations in Australia and other parts of the world. We work in partnership with Universities, the private sector, non-government organisations and with individuals who share our commitment to innovation, action research and advocacy in support of sustainable development and poverty reduction in the Asia and Pacific regions.

It is a privilege to have been invited to contribute to The Crawford Fund's International Conference on the interconnectedness of Australian and regional futures and to join the Crawford Fund's Queensland Committee. I will:

- Review development prospects in the region;
- Identify and discuss some of the factors that inhibit more rapid progress towards internationally agreed poverty reduction targets - with implications for all concerned, but focussing especially on the private sector; and
- Explore fresh approaches and opportunities for increased investment and greater effectiveness to achieve sustainable development outcomes.

## Re-capping

Previous speakers have reminded us of a number of principles on which I am sure there is substantial agreement. These principles will be illustrated in further case studies and presentations during this meeting.

BERIS GWYNNE was appointed Executive Director of The Foundation for Development Cooperation in Brisbane in May 2000. Prior to this appointment, she served as a career diplomat with the Australian Department of Foreign Affairs and Trade in diplomatic missions in Vietnam, Poland, Mexico and Nauru. She joined the Australian Agency for International Development (AusAID) in 1989 and worked there until 1994 when she was appointed Group Executive for International and Indigenous Programs for World Vision Australia (WVA).

**First**, investment in rural development is an essential element in any sustainable development or poverty reduction strategy.

- Food and water are essential to human life, but chronic insecurity in regard to both creates vulnerability which spills over into other areas, including health, education, environmental degradation, economic activity, and increasingly, conflict.
- Famine and thirst have been inextricably linked with migrations for millennia.

**Secondly**, rural development and poverty reduction are major factors in facilitating economic growth and the development of the political and other

institutions which enhance the capacity of developing countries to participate in the global economy.

- Economic growth prospects are seriously impaired if food and water are in short supply.

*Thirdly*, the application of the fruits of agricultural research is the key to rural development, offering significant rates of return in increased food production, improved management of natural resources and sustainable livelihoods.

*Fourthly*, Australia has substantial comparative advantage in agricultural research, rural development and natural resource management, with investment providing substantial spin-offs within Australia. This can be seen not only in terms of shared learning and the application of relevant agricultural research for the benefit of Australian producers, but also in terms of the strengthening of Australia's expertise and reputation in the fields of science and technology. As a result, Australia presents to the world a picture of cutting edge capability, innovation and human resource development when it comes to harnessing and exploiting scientific and technological advances. This is of considerable value when it comes to building mutually beneficial relationships and technology transfer with counterparts in neighbouring governments, businesses and communities.

*And fifthly*, Australia's future is inextricably linked to developments in Asia, with interconnectedness and inter-dependency becoming the hallmarks of globalism. Our investment in agricultural research to support the achievement of broader sustainable development objectives in the region creates a positive environment for trade and investment, and reduces risks of conflict. As a corollary, Australian interests are adversely affected by political, economic or other difficulties in the region.

Somewhat less clear from my point of view is the degree of consensus regarding the proposition that much greater effort is needed – and needed urgently – to increase investment in agricultural research and extension. *This* is where we need to start if we are to understand the key challenges and identify activities to improve development prospects in our region, to encourage private sector engagement and to apply the limited aid resources more effectively to support economic growth, and political and environmental security.

## Understanding the need for great effort

There is no shortage of reports pointing to the state of near-collapse of the planet's capacity to support its more than six billion inhabitants. The United Nations, the World Bank, the United Nations Development Program and the World Resources Institute have collaborated to analyse the state of global ecosystems<sup>13</sup>. We are presented with a chilling picture of development prospects in the Asia and Pacific regions, and beyond, in the 21<sup>st</sup> Century. The High Level Panel of Eminent Persons on Financing for Development, chaired by former President Zedillo of Mexico, has much to say about the inadequacy of resources for development and calls for a substantial increase in volume of Official Development Assistance. An organisation which represents 'donor' interests, the Organisation for Economic Cooperation and Development (OECD)'s Development Assistance Committee, wastes no words in describing the challenges ahead and in urging an increased and better integrated effort to reduce poverty and resolve conflicts in many parts of the world.

These organisations are not infallible, *but we ignore their advice at our peril.*

<sup>13</sup> *World Resources, 2000-2001: People and Ecosystems: The Fraying Web of Life*. United Nations Development Program, United Nations Environment Program, World Bank, World Resources Institute. World Resources Institute, Washington DC, 2000. 389 pp.

Most Australians continue to have only a limited appreciation of the challenges facing hundreds of millions of people in the Asia and Pacific regions who 'survive' - as a result of an accident of birth - on less than \$1 a day. The statistics are mind-numbing.

Australians are becoming increasingly aware of the implications of globalisation, particularly in matters of international trade and finance. But despite our first-hand experience of the impact on Australian interests of the so-called 'Asian economic crisis' in the late 1990s, many Australians seem to believe that we are somehow protected by geographic distance and our relatively higher level of 'development'. Notwithstanding the lessons of history, there is a widely-held assumption that the advantages enjoyed in the latter half of the 20<sup>th</sup> Century are ours by right and will, in the course of natural justice, be maintained.

Such attitudes were understandable twenty or thirty years ago, but in current circumstances they are unwise and unhelpful, inhibiting the development to full maturity of relationships with regional partners and thwarting prospects for more substantial engagement in economic development activities. Recent events in the USA should dispel any notion that geographic isolation can be equated with political isolation.

But the longer-term implications are potentially of much greater concern.

Notwithstanding recent controversies over UN statistical methodologies, it is clear that while there have been significant improvements in a number of the indicators of human development in recent years, in other respects not enough progress has been made. The improvements in life expectancy, access to health and education, and increases in disposable incomes for the poor are modest in comparison with the improvements in standards of living in the developed world. Leaving social justice issues aside, while we applaud the achievements of poverty reduction strategies led by economic growth, the number of people living in absolute poverty remains unacceptably high, with implications for all. Economic analyses of the opportunity costs of under-development, and the actual costs to the international community as a whole of environmental damage and humanitarian assistance in response to increasing levels of conflict, surely indicate the need for re-vitalisation and better resourcing of sustainable development and poverty reduction strategies. Failure to recognise the rapidly diminishing margin for error in the management of natural and other resources has far-reaching implications for future generations of Australians.

## Effective communication

Do we accept that the current distribution of benefits is acceptable or sustainable? I think not. Kenichi Ohmae's *Borderless World*<sup>14</sup> marked for many the beginnings of awareness of increasing inter-dependence and blurring of national boundaries, and it is now generally accepted that no country or region can isolate itself and remain unaffected by global change.

Urgent action is necessary to plan and manage the resources required to support the region's more than three billion people. A new 'green revolution' will be required if millions of people in cities and rural areas are to be fed. This requires comprehensive and coherent rural development strategies. Substantial changes in consumption patterns in both the developed and developing world will be needed to avert irreversible damage to the environment. It is also apparent that the diminishing number of alternatives for people whose daily struggle for existence beggars the imagination provides fertile ground for conflict.

As an aside, it shouldn't come as a surprise to us that people living in such conditions might choose - as many of our forebears did - to migrate to provide a better life for their children. Indeed, restoration of a sense of history might reinvigorate our efforts to deal with the causes as well as the results of such pressures.

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<sup>14</sup> *The Borderless World: Power and strategy in the interlinked economy*. Kenichi Ohmae. Fontana, London, 1991, 272 pp.



But,

*if* there is consensus that greater effort is needed to reduce poverty . . .

*if* we are to secure a peaceful and prosperous future for the generations who follow . . .

*if* the importance of agricultural research to develop new food production techniques and improved resource management for sustainable livelihoods in the rural sector is so obvious, and . . .

*if* the evidence of the benefits and effectiveness of agricultural research is so persuasive,

*why* is it so difficult to find the necessary resources?

I do not wish to diminish in any way the achievements recorded over the years or the enormous contributions of individuals and organisations throughout the region, some of them in this room. I believe our efforts to secure the resources for greater investment in development cooperation in our region founder partly in the absence of a shared understanding of the fragility of the situation and the implications for Australia.

Our failure to articulate the rationale for development cooperation as a matter of strategic importance, and to make the case for agricultural research, rural development and natural resources management within that framework, has resulted, over time, in a lessening of interest in these activities.

### ***New paradigms***

Our assumptions about the adequacy of traditional approaches to development are being challenged and there are many who believe new paradigms for development cooperation are needed 'beyond aid' to deal with the globalisation of a range of development problems. These new approaches recognise the increasing importance of non-government players, in particular the private sector, in economic and other decision making, and of 'civil society' involvement to ensure relevance and sustainability.

Official development assistance remains extremely important but it is diminishing in real terms and in relation to forces which seem to be moving in opposite directions. The challenges ahead require substantial re-thinking of 20<sup>th</sup> Century approaches to 'development assistance' or 'overseas aid' to mobilise collaborative effort and leverage additional resources (from sources including national budgets, the private sector, multilateral organisations and communities).

### ***Redefining 'development assistance'***

New concepts of development cooperation are being developed that take into account the complexity and scale of the cross-border problems looming on the horizon and offer partnerships that honour the enormous strides made by many of our neighbours in the region.

In the United Nations, Inge Kaul and others have argued for the application of economic logic regarding the notion of 'public goods' to a range of international development problems – cross-border environmental and health problems, aspects of commerce (the existence of effective financial systems) and business law (intellectual property), human rights (where deprivation and conflict contribute to migration pressures) – where the achievement of private needs (including national interests) increasingly involves the achievement of mutual objectives and international cooperation<sup>15</sup>. Kaul argues that identification of the 'global public goods' should lead to the development of new 'international funding mechanisms' to allocate resources to ensure the production and protection of 'global public goods' and to deal with 'global public bads' where such action, by definition, requires

<sup>15</sup> *Global Public Goods: A New Way to Balance the World's Books*. Inge Kaul. Le Monde Diplomatique, June 2000; see also *Global Public Goods : International Cooperation in the 21st Century*. Inge Kaul, Isabelle Grunberg and Marc A. Stern (eds). Oxford University Press for United Nations Development Program (UNDP), New York, 1999. 546 pp.

collaborative action. The models developed in the context of APEC Economic and Technical Cooperation activities are also relevant, harnessing regional resources to achieve regional objectives.

In an excellent article in *The Economist* some time ago, Harvard University economist Jeffrey Sachs argued that the developed world has an obligation to mobilise global science and technology to address the specific problems which help to keep poor countries poor. He went on to point out that research and development of new technologies are overwhelmingly directed at rich-country problems, noting that the privatisation of significant bodies of research, including food production, risks further marginalisation of the poor, even in cases where third-world biodiversity provides the genetic material for such work.

Sachs calls for:

- New approaches to dialogue on global development issues, where rich and poor sit down together;
- The urgent mobilisation of science and technology;
- New and creative institutional alliances, to support provision of the necessary resources to solve poor-country problems;
- Re-examination of implications of the global 'intellectual property' regime; and
- 'Long-term finance for the international public goods' necessary for developing countries to break through to prosperity<sup>16</sup>.

Perhaps it is time for Australia to move away from its emphasis on 'humanitarian concerns' and poverty reduction, and promote the aid program in the context of the holistic objective of 'sustainable development'. This does not mean 're-packaging'. It requires a complete paradigm shift to position sustainable regional development at the heart of Australia's strategic interests and provide the basis for better understanding of the mix of short- and longer-term benefits. Integration of long-term sustainable development objectives in this way would reinforce arguments for a more significant 'official development assistance' effort. It underlines the importance of a national policy orientated towards sustainable development becoming the basis for leveraging the financial support.

### ***Getting the language and the numbers right***

Our ambivalence with regard to the message has frustrated our efforts to communicate effectively.

For some years now, the international development constituency has struggled with 'language' and imagery which lock us into understandings of 'aid' as an expression of humanitarianism. It is this of course, but an approach to international development based on notions of 'charity' will not produce the resources required. Even the expression 'enlightened self-interest' reinforces the feeling of 'us and them', when the situation increasingly calls for cooperative approaches, which reflect a more profound respect for the mutuality of interest.

In responding to a unenlightened public and a lack of vigorous parliamentary support for the aid budget, we have continued to argue the case for aid on the basis of short-term returns to Australia. This significantly understates the case for development cooperation and is in some respects counterproductive. It fails to promote understanding of the longer-term and far more significant benefits for Australians and Australian business interests. It under-estimates the role played by partner governments, the private sector and communities in the region, and fails to point out the dangers of inadequate international effort.

The development constituency has failed to ensure that the body politic is able to distinguish between artful avoidance and wishful thinking in the development debate on the one hand, and misleading and

<sup>16</sup> *Sachs on Development: Helping the World's Poorest. The Economist*, 14 August 1999, pp. 17-20.

unhelpful negativity on the other. We are confounded by naïvety on the one side (expressed in eternal confidence in human progress and environmental brinkmanship) and doom and gloom on the other. There is widespread rejection of awareness-raising by ‘guilt’ or shock tactics - but ‘good news’ doesn’t engage either. And the quality of the debate deteriorates in a cloud of misinformation and ignorance.

It is possible that the familiarity of the refrain has dulled our hearing. The confidence and optimism of earlier generations, whose world seemed much bigger and less fragile, has lulled us into a false sense of security. We need a new ‘sustainable development’ lexicon, supported by comprehensive development research and statistical analysis to ensure that our language reflects the proper balance between confidence and concern.

### ***Increased resources for research***

Our ability to define the elements of a successful communication strategy will depend to a large extent on the research capacity which is available to gather and analyse information and to deliver and disseminate cogently argued material to support these new processes. Increased emphasis in AusAID on development research is welcome, with increased analytical capacity and research and results-based management intellectually underpinning all that we might hope to achieve. But this must be accompanied by better understanding of research management and closer attention to the dissemination of research output to ensure that it impacts policy and practice.

## **A new program of action – with implications for policy and programs**

### ***Resourcing new partnerships***

Realisation that ODA is increasingly dwarfed by private resource flows has led to re-assessment of the *role of the private sector*; new mechanisms are needed to encourage greater participation in viable economic activities that maximise sustainable development outcomes. In this process, private sector engagement contributes to the greater understanding of the importance of good governance and the strengthening of institutional frameworks, including those for small and medium enterprises.

Many segments of the business sector are already engaged, initially sharing the commitment to prosperity in the region in their own interests, but increasingly accepting the ‘global social responsibility’ agenda. In making additional funds available for global public good approaches, successive Australian governments could offer incentives, for example by providing matching funds, to support pilot projects that model tri-sector partnerships (government, business, civil society/community). In a related area, more could be done to encourage greater levels of philanthropy in Australia in support of international development objectives.

If this approach is to succeed, there is need for better understanding of the complexities of tri-sector partnerships to help each party understand the predispositions of the other and establish methodologies and processes that seek ‘win-win’ solutions. Tri-sector collaboration and business engagement in development processes are not served by an approach that ignores the natural interests of each party or establishes unrealistic expectations.

Similarly, much better understanding is needed with regard to the role of what is termed *civil society* – communities, non-government organisations, the academic community, religious organisations etc. – who are increasingly in partnerships with government and business in the identification of local needs and the design and implementation of programs of assistance. More sophisticated understanding is needed of community development processes and local contexts (the sources of influence and power, land tenure, religion, gender etc.) to define solutions to development problems and to enhance sustainability through participation and ownership of the activity. Australian development researchers and NGOs can help by documenting best practice.



Australia's expertise in harnessing the energies of communities and volunteers through the 'landcare' initiative is instructive and is an element in approaches by the Foundation for Development Cooperation to the design of local remedies to improve water resource management.

### ***Integrated program delivery***

New approaches to development cooperation will require better integration of aid delivery, and multi-sector and multi-disciplinary collaboration to maximise the synergies inherent in a coherent 'global sustainable development' policy framework and to reduce compartmentalisation. While sometimes time-consuming, the cross-fertilization likely to result from such an approach will deliver a substantially better outcome.

### ***Technology options***

Offering special promise are tri-sector and civil society partnerships to further application of digital technologies, particularly to support distance education initiatives that target priority sectors for promoting sustainable development and poverty reduction. Community-based learning of improved food production and water management techniques could be offered in many parts of the region. Biotechnology is another area where new partnerships for agricultural research could bring enormous benefits and herald a new and even greener 'green' revolution. Australia's reputation for innovation in relation to appropriate technologies promotes FDC's confidence in supporting this platform. In each of these areas, the agricultural research and rural development constituencies could collaborate with private sector partners and communities to accelerate the development process, and reduce the poverty gap and the risks of permanent damage to the environment. New developments emanating from these initiatives would inevitably have benefits at the grass roots level for the people on the land at home and overseas.

### ***New structures***

Do we have the right structures in place, or are new tri-sector committees and multi-disciplinary, and multi-sector, working groups needed to articulate new approaches and devise new plans of action to leverage the necessary resources? Is there a new role for the Aid Advisory Council<sup>17</sup>? What of the roles of organisations like AusAID and ACIAR, and the mechanisms for inter-departmental and international consultation and planning? Is the current level of research and policy formulation sufficient? Why not a Key Centre for Global Partnerships for Sustainable Development? Identify the problems that need solving on a multipartite basis, supply the incentives and the partnerships will become self-sustaining.

### ***Why Australia?***

Of the member economies of the Organisation for Economic Cooperation and Development (OECD), Australia should be at the forefront of efforts to identify new forms of cooperation for development in the region. We have much to gain by re-establishing our credentials as a generous and informed partner. We can benefit enormously from our participation in the region's embrace of the new economy and the extra-ordinary levels of activity funded by private and multilateral investors.

Australia is well placed, geographically, with expertise in aspects of development which are highly relevant and likely to be of critical importance as the region deals with food security, water supply and natural resource management issues. The constraints to advancement/production presented by many of the environments of our huge land mass are indistinguishable from those experienced by primary producers in the Asia-Pacific Region. Let us work with our regional partners to share the knowledge needed to overcome these constraints.

<sup>17</sup> <http://www.ausaid.gov.au/about/council.cfm>

The opportunities presented by new technologies are a specific case in point. The prospects for advances in biotechnology offer enormous benefit for all concerned. The World Bank and APEC recognize the potential and have instituted appropriate initiatives to enhance human capacity in this direction, through the promotion of distance education programs. This is an essential element in accelerating development and ensuring sustainability, with considerable benefits accruing to students and their mentors.

Our reputation as a partner in development in the region is well established, but we risk marginalisation as a result of the presence of more diligent and better resourced competitors. The longer we delay, the more danger there is that the region will pass us by, that we will lose the opportunities to share in its successes. Moreover, we and future generations have much to lose if recent forecasts prove accurate, even in part, with political, economic, social and environmental tensions leading to increased human suffering and, in turn, to heightened probability of conflict adding to pressures for human migration on an unprecedented scale. Whether on our shores or in the region, such migration will affect prospects for prosperity in the region and impact Australia.

## Conclusion

It is not too late for Australia to review its approach to sustainable development and poverty reduction needs in the Asia-Pacific Region and to set aside the comfortable rhetoric and levels of assistance based on our profession of 'humanitarian' concerns. Now is not the time for comforting comparisons with others who are less generous than we are. Nor is it time for the false modesty and self-deprecation so often reflected in reminders about our small population size and inability to influence global events on the one hand, or the arrogance of inherited 'colonial' attitudes on the other.

We need to take seriously the reports prepared by The United Nations, The World Bank, FAO, UNDP and virtually every other organization with a global purview. They demand an urgent and comprehensive response to avoid the reversal of previous decades of development gains and reduce the risk of catastrophic and irreversible damage to the environment. There is substantial evidence that increased investment in applying scientific research and the development of technologically appropriate solutions could bring exponentially significant returns. There should be a sense of urgency.

As the former Head of the OECD's Development Cooperation Directorate and inaugural lecturer under the FDC's distinguished visitors program, Bernard Wood, has said: 'In most cases, there is little doubt that humanity can muster the *technical* capacity to achieve these improvements. The questions about achievability thus lie mainly in the realms of *political wisdom* and *political commitment*; in our democracies, this depends in part on sustaining public understanding and public will.'<sup>18</sup>

With a Federal election in prospect, perhaps the Crawford Fund should activate its networks of business, academic and research establishments, individuals and organisations involved in the promotion and implementation of development cooperation activities, to-

1. Re-conceive its communications strategy and re-invigorate representations to the major parties;
2. Propose urgent steps to increase the level of support for food and water security as the foundation stones for sustainable development in the region, for poverty reduction and for conflict prevention with substantial spin-offs for Australia;
3. Develop innovative programs to encourage tri-sector collaboration (e.g. matching funds to promote increased philanthropy and social investment in support of regional development).

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<sup>18</sup> *Development Cooperation into the 21<sup>st</sup> Century*. Bernard Wood, in the inaugural K. William Taylor Memorial Lecture, Brisbane, 1 November 1999. Foundation for Development Cooperation, Brisbane, 14 pp.  
Also at [http://www.fdc.org.au/publications/20010608\\_12.html](http://www.fdc.org.au/publications/20010608_12.html).

Substantially more effort is needed by all parties - not on the basis of minimalist assessments of voter preferences or their lack of awareness of the issues, but on the basis of strong and visionary leadership and well researched and clearly articulated arguments. An appropriate 'sustainable development policy' may well require new alliances and bipartisan planning and commitment to twenty and thirty year programs of activity, with special provisions for a quantum increase in the involvement of the Australian private sector.