

Dealing with Poverty? Australia's Aid Program

Patrick Kilby argues that a focus on poverty, not economic growth, is essential for effective aid.

The Australian aid program has been grappling with the problem of chronic poverty in developing countries since the Jackson report in the mid-1980s. Generally, Australia has taken the view that a growth path is the most effective way to deal with poverty, at the expense of poverty-targeting programs.

This approach, taken once again by the 2006 White Paper on Aid, is very limited, and whilst there have been small changes in focus, there has been little real change in Australia's approach to delivering aid over the past two decades. Beyond a commitment to poverty alleviation and a general statement of support for the Millennium Development Goals, the White Paper, as the driver of the Australian aid program, has remarkably little to say on how AusAID might contribute to these goals or alleviate poverty.

The White Paper strategy is based on four key themes: accelerating economic growth; fostering effective states; investing in people; and promoting regional stability — all within an overarching context of promoting greater gender equity.

But the White Paper lacks a broader analysis of the drivers of poverty in the region. Rather than clearly defining the causes of poverty, the White Paper settles for mission statements, saying that Australia will provide '...policies and programs to generate increases in aggregate growth and, in special circumstances, target groups and regions that for whatever reason are not befitting from broader growth gains.'

While there has been a marked fall in the level of poverty in some countries over the past few years as a result of relatively strong economic growth, the averages used in government statistics often obscure regions of intractable poverty. Growth in China is uneven, with poverty entrenched in the Western provinces. Indonesia's eastern provinces remain some of the poorest regions on earth, and it is unsurprising that the poorest parts of the Philippines are mired in violent conflict and are a source of terrorism. Without remittances, the Pacific islands would be among the poorest countries on earth — despite their relative stability and natural abundance.

POLICY RECOMMENDATIONS

1. A FOCUS ON POVERTY

Australia's aid policy needs a sharper focus on the poor. Country Poverty Assessments should be based on high-quality analysis of the depth and spread of poverty and the nature of social exclusion in particular contexts.

2. PROGRAMS MUST TARGET THE POOR

Much of the Australian aid program can best be described as diplomacy: there is now more Australian government support for services to regional politics than services directly to the poor. The aid program needs to re-invest in programs that build the capabilities of the poor and integrate them, rather than Australia, into regional political activity.

3. RURAL AND REMOTE COMMUNITIES NEED FOCUSED INITIATIVES

The very poor are found primarily in rural areas, making rural support services fundamental for improved living standards. Rural infrastructure is essential for creating economic growth in agriculture and providing jobs and higher incomes for the very poor.

4. AID PROVIDERS MUST BE ACCOUNTABLE TO THE POOR

Aid must be accountable to its beneficiaries — the poor. These people must be viewed as the primary customer for aid. The complex relationships of aid — with aid workers serving the Australian government, donor partner governments and regional political structures as well as the poor — means that programs become unfocused and beneficiaries are poorly served.

Aid must first and foremost improve the lives of the poor. If this cannot be demonstrated — most importantly to the poor themselves — then a program should not be undertaken.

The White Paper fails to analyse the drivers of poverty and therefore fails to address them.

Patrick Kilby (patrick.kilby@anu.edu.au) is a CIPRD Fellow and lecturer in development practice in the Faculty of Arts at the Australian National University. With over 20 years experience working with Non-Government Organisations in aid and development, he is a highly regarded contributor to the debate on Australia's aid policy.

*Lifting rural
communities
out of
poverty will
have a far
greater
impact than
simply
investing in
urban
growth.*

There are four factors that characterise the seemingly intractable issue of severe poverty: its dynamic nature; increasing vulnerability; a widening rural-urban divide; and rising levels of inequality.

Poverty is dynamic: at any given time there are people moving both in and out of poverty. Given this, the only sensible policy response is to target interventions that increase the number of people exiting poverty and decrease the numbers going into poverty – that is, deal with vulnerability. There is no simple blueprint or silver bullet to dealing with vulnerability - responses must be nuanced to meet local needs, so the ‘one size fits all’ approach of the White Paper recommendations have been shown not to work.

Even greater in number than the very poor are those who are at risk of falling into poverty. The consequences of adverse events, such as floods or tsunamis, are far greater for those living in poverty than for those of us living in developed countries. Even a small setback can catapult the middle class of many developing countries into extreme poverty. Disturbingly, there is mounting evidence that vulnerability to poverty is rising, particularly in rural areas.

Urbanisation is increasing across the world as many people look for a better life on the urban fringes of growing industrial centres. In consequence, economic growth is often seen as a natural way of freeing people from grinding rural poverty. But it leaves behind those with little or no opportunity to move. In China, 70 per cent of rural households will see real income fall in the period 2001-2007, while less than 10 per cent of urban households will experience similar declines. However, development that targets rural investment can have a marked effect on poverty levels, and lifting these rural communities out of poverty will have a far greater impact than simply investing in urban growth.

Finally, inequality acts as a handbrake on poverty reduction during periods of economic growth. Over the past two decades, of eight commonly used measures of global inequality, seven have increased. In China, while the overall growth rate during the 1990s was 6.2 per cent, it was less than half that in the poorest households. Inequality also drives civil unrest: its contribution to rising insecurity and global violence cannot be ignored.

Recent studies have shown that the impact of poverty on communities varies, and that people on the margins are regularly moving in and out of poverty. Aid strategy must understand who the poor are, where they are located and how they came to be there.

Gender is a case in point. There is little information that describes the different ways poverty affects women and men, girls and boys. This is an important issue, and there are some who believe that economic growth may be increasing gender inequality in some countries. Women also make up the majority of the very poor in many countries, particularly those who have lost partners or are members of minority groups. Any strategy to alleviate poverty must address the particular challenges faced by women.

The overwhelming evidence is that the poor and most vulnerable live in rural areas and are typically in female-headed households. Investments in rural infrastructure and production will directly assist these people, reduce urban migration and deliver on the promises of the Millennium Development Goals. At a practical level, communities must be more actively involved in the development and delivery of aid programs to ensure they are relevant and deliver the greatest bang for the development buck.

Relying on economic growth alone is not enough, and in some circumstances it may be counterproductive. A more nuanced approach is required from AusAID - one that recognises that sharper targeting is required to reach the very poor and the sectors in which they are found.

The White Paper focuses on the private sector, but it needs to go beyond this in its approach to poverty alleviation. It should address the development of rural infrastructure to ensure markets and jobs reach those most in need. It must recognise that people move in and out of poverty, and that at any time many more are vulnerable to a decline in their circumstances.

By actively engaging with those in extreme poverty, particularly women and those living in rural areas, Australia can better target interventions to create long-term, sustainable and successful poverty alleviation outcomes.