

# 3. Australia's Foreign Aid to Latin America

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## Introduction

The chapter outlines the background to the Latin America Program's launch by the Australian Agency for International Development (AusAID),<sup>1</sup> which manages the bulk of official development assistance (ODA) to the region. It also provides an overview of the Program's current and proposed activities. It reviews the current approach in the contexts of operation, especially focusing on the necessity for effective partnerships. It considers briefly a number of different forms of collaborative work, including trilateral engagements (i.e., third country delivery via channelling of funds through regional governments) and partnering with other donors, including the New Zealand Aid Programme; The United States Agency for International Development (USAID); the Canadian International Development Agency (CIDA); and the German International Cooperation Agency (GIZ).

Based on this investigation, it posits that a single issue should be championed in place of a widespread range of efforts. Reflecting on the region's specific needs, as well as lessons gleaned from review of the work of other actors, and finally considering Australia's comparative advantage, capabilities and national interests, the chapter suggests that the key focal point for the Program should be natural resource governance. Given this, it seeks to offer some brief pragmatic programming and policy advice in terms of modalities for delivery. The intention is to minimise the changes required to achieve this focusing of efforts, thereby avoiding time- and resource-consuming restructuring efforts.

The key purpose here is to provide consumable and pragmatic policy advice to decision-makers, bearing in mind the constraints within which they operate. While it pays tribute to much broader debates about aid and general international interactions, it does not seek to engage deeply in these. It is the hope of the author that the advice provided here might lead to more coherent strategy and activity in order to maximise this unique engagement in the Latin American region.

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<sup>1</sup> At the time of publication, new arrangements in the Australian government are being implemented to bring AusAID into DFAT, thereby removing its status as a separate agency. Recommendations later in this chapter for AusAID refer to the agencies functions and should be read as applicable to the area within DFAT that ultimately takes charge of Australia's aid program to Latin America.

## Overview of aid context and AusAID's Latin America Program

Although under-publicised, in 2011–12 Australia was to provide some \$A27.2 million in official development assistance (ODA) to the Latin American region.<sup>2</sup> This was largely managed by the Australian Agency for International Development (AusAID).<sup>3</sup> This is a significant increase from \$A9.2 million in 2010–11—which comprised some \$A5 million to Chile post-earthquake and \$A0.5 million to Guatemala in humanitarian relief<sup>4</sup>—and \$A2.1 million in the previous year (2009–10).<sup>5</sup>

Nonetheless, the 2012 sum is dwarfed by the overall increase in Australian aid from \$A4,362 million in 2010–11 to \$A4,836 million in 2011–12. This increase constitutes a scaling-up of the aid budget from 0.33 per cent to 0.35 per cent of gross national income (GNI). This was again proposed to almost double by 2015–16, with ODA forecast at that time to reach \$A8–9 billion.<sup>6</sup> This increase was in line with Australian bipartisan commitment to the Millennium Development Goals (MDGs), which sets an aspirational goal for donors to increase their overseas aid to 0.5 per cent of GNI by the end of the 2015–16 MDG deadline.<sup>7</sup> Although the announced rise in aid was put on hold by the 2013 Federal Budget, it is nonetheless a significant increase by Australian historical and international standards.

As a proportion of the aid budget as a whole the commitment to Latin America is small, at well under one per cent of Australia's total ODA. Nonetheless, it constitutes a significant and unprecedented movement into the region. This is the first time in its history that the Australian aid program has featured a Latin American Program.

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2 Australian Agency for International Development, the (AusAID), *Informal consultations with Latin America (LA) Program staff members eliciting 'open source' (public) information*, (May 2011). Defined as the 17 Spanish or Portuguese-speaking countries located in the Central or South America regions, excluding Caribbean states and CARICOM members. Namely: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay, Venezuela.

3 Rudd, Kevin, 'Australia's International Development Assistance Program 2011–12: An Effective Aid Plan for Australia: Reducing Poverty, Saving Lives and Advancing Australia's National Interest—Statement by the Hon Kevin Rudd MP, Minister for Foreign Affairs 10 May 2011', Budget 2011–12. Australian Government, [http://www.budget.gov.au/2011-12/content/ministerial\\_statements/ausaid/download/ms\\_ausaid.pdf](http://www.budget.gov.au/2011-12/content/ministerial_statements/ausaid/download/ms_ausaid.pdf), accessed 23 May 2011, p. 116.

4 *Ibid.* The \$5 million to Chile was provided for emergency relief and reconstruction following the earthquake and tsunami in February 2010; the \$0.5 million to Guatemala was for humanitarian assistance in the wake of the eruption of Pacaya and tropical storm Agatha.

5 Australian Agency for International Development, the (AusAID), *Caribbean and Latin America Program overview*, 2011: <http://www.ausaid.gov.au/country/caribbean.cfm>.

6 Rudd, *op. cit.*, note 3, p. iv.

7 Steven Smith, 'Budget 2009–10: Policy Statement on Australia's International Development Assistance', 2010: [http://www.ausaid.gov.au/hottopic/topic.cfm?ID=872\\_6918\\_7937\\_5970\\_8092](http://www.ausaid.gov.au/hottopic/topic.cfm?ID=872_6918_7937_5970_8092).

Given this substantial shift, what appears to be a general downplaying of the activity is at first confusing. For instance, reference to the Program is tucked away in the AusAID Annual Report 2010–11 within the indexed chapter *ODA—Africa, South and Central Asia, Middle East and Other*. Moreover, even mention of ‘Other’, under which the Program is ambiguously relegated, drops off in the referencing throughout the report to read: *Africa, South and Central Asia and Middle East*.<sup>8</sup> There is no mention at all in the Budget Highlights of the program’s inception.

Australia’s discreet camouflaging of this aid provision to Latin America is best explained as a means by which to dodge criticism. Public comments gathered by the Lowy institute—which has been managing the ‘interpreting the aid review’ blog for the recently completed Independent Review of Aid Effectiveness<sup>9</sup>—indicate that the Australian aid community, comprising individuals, organisations and institutes engaged in aid delivery work, is critical of Australian aid directed beyond the traditional geographic scope of the Asia-Pacific region.<sup>10</sup>

Criticisms levelled at the Program can largely be grouped into three clusters. The first relates to the reasons for entry into the region, especially those motivations of aid delivery which are tainted by undertones of diplomatic or national interest. The second questions the Latin American region’s needs for aid vis-à-vis those of other regions. The third points to Australia’s limited capacity to operate effectively in the region given budget constraints combined with a lack of experience and history of engagement from which to draw.

## Purity of aid

It is a very dangerous thing to justify aid only from the perspective of national interest. In fact, aid delivered with nation [sic] interest front of mind doesn't really deserve to be called aid at all... There is a role for the government in protecting our national interest and ensuring we have a

8 Rudd, *op. cit.*, note 3.

9 Independent Review of Aid Effectiveness, *Independent Review of Aid Effectiveness Official Website*, Commonwealth Government (of Australia), 2011: <http://www.aidreview.gov.au/index.html>. The Independent Aid Review’s primary objective was to examine the effectiveness and efficiency of the Australian aid program and make recommendations to improve its structure and delivery.

10 Stephen Grenville, ‘Aid Review: Narrow the geographic focus’, *Lowy Institute for International Policy*, 20 January 2011: <http://aidreview.lowyinterpreter.org/post/AusAID-Review-Narrow-the-geographic-focus.aspx>; Jenny Hayward-Jones, ‘Geographic focus or national interest?’, *Lowy Institute for International Policy*, 25 January 2011: <http://aidreview.lowyinterpreter.org/post/Geographic-focus-or-national-interest.aspx>.

secure and stable region, but this should not be funded out of our aid program, which the majority of Australians agree should be used to help people living in poverty, not ourselves.<sup>11</sup>

Criticisms of Australia's strategic political reasons for expanding into Latin America indicate a somewhat naïve understanding of the nature of the Australian aid program or indeed that of any government. Enhancing Australia's national interest is explicitly articulated in AusAID's overarching aim:

[t]he objective of the Australian aid program is to assist developing countries reduce poverty and achieve sustainable development, in line with Australia's national interest.<sup>12</sup>

This intention was echoed in former Foreign Minister Stephen Smith's statement at the 2010 launch of the aid budget:

A strong and effective aid program advances Australia's reputation and our influence in the international community. Our aid program is not separate from our foreign policy. It is a crucial part of it.<sup>13</sup>

Similarly, commitment to the MDGs is justified by its contribution towards securing Australian national interests, as former Foreign Minister Rudd noted in the 2011 budget release:

It is for...humanitarian, national security and economic reasons that the Government is committed to increasing our aid to 0.5 per cent of our gross national income by 2015–16.<sup>14</sup>

While the Australian government generally frames entry into the Latin American region as relating to Australia's increasing commitment to meeting the MDG-based GNI aid commitment of 0.5 per cent—and hence the additional funds with which it might spread Australia's aid efforts—it is also not difficult to link the expansion to Australia's campaign at the time to win a temporary seat on the UN Security Council,<sup>15</sup> a particularly sore point of contention for those who object to linking aid to foreign policy objectives. Moreover, this campaign was successful, with Australia assuming its seat in 2013. Nonetheless, these debates around motivation for aid delivery in the Latin American region might equally be conducted for all Australian aid activities, in all regions.

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11 Michael Wesley, 'Designing our foreign aid future: Interpreting the Independent Aid Review Blog', *Lowy Institute for International Policy*, 29 April 2011: <http://aidreview.lowyinterpreter.org/>.

12 Australian Agency for International Development, the (AusAID), *About AusAID*, 2011: <http://www.ausaid.gov.au/about/default.cfm>.

13 Smith, *op. cit.* note 7.

14 Rudd, *op. cit.*, note 3. p.iii.

15 Nina Markovic (on behalf of the Department of Foreign Affairs and Trade), 'Australia, 2011, Budget 2011–12: Introduction', 2011: <http://www.aph.gov.au/library/pubs/RP/BudgetReview2011-12/DFAT.htm>.

Indeed, this is already the case with the concurrent and much greater move into Africa,<sup>16</sup> which continues to receive significant scrutiny and criticism for the political reasons prompting the expansion.

This chapter takes as a starting point the position that aid's linkage to the pursuit of national interests is inherent in contributions that are generated from tax revenues and managed by national governments. General debates about linkages between aid and politics, while important and necessary, are far too broad to be addressed by this chapter, which has the modest scope of providing targeted policy advice. That is, it takes the pragmatic view that the Australian aid program is inherently political and that policy advice ought, on the one hand, to acknowledge this given context, and, on the other seek, maximise ethical conduct within it.

The only gesture this chapter makes towards the much broader debate of aid motivations is to point out that the objectives of aid delivery—for the purpose of this chapter defined here as activities aimed at poverty alleviation and/or improving human living standards in recipient countries—are not, by necessity, at loggerheads with aims of furthering a donor's national interest. There is not necessarily a relationship of trade-off and indeed, in some instances, these two objectives and the activities they comprise can enhance one another. This is most clearly seen in examples of trade, wherein aid activities might support a more equal distribution of revenue generated from enhanced bilateral or multilateral trade relations. It is also apparent when activities funded by aid money offset the negative potential of the pursuit of 'national interests'. An example of this would be the funding of 'watch dog' or transparency mechanisms to monitor government or private industry activities, to ensure certain standards, such as those set in the Paris Declaration and the Accra Agenda for Action (AAA),<sup>17</sup> are adhered to.

In relation to providing policy advice, the most valuable point arising from this body of criticism is that, given the short-term political motivations prompting the Latin America expansion, the presence of Australian aid in Latin America might well be short-lived. This factor should be central to all programming decisions, both in terms of aid focus areas and delivery modalities.

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16 Australian Agency for International Development, the (AusAID), *op. cit.*, note , p. 5. Australia's estimated ODA to the African region (targeting over 40 countries) for 2011–12 is \$A291.3 million.

17 Organisation for Economic Co-operation and Development (OECD), 'Paris Declaration and Accra Agenda for Action', OECD Development Co-operation Directorate (DCD-DAC), 2011: [http://www.oecd.org/document/18/0,3343,en\\_2649\\_3236398\\_35401554\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/18/0,3343,en_2649_3236398_35401554_1_1_1_1,00.html). Australia, like most major donors, is signature to the Paris Declaration (2005) and the related Accra Agenda for Action (2008). These outline five core principles, drawing on decades of lessons learnt from development activities. These refer to the need for: ownership (aid recipients establishing their own national development strategies with their parliaments and electorates); alignment (donor-support and compliance with the recipients' strategies); harmonisation (donor work to streamline their efforts in-country); results (the monitoring of aid activities toward articulated goals); mutual accountability (responsibility sharing between donors for realising the determined goals).

## The deservedness of the Latin America region as an aid recipient

The case for narrowing the geographic distribution is strong. There are plenty of poor people in the countries closer to us.... Almost half the Indonesian population lives on less than two dollars a day.... Thus there is plenty to do close to home.<sup>18</sup>

The more specific criticisms of Australia's expansion into Latin America relate to whether the region is a worthy recipient of aid money. Latin America is an area that has seen significant economic growth in the past decade. Furthermore, it is an area blessed with an abundance of natural resources, from which it derives much of its economic growth.<sup>19</sup>

The Human Development Index (HDI)<sup>20</sup> indicates that region-wide, Latin America enjoys a much higher standard of living than most countries of the African continent or South and South-East Asian regions.<sup>21</sup> Put in very crude terms, it is certainly true that few people in Latin America starve to death. That said, indications of plenty distract from the very harsh inequity of wealth distribution and the severe implications this engenders. It is a commonly cited fact that the region features the greatest levels of income inequity in the world.<sup>22</sup> Significant portions of its populations—ironically most especially in the advanced economies such as Brazil or Colombia—suffer under conditions of deprivation and, related to this, human insecurity. The region's average calculation of Gini coefficients<sup>23</sup> for income distribution is 51.3. This represents an average 65 per cent higher than high-income countries, 36 per cent higher than the income inequality observed in East Asian countries, and 18 per cent higher than that reported for Sub-Saharan Africa.<sup>24</sup> Hence, despite indications of strong national economic growth region-wide, there remain significant pockets

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18 Wesley, *op. cit.*, note 11.

19 Nancy Birdsall, Nora Lustig, and Darryl McLeod, 'Working Paper 251: Declining Inequality in Latin America: Some Economics, Some Politics', Center for Global Development, 19 May 2010: [http://www.cgdev.org/content/publications/detail/1425092/?utm\\_source=nl\\_weekly&utm\\_medium=email&utm\\_campaign=nl\\_weekly\\_05242011&..](http://www.cgdev.org/content/publications/detail/1425092/?utm_source=nl_weekly&utm_medium=email&utm_campaign=nl_weekly_05242011&..)

20 United Nations Development Programme, The, (UNDP), 2010, *Human Development Index (HDI)—2010 Rankings*, 2010: <http://hdr.undp.org/en/statistics/>. The HDI is a single statistic allocated to each country. It is calculated from data about a wide range of social and economic conditions within each country and is used to rank a country's status on a spectrum between 0–1 to indicate their relative degree of development.

21 *Ibid.*

22 Luis F. López-Calva and Nora Lustig, (eds), *Declining Income Inequality in America: A Decade of Progress?* Baltimore, MD: Brookings Institution Press, 2010.

23 The World Bank, 2011. The Gini coefficient is a measure of the inequality of a distribution, a value of 0 expressing total equality and a value of 1 maximal inequality.

24 López-Calva, *et. al.*, *op. cit.*, note 22.

of deprivation throughout Latin America. This is a regional characteristic that must be considered in undertaking aid activities, which should in some form be aimed at correcting this inequity.

Putting aside equity issues, another significant point to redress is this criticism's implicit assumption that countries in the greatest desperation as defined by the HDI are also the countries where aid money will have the most impact. Unfortunately, this is rarely the case. Aid saturation occurs quickly in countries where infrastructure is limited, governance structures are poor, and human capacities are low.<sup>25</sup> There are numerous problems arising from pouring aid money into areas that are unable to absorb it properly. This approach is consistently linked to corruption and bypassing of government, as well as potentially fuelling existing or reigniting latent conflicts.<sup>26</sup> In other words, aid money often inadvertently funds activities that are in direct contradiction to the approaches espoused by the Paris Declaration and the AAA.

By way of contrast, aid money in many of the Latin American countries—when targeted appropriately—has been found to be highly effective in assisting communities to find and implement sustainable solutions to their challenges.<sup>27</sup> Additionally, the AusAID proposed modalities for aid delivery include south–south partnering between regional countries with strong GNIs and the necessary capacity, namely Chile and Brazil.<sup>28</sup>

For all these reasons, Latin America qualifies as a worthy recipient of aid. Furthermore, AusAID should identify and seek to understand regional characteristics as well as capitalise on the region's strengths, among them the presence of a relatively large highly educated middle class and numerous national organisations with strong aid-delivery capacity.

An example of such regional opportunity is the potential for donors to work in areas often overlooked when working to meet critical humanitarian needs, such as areas of environmental sustainability.

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25 Matthew Clarke, 'How to deliver a doubling aid program?', *Lowy Institute for International Policy*, 6 April 2011, <http://aidreview.lowyinterpreter.org/post/How-to-deliver-a-doubling-aid-program.aspx>.

26 Hayward-Jones, *op. cit.*, note 5; 'In our national interest—effective aid to the Pacific'; 'African gold rush: Aid and UN votes', *Lowy Institute for International Policy*, 4 May 2011: <http://www.lowyinterpreter.org/post/2010/05/04/African-gold-rush-Aid-and-UN-votes.aspx>.

27 Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, 2011: *GTZ in Honduras*, <http://www.gtz.de/en/weltweit/lateinamerika-karibik/634.htm>; 2011: *About GIZ*, <http://www.giz.de/en/profile.html>; (and) Canadian International Development Agency (CIDA)–ACDI, 2011: 'Statistical Report on International Assistance, Fiscal Year 2009–2010', *Her Majesty the Queen in Right of Canada*, [http://www.acdi-cida.gc.ca/INET/IMAGES.NSF/vLUIImages/stats/\\$file/Statistical\\_Report\\_2009-2010\\_eng.pdf](http://www.acdi-cida.gc.ca/INET/IMAGES.NSF/vLUIImages/stats/$file/Statistical_Report_2009-2010_eng.pdf).

28 Australian Agency for International Development (AusAID), *op. cit.*, note 2.

## Australia's limited capacity for effective delivery

The case for narrowing the geographic distribution is strong...the most powerful argument is about administering the program. Sure, aid funds are in short supply. The greater shortage, however, is effective and expert administration. Effective implementation requires detailed knowledge of the recipient country and a sharply focused experience of what can and can't be done with foreign aid.<sup>29</sup>

The final group of criticisms levelled at the Latin America Program's inception is that Australia lacks the engagement history and expertise to be effective in its aid delivery in the region. Bearing in mind the political reasons for engagement, and hence the likelihood of only short-term commitment to such work, this body of criticism is warranted in insisting that AusAID function realistically and strategically.

The AusAID team charged with managing the Latin America Program should undertake a realistic stock-take of its own capacity and consider this in light of the regional and country-specific needs and challenges.

## The Latin America Aid Program in its current incarnation

The LA Program has identified four priority focus areas around which it will align its efforts. These are: Rural Development; Human Resource Development; Natural Resource Governance; and Climate Change and Environmental Stability.<sup>30</sup>

*Rural Development* is to be addressed via partnering with other donors. Within this focus area, Australia is to support work that improves agricultural productivity and financial services for the poor. The means of achieving this objective will be via provision of financial literacy training and programs that provide access to affordable, transparent and well-regulated financial service providers. These activities are expected to enable poor people to improve local enterprises and their overall standard of living. Additionally, AusAID will fund projects that improve small landholder agricultural production and access to markets so as to help poor rural dwellers secure sustainable livelihoods.<sup>31</sup>

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29 Wesley, Michael, 'Designing our foreign aid future: Interpreting the Independent Aid Review Blog' 20 May 2011.

30 Rudd, *op. cit.*, note 3. p. 63.

31 *Ibid.*

Australia's contribution towards *Human Resource Development* is envisioned to be via sharing knowledge and technical expertise in sectors identified as supporting economic and social development. Activities relating to this will be: long-term scholarships; short courses and short-term professional development opportunities; volunteer programs; and small grant schemes. The expectation of such activities is that they will build capacity in the public and civil society sectors.<sup>32</sup>

*Natural Resource Governance* is intended to encompass those Australia-funded activities aimed at enhancing Latin American countries' capacity to manage their natural resource wealth effectively. This will be undertaken in close partnership with governments from the region as well as local stakeholders and other donors. Short courses, fellowships and scholarships will provide the means.<sup>33</sup>

The final priority focus is *Climate Change and Environmental Stability*. Work in this area will be aimed at assisting vulnerable Latin American countries' preparedness and ability to respond to increasingly common natural disasters. The modalities for work in this sector include support to projects and capacity-building activities aimed at climate change adaptation and disaster risk reduction (DRR), and will also likely involve the placement of some Australian volunteers.<sup>34</sup>

It would seem that despite the significant breadth of this program, few activities at the time of writing are underway. Current activities include: a commitment to an AUD\$2 million microfinance project in Peru for financial literacy; and the initiation of two AUD\$1 million microfinance projects in conflict-affected areas of Colombia.<sup>35</sup>

Logistics and staffing constraints may play a role in this slow beginning. The program is 'non-devolved', i.e., the high-level decision-making as well as the bulk of the administrative work is undertaken from Canberra. The only presence in the region has come about with the placement of an AusAID officer in Chile, Santiago in early 2010, later joined by a small team comprising only two nationally engaged employees. It is evidently an ambitious mandate for an office of this size to cover work in seventeen countries. The Canberra team also only numbers some five full-time staff positions.<sup>36</sup>

A slow initiation is hardly surprising for a recently launched program, and indeed might prove a prudent and sensible beginning; the more critical point in assessing the Program relates to an absence of coherence in its current and proposed activities. The breadth of the Program, in geographic as well as

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32 *Ibid.*

33 *Ibid.*

34 *Ibid.*

35 Australian Agency for International Development (AusAID), *op. cit.*, note 2.

36 *Ibid.*

thematic scope, appears to exceed both the LA Program implementing team's budget and staff capacity for management. This overextension could easily result in fragmentation of activities, with tokenistic efforts to satisfy the current strategy's broad array of objectives and areas.

To maximise the given resources—namely time, budget and staffing—this chapter provides two recommendations for AusAID in developing its strategic approach. These are: to look to partners in order to address what to avoid and how to proceed; and to target efforts via championing a cause in which Australia has a comparative advantage, using existing partnerships and programs to do so.

## Recommendation one: Look to partners

AusAID's Latin America Program has identified a range of modalities for aid delivery, among which various forms of partnering<sup>37</sup> play a crucial part. This approach is endorsed by key aid organisations that provided submissions to the Independent Aid Review,<sup>38</sup> and is supported by even a superficial glance at Australia's ambitions in the area, in contrast with its limited time, staffing and financial resources.

Nonetheless, prior to engagement, potential partners should first be assessed for what they can teach Australia about how—and how not—to go about delivering aid, as well as having their operations scrutinised for compatibility with those proposed by Australia.

### Trilateral arrangements

Australia has reportedly begun investigations into trilateral arrangements, known as 'triangular aid' in Latin America, and the undertaking of some project work, most notably in delivering emergency relief to Haiti.<sup>39</sup> Triangular aid describes a collection of arrangements involving the partnering of the principal donor with the government of one of the region's stronger economies—generally

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37 *Ibid.* Amongst them, multilateral partnering (with UN, INGOs and other OECD donors); bilateral partnering (in the form of trilateral cooperation including such initiatives as partnering with Brazil to deliver assistance in Haiti following the February 2010 earthquake); volunteering opportunities (via existing AusAID funded programs expansion of placements into the region); and scholarship programs (via the opening of existing opportunities to citizens from within the region—specifically including a *commitment* of 200 placements for regional scholars).

38 Oxfam Australia, 'Submission to Independent Review of Aid Effectiveness', Oxfam Australia, 2 February 2011: <http://www.oxfam.org.au/resources/filestore/originals/OAus-IndependentAidReviewSubmission-0211.pdf>, p. 21.

39 Australian Agency for International Development (AusAID), *op. cit.*, note 2.

Chile, via the Agencia de Cooperación Internacional de Chile (AGCI), or Brazil, through the Agência Brasileira de Cooperação (ABC)—to provide assistance to a third country.<sup>40</sup>

These trilateral arrangements seem attractive as they embody the recommendations of the Paris Principles and the AAA, which guide donors towards more effective and sustainable aid delivery by, among other practices, ensuring host government involvement in activities.<sup>41</sup> Nonetheless, some caution should be taken with these partnerships. These agencies' publications indicate a highly technical vision of assistance: what may be termed a 'bricks and mortar' approach.<sup>42</sup> This is an approach that Australia, like most donors, has moved away from, preferring instead to enhance the capacities of the recipient country to undertake such work for themselves.<sup>43</sup> Furthermore, it is difficult to monitor funds channelled through a partner government's system. This approach also allows for little control over the speed of project delivery and limited input into operational decisions. As fledgling donors, the Brazilian and Chilean agencies will face inevitable bureaucratic, conceptual/policy and systemic establishment challenges, and hence operational delays. AusAID's limited resources, especially in terms of time, would be strained to overcome such constraints.

To avoid these obstacles, Australia ought to seek consortium-style partnerships that are led by experienced donors rather than rely on exclusive partnering with national governments via trilateral arrangements. The obvious donor-partner choice relies on those reputed donors working to similar objectives as Australia. Such partnerships should be selected with care, noting that donors enjoy distinct profiles and reputations.

## The New Zealand government's Latin America Development Programme (LADP)

AusAID's Latin America Program would benefit from referring to the lessons learned by New Zealand's Latin America Development Programme (LADP). The New Zealand Aid Programme is often overlooked by Australia as an agency from which to learn because of its comparatively smaller ODA budget, which stands at about a quarter the size of Australia's.<sup>44</sup> Australia's regional neighbour has spearheaded aid provision in Latin America that parallels what the LA unit intends to implement.

40 Agência Brasileira de Cooperação (ABC), *Cooperação Técnica Introdução*, 2011: <http://www.abc.gov.br/ct/introducao.asp>; (and) Agencia de Cooperación Internacional de Chile (AGCI), 2011: *Cooperación Internacional*, <http://www.agci.cl/cooperacion-internacional/>.

41 Organisation for Economic Co-operation and Development (OECD), *op. cit.*, note 17.

42 Agência Brasileira de Cooperação (ABC), *op. cit.*, note 40.

43 Organisation for Economic Co-operation and Development (OECD), *op. cit.*, note 17.

44 New Zealand Agency for International Development, the 'Latin America Regional', (official website page), June 2011: <http://www.aid.govt.nz/programmes/r-latin-america.html>. In 2010–11 the Australian

Among the similarities are those of the agencies' structures and objectives. Both the New Zealand Aid Programme and AusAID currently sit within their respective governments' departments of foreign affairs,<sup>45</sup> and therefore their activities are explicitly linked to foreign policy objectives.<sup>46</sup> Indeed, in the 2010 Independent Review of the LADP Program a congratulatory note is made that 'the LADP Strategy...has proved to be a valued foreign policy tool in the region over the past six years'.<sup>47</sup>

Both countries have a commitment to contributing towards reaching the MDGs, including scaling up their aid budgets to 0.5 per cent of their respective GNI. Moreover, the populations of Australia and New Zealand share many cultural traits—including national language, systems of government, and Commonwealth membership—and similar geographic concerns in that both are relatively remote from the major hubs of the other continents and possess a history of joint aid delivery primarily in Pacific states. Although neither country has a significant history of engagement with Latin America, New Zealand's modest aid provisions outdate and, until recently, exceeded in scale those of Australia.<sup>48</sup>

New Zealand's ODA contributions to the Latin America region date back to the 1970s.<sup>49</sup> The LADP manages only a modest portion of the overall ODA: over six years (2004/5–2009/10) the program received only NZ\$28 million.<sup>50</sup> Nonetheless, this is more than that provided by Australia for the period up until 2009/10, when for the first time Australia's aid contributions exceeded those of New Zealand, and only then due to provision of unplanned humanitarian assistance.<sup>51</sup> With the AusAID Latin America Program's total ODA estimate set

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government provided approximately \$A4,349 million in total ODA, of which \$A3,762 million was managed by AusAID. Whereas, for the same year, New Zealand's ODA totalled \$NZ525 million [Marriott and Percy, 2010] a scaling up from the previous year's budget of \$NZ500 million.

45 *Ibid.* Although for a period in the 1990s New Zealand's aid was delivered via a relatively autonomous agency, since 1 July 2002 this was converted into the New Zealand Aid Programme, which was established to manage New Zealand's ODA program with a central focus on poverty elimination and sits within New Zealand's department of foreign affairs.

46 *Ibid.* The objective of New Zealand's aid program is to: support sustainable development in developing countries in order to reduce poverty and to contribute to a more secure, equitable, and prosperous world. Nonetheless, the programme's position in the Ministry of Foreign Affairs and Trade (MFAT) is recognition that overseas development is an important pillar of New Zealand's foreign policy.

47 Sarah-Jane Marriott and Rachel Percy, 'Latin America Development Programme Strategy 2004–10: End Term Evaluation', The New Zealand Agency for International Development, Bristol (United Kingdom), May 2010: <http://www.aid.govt.nz/what-we-do/review-and-evaluation-reports.html#2010>, p. ix.

48 The New Zealand Agency for International Development, *op. cit.*, note 44.

49 Marriott and Percy, *op. cit.*, note 47, p. 4.

50 *Ibid.*

51 Australian Agency for International Development, the (AusAID), 'Submission to the Joint Standing Committee on Foreign Affairs, Defence and Trade, Inquiry into Australia's Relationship with the Countries of Africa', 18 March 2010: <http://www.ausaid.gov.au/country/country.cfm?CountryID=95994596&Region=AfricaMiddleEast>. NZAID's total support for Latin America in 2009–10 was \$5.5 million [The New Zealand Agency for International Development, 2011]. For the same financial year, AusAID's country and regional program aid to Latin America totalled only \$A2.1 million, although this was buffered somewhat by Australian humanitarian assistance, bringing the total ODA to an estimated \$A9.3 million.

to peak at \$27.2 million for the new fiscal year (2011-12),<sup>52</sup> now is the time to reflect on what might be learnt from a program with comparative scale and challenges in providing delivery.

The 2010 Independent Review of the LADP elicited some important findings.<sup>53</sup> It was critical of the combining of the LADP's geographic emphasis—on ten countries in the region, broken down into three sub-regions of Central America, the Andes, and the Southern Cone plus Brazil—with two thematic priorities—sustainable rural livelihoods for Central America and the Andes, and good governance for the Southern Cone and Brazil. The Review asserted that the LADP's geographic and thematic breakdown was inappropriate and ought instead to integrate the two key themes targeted in all three defined regions. It furthermore advised that the scope of the Program exceeds its implementing team's capacities.<sup>54</sup>

This second problem in particular is mirrored by the AusAID LA Program, which has a greater country scope than LADP, covering seventeen states in total. While LADP has fewer staff members<sup>55</sup> than the LA Program team, when this comparison is adjusted for aid scale—both budget and number of countries—AusAID emerges as only slightly better equipped than its neighbour to manage its work. This advantage is further reduced when Australia's far shorter program history is taken into consideration. In light of this similarly limited capacity, the AusAID team should look to mimic New Zealand's maximising of resources via leveraging off existing initiatives and programs. This approach circumvents the need to build up new versions of programs, costly both in time and staff resources and which typically take several years to reach full operation.<sup>56</sup> Indeed, the LA Program appears to have already recognised the value of this approach, having ensured that existing scholarship, fellowship and institutional-linkage program opportunities are made available to the Latin American region. Some examples of these include the Australian Leadership Award Scholarships (ALAS), the Australian Leadership Award Fellowships (ALAF) and the Government Partnerships for Development Program (GPFDP).<sup>57</sup>

The most significant point made by the Review is in cautioning against dependency on partners to make up for their absence in the region. One of the key assumptions on which the Strategy appears to have been based—that the New Zealand government's lack of presence in the region could be mitigated through the appropriate selection of strategic partners—was found in need of

52 Rudd, *op. cit.*, note 3.

53 Marriott and Percy, *op. cit.*, note 47.

54 *Ibid.*

55 *Ibid.* This constitutes one full-time staff member operating from New Zealand and the only regional presence via four embassies.

56 Australian Agency for International Development (AusAID), *op. cit.*, note 2.

57 *Ibid.*

reappraisal.<sup>58</sup> There is not sufficient explanation in the Review for this warning, but it might be interpreted to imply that monitoring of project activities is made difficult by partner dependency. This is a valid point, and while limited resources and understanding of the region necessitate partnering, this must be done with trusted donors with compatible objectives.

## USAID

The United States Agency for International Development (USAID) is the most prominent and well-established OECD donor in the region, having worked there for most of the 50 years of its existence. USAID's Bureau for Latin America and the Caribbean (LAC), which manages most US ODA-eligible funds, comprises sixteen bilateral missions, four regional programs, and several Washington-based programs for Cuba. Its total budget for FY09 was approximately \$963 million.<sup>59</sup>

Despite the long history of its presence, USAID should be viewed with caution as a potential partner for AusAID due to its close associations with sensitive political issues. Although USAID is an independent federal government agency, it receives foreign policy guidance directly from the Secretary of State and explicitly acknowledges its interest in promoting US foreign policy. US foreign assistance has always had the two-fold purpose of furthering America's foreign policy interests in expanding democracy and free markets while improving the lives of the citizens of the developing world.<sup>60</sup> Specifically in the Latin American and Caribbean regions, US foreign policy aims to 'help governments respond to their citizens by promoting security, strengthening democracy, and creating widespread long-term economic growth'.<sup>61</sup> LAC's overriding objective is to 'consolidate and deepen democratic gains [in Latin America]'.<sup>62</sup>

Consequently, the reputation and profile of this heavyweight donor is tainted by the United States' long history of intervention in national affairs, at times with very tragic and long-lasting consequences. The view of USAID as a contributor to 'Banana Republics'<sup>63</sup> is widely held within the region and as such the political implications of its work—whether actual or only

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58 Marriott and Percy, *op. cit.*, note 47.

59 USAID, 'Latin America and the Caribbean Program overview', USAID, 2011: [http://www.usaid.gov/locations/latin\\_america\\_caribbean/](http://www.usaid.gov/locations/latin_america_caribbean/).

60 *Ibid.*

61 *Ibid.*

62 *Ibid.*

63 Eduardo Galeano, *The Open Veins of Latin America*, (translation by Cedric Belfrage), New York and London: *Monthly Review Press*, 1973.

perceived—would be problematic for AusAID. If it is Australia's intention to foster strong diplomatic relationships in the region, partnering with USAID is best avoided.

## The Canadian International Development Agency (CIDA)

Like USAID, the Canadian International Development Agency (CIDA) poses some advantages as a potential partner for AusAID, including a long history of operation in the region and a common national language. Furthermore, the Agency is not shadowed by the same negative historical, political and cultural associations of USAID.

CIDA sits within the Ministry of Foreign Affairs and Trade, which comprises several different agencies with international foci. CIDA's objective—to *Lead Canada's international effort to help people living in poverty*—is less overtly tied to forwarding national interest than is USAID's. Nonetheless, the Agency's position within the Ministry implies that its work is intended to harmonise with other international efforts such as trade negotiations and diplomacy.<sup>64</sup>

The Agency has significant experience in the Latin American region, its aid efforts dating back over 30 years. With a change of government in July 2007, these efforts were further scaled up.<sup>65</sup> During FY2009-10, CIDA's bilateral humanitarian—i.e., not all ODA—expenditure in the Americas, comprising 32 countries and including those that AusAID classifies as Caribbean states, totalled 200,750,000 Canadian dollars.<sup>66</sup> Despite this wide geographic spread in Latin America, CIDA's work concentrates on only five of these countries: Bolivia, Colombia, Haiti, Honduras and Peru, with very specific objectives relating to each context.<sup>67</sup> This is in line with the agency-wide policy implemented since February 2009 which directs CIDA to focus bilateral programming on only 20 countries so as to 'concentrate resources, intensify programming and improve coordination...in support of its commitment to the Paris Declaration and Accra Agenda for Action'.<sup>68</sup>

CIDA's substantial work in the region positions it well as an organisation from which Australia might learn. The most prominent example of this is CIDA's limited geographic approach to aid delivery. This should be seen as a strong

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64 Canadian International Development Agency (CIDA), *op. cit.*, note 27.

65 *Ibid.*

66 Canadian International Development Agency (CIDA), 'Americas Program Overview,' *Her Majesty the Queen in Right of Canada*, <http://www.acdi-cida.gc.ca/acdi-cida/ACDI-CIDA.nsf/eng/JUD-12911557-LVS>, p. 15.

67 Canadian International Development Agency (CIDA), *op. cit.*, note 27, p. 4.

68 *Ibid.*

indication to Australia that its current LA Program objectives are over-ambitious and that a reduced country focus with related context-specific aims would be more appropriate.

Nonetheless, for partnering, CIDA may not prove the most appropriate choice, given that its areas of focus differ significantly from those of AusAID. CIDA has three key objectives in operating in Latin America: to promote basic democratic values; to strengthen economic linkages; and to meet new security challenges. As per the USAID example, these areas involve some political sensitivities which might prove harmful to diplomatic efforts—in accordance with Australia's national interests—and furthermore do not coincide with Australia's articulated areas of intended work. Hence, such partnering would not lend itself well to increasing LA Program coherence.

## Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH (The German International Cooperation Agency)

An alternative option for partnering is found in GIZ, the agency whose prime function is to provide support for the German government in the field of international cooperation for sustainable development. GIZ enjoys a strong reputation as an aid donor.<sup>69</sup> It has a history of over 45 years in the region and remains active in 21 countries.<sup>70</sup> Indeed, since 2000 GIZ has scaled up its efforts in Latin America and maintains a significant staff presence across the region. In 2009 GIZ directly employed some 155 seconded and 940 national personnel.<sup>71</sup> In particular, it is involved in numerous partnerships across the region, including collaborative aid projects typically involving a range of stakeholders from community groups, the private sector, international NGOs, the UN, and ministries of national governments.<sup>72</sup> Such consortium-style partnering appears to be a better option for AusAID's interests than triangular aid agreements, as it avoids the necessity for direct engagement with other governments' systems yet provides the potential for partnering with select ministries of these

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69 William Easterly and Claudia R. Williamson, 'Rhetoric versus Reality: The Best and Worst of Aid Agency Practices', New York University: *Development Research Institute*, May 2011: [http://williameasterly.files.wordpress.com/2010/08/61\\_easterly\\_williamson\\_rhetoricvsreality\\_prp.pdf](http://williameasterly.files.wordpress.com/2010/08/61_easterly_williamson_rhetoricvsreality_prp.pdf). A recently released report ranked Germany in the top five of aid donors based on five criteria: aid transparency; minimal overhead costs; aid specialisation; delivery via effective channels; and selectivity of recipient countries based on poverty and good government.

70 Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), *op. cit.*, note 27.

71 Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, 2009, *Annual Report*, 2009: <http://www2.gtz.de/dokumente/bib-2010/gtz2010-4000en-annual-report-2009.pdf>.

72 Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), *op. cit.*, note 27.

governments. Because of GIZ's record of success in the region it might be seen as a guarantor for the reliability of particular collaborative activities, thereby guiding AusAID's funding choices.

In addition to the advantages of its expertise, GIZ's areas of concern include those targeted by AusAID. These are identified as: democracy, civil society and public administration; crisis and conflict prevention; and, most significantly for AusAID, sustainable natural resource management and rural development. This final area covers three of AusAID's four identified pillars: Rural Development; Natural Resource Governance; and Climate Change and Environmental Stability.<sup>73</sup> Interestingly, the remaining Australian Program pillar, Human Resource Development, finds its parallel in GIZ's aid delivery means. That is, based on assessment of GIZ's Latin America projects,<sup>74</sup> the Agency sees capacity building and education as modes of realising these aid objectives rather than as ends in themselves. This suggests that AusAID's Human Resource Development would be more appropriately regarded as a modality for work than a Program end objective.

AusAID ought to consider adopting GIZ's amalgamation of the areas that the LA Program has separated into three pillars. This approach suggests that, at least in the Latin America region, they involve issues so interrelated that treating them together is a more appropriate strategy than tackling them separately. Similarly, GIZ's strategy should be reviewed more closely in order to obtain further useful knowledge that could inform the LA Program's strategy. The German International Cooperation Agency should also be recognised as an attractive partner for AusAID based on its expertise in the region, existing linkages with key actors and, of course, common thematic areas of interest.

## Recommendation two: Championing a cause

There is no doubt private sector investment can drive economic prosperity and reduce poverty in developing countries, provided appropriate regulation, transparency and accountability controls exist...<sup>75</sup>

### The recommended focus: Natural resource governance

Australia's four-pillar strategy is problematic because it does not provide a clear ordering of priorities—and therefore direction—to those AusAID employees

<sup>73</sup> Rudd, *op. cit.*, note 3.

<sup>74</sup> Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), *op. cit.*, note 27.

<sup>75</sup> Andrew Hewett, 'Australian miners lacking transparency', *The Age*, 15 May, 2010: <http://www.onlineopinion.com.au/view.asp?article=10456>.

tasked with decision-making. In light of the potentially tight timeframe and scarce resources for a program intended to administer to as many as 17 countries, much greater coherence would be found via electing a single issue of key importance and setting the other issues as subsets of this, including where they contribute to meeting this targeted overarching objective.

In championing a single cause, Australia should elect an issue of significant importance to the region in which Australia has some comparative advantage. GIZ's focus on sustainable natural resource management and rural development, which encompasses most of the LA Program's current strategy, is a good starting point.

Within this, natural resource governance stands out due to its cross-cutting nature. Natural resources, where defined as extending beyond finite resources such as ore capable of being mined to include renewable resources such as forests, water sources, etc., are central to a vast array of important issues. These include: indigenous issues; environmental protection; distribution of wealth; human rights; transparency; governance; national and international trade; health; employment; conflicts; land tenancy; and agriculture. As well as being cross-cutting, natural resource governance is a multi-level sector in which work is required at all levels, from local through to the national and international.

Australia's competitive advantage in natural resource governance relates to its on-going engagement in Latin American primary resource extraction and trade. Australian companies have invested heavily in extractive industries in the region; much of Australia–Latin America trade is comprised of Australian exports of coal and Latin America's exports of copper and tin.<sup>76</sup>

Selection of natural resource governance as a key focus would support Australia's current engagement in the area and hence satisfy the necessity to promote 'national interest.' This is not to say, however, that aid should primarily constitute a vehicle for driving increased exploitation of natural resources. Rather, it might pose a means of enhancing accountability around such activities and the more equitable distribution of the benefits these generate. Australia's aid activities, directed by the necessity to meet standards enshrined in international accords that Australia has signed or ratified, might be a means of bringing an ethical element to Australia's engagement in the region.

The need for such work in this sector is critical and increasing. Latin America's history is often viewed through the prism of natural resources.<sup>77</sup> It was these riches that attracted the first conquistadors to the region and brought subsequent

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76 Department of Foreign Affairs and Trade (DFAT), 'Australia's Trade with the Americas', 2009: <http://www.dfat.gov.au/publications/stats-pubs/Australia-trade-with-the-Americas-2009.pdf>.

77 Galeano, *op. cit.*, note 63.

waves of immigration, including the slave trade, the indentured labour for many natural resource sectors including gold mining and large-scale sugar and cocoa plantations. This long and complex history of natural resource exploitation in the region has involved a great many tragedies and been at the root of various protracted conflicts.<sup>78</sup>

Simultaneously, in one form or another, natural resources remain the basis for most economies and have offered some resilience to the region. The abundance of natural resources throughout Latin America significantly reduced the impacts of the global financial crisis. This buffer has even led to strong economic growth in some countries as a result of the post-crisis commodity boom.<sup>79</sup>

Indeed, appropriate governance of natural resources has been assessed as the key to sustainable reduction in income inequality in Latin America.<sup>80</sup> The Center for Global Development's working paper argues that decline in inequality is linked to an increase in natural resource exploitation and hence increased economic growth, but more importantly to social policies that redistribute wealth, especially in the form of educational expenditure and conditional cash transfers.<sup>81</sup> In this comparative study of several countries with unique profiles, the paper concludes that the political regime and governance at all levels from local through to international are more determinant of the decline than is the presence of resources.<sup>82</sup>

While the instances of good social policy are promising signs of the potential for good natural resource governance, there is some question as to whether these will be submerged in the growing wave of international investment in commodities from states with growing economies, such as China. In other words, will protection of vulnerable communities and the natural environment be sacrificed by governments in favour of the short-term gains of natural resource exploitation? Or can the two objectives be simultaneously realised? Finally, and more pertinent to the argument of this chapter, could the presence of aid reduce the negative impacts of such activities and enhance the positives? This presence might occur, for instance, by collaborating with companies on corporate–social responsibility activities and holding international investors accountable to codes of conduct, or critically publicising instances when organisations fail to do so.

While the responses to these questions should be the subject of ongoing attention beyond the scope of this chapter, one thing is certain: the investment wave is growing and the world's emerging economies are dependent on either

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78 *Ibid*; (and) Birdsall *et al.*, *op. cit.*, note 19, p. 5.

79 Birdsall *et al.*, *op. cit.*, note 19.

80 *Ibid*.

81 *Ibid*.

82 *Ibid*.

the purchase or sale of natural commodities.<sup>83</sup> In acknowledging this reality, aid actors including major NGOs are advocating engagement in—and hence potential influence of—this process, rather than limiting responses to mere criticism.<sup>84</sup>

## How to focus the LA Program efforts

Promoting improved natural resource governance should be as resource-light as possible, undertaken via two mechanisms: first, the partnering model as outlined above, namely the consortium arrangements spearheaded by a reputable donor such as GIZ; and secondly, via existing AusAID programs and linkages.

An example of the former mechanism would be that of seeking collaboration via co-funding on a project in a Latin American country where Australia and Germany's objectives overlap, such as in Honduras. Here, GIZ specifically aims at natural resource governance, and the projects it supports have strong national government involvement. Furthermore, as outlined in the country strategy, in Honduras GIZ actively seeks to coordinate its efforts with those of other donors and bring in a range of stakeholders from the private sector.<sup>85</sup>

An example of the latter mechanism is in the selection of scholarship, fellowship or organisation recipients in AusAID programs such as the previously mentioned: ALAS, ALAF and GPFAD. That is, strong applications that identify a pertinent natural resource governance issue as their core would be prioritised for funding.

The Program team could easily reconfigure the current four-pillar structure into a pointed strategy with the pillar of Natural Resource Governance at the head and the aims of the Rural Livelihoods and Climate Change pillars as subcomponents, included as they relate to the overarching aim. In this proposed model the pillar of Human Resource Development would be more appropriately treated as a modality. That is, aid activities should involve capacity building with the objective of enhancing natural resource governance.

The focus areas currently grouped under the pillars of Rural Livelihoods and Climate Change/Environmental Stability might both sit comfortably beneath Natural Resource Governance. For instance, a quick glance at demographic trends across the region demonstrates that the populations typically located in areas of large-scale natural resource exploitation are overwhelmingly poor.<sup>86</sup>

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83 Maxwell Strachan, 'Six Emerging Economies Will Account For Over Half Of Economic Growth By 2025', World Bank Says', *The Huffington Post*, 2011: [http://www.huffingtonpost.com/2011/05/17/us-dollar-dominance-world-bank-currency\\_n\\_863248.html](http://www.huffingtonpost.com/2011/05/17/us-dollar-dominance-world-bank-currency_n_863248.html).

84 World Wildlife Fund, 'WWF–Australia's submission to the Independent Review of Australian Aid Effectiveness', *WWF–Australia*, 2 February 2011: <http://www.aidreview.gov.au/publications/sub-wwf.pdf>.

85 Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, *op. cit.*, note 27.

86 International Fund for Agricultural Development, the (IFAD), 'IFAD strategy for rural poverty reduction: Latin America and the Caribbean', 2002: <http://www.ifad.org/operations/regional/2002/pl/pl.htm>.

These groups fail to receive any benefits from natural resources in the form of revenue, employment opportunities, or otherwise, and in fact all too often suffer negative impacts, including contamination of water sources and soil, and displacement from their lands. In other instances, the problems around poor natural resource governance might result from small-scale exploitation of natural resources in environmentally damaging ways by the rural poor themselves, including mining and high-impact agricultural practices.<sup>87</sup>

In both instances, addressing rural livelihoods is of vital importance. For instance, this focus might see the push towards job creation within large-scale activities or, alternatively, the training of small-scale miners, farmers, etc., in practices that minimise environmental damage or even provide them with alternative skill-sets and hence employment opportunities.

Similarly, in all LA Program work, consideration should be given to environmental protection and anticipated climate change impacts, including increased natural disasters. Such activities might involve research into possible adaptation responses. It would presumably also include activities supporting alternative energy generation and national-scale initiatives such as carbon trading schemes, as well as promising resource management initiatives such as Benefit Sharing Mechanisms (BSM) and Payments for Environmental Services (PES).<sup>88</sup>

## Concluding remarks

AusAID's expansion into Latin America has been criticised first for its political motivations; secondly for the region being undeserving as an aid recipient—given several already strong and increasingly growing economies; and thirdly for the

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87 United Nations Environmental Programme, the, (UNEP), 'Payments for Ecosystem Services: Getting Started', Nairobi, Kenya, 2008: [http://www.unep.org/pdf/PaymentsForEcosystemServices\\_en.pdf](http://www.unep.org/pdf/PaymentsForEcosystemServices_en.pdf).

88 *Ibid.* Past debates about prioritising environmental protection above 'the right to development' have pitted 'conservationists' against 'humanitarians'. However, the last decade, particularly in the LA region, has seen these debates reconfigured with recognition that both objectives can and should be realised concurrently. This perspective was encapsulated in the 1992 Rio Declaration on Environment and Development, whose first principle states that '[h]uman beings are at the centre of concern for sustainable development' [UN, 1992]. This Declaration built on earlier foundations established at the Stockholm Conference (considered the first major conference on environmental issues at the international level) [UN, 1992] and propelled the emergence of initiatives aimed at enhancing human wellbeing via their involvement in environmental protection. Examples of such initiatives include 'Benefits Sharing Mechanisms' (BSMs) which seek the more equitable distribution of the benefits derived from natural resource systems (often referred to as Ecosystem Services—ES) and simultaneous protection of the ES. These may take the form of Payment for Environmental Services (PES) or in other cases non-monetary benefit-sharing. These are found in various forms throughout the world and not exclusively in 'developing' countries. Indeed, because they typically require involvement of various levels of government in the context in which they are implemented, they require reasonably high levels of capacity within the host governments. Because many Latin American countries qualify on this count, in addition to the abundance of their natural resources and situations of inequitable distribution, they are often seen as perfect potential sites for BSM implementation [UNEP, 2008 (and) Fundación Natura Bolivia, 2011].

new Program's overambitious scope given its relatively modest funds—AUD\$100 million over four years, the expansive seventeen-country reach, and Australia's lack of history or expertise in engaging in the region.

The first group of these criticisms is not easily dealt with by a chapter most directly concerned with policy advice in a particular context, rather than in questioning the very foundations and nature of international aid. However, it is nonetheless useful to note that Australia's aid delivery, like that of most OECD donors, is explicitly and inherently intended to uphold national interests, as is spelled out in the Agency's overarching objective. The political motivations accompanying the expansion into Latin America are by no means unique. Nor, as this chapter argues, does this political context necessarily undermine the value of what aid activities might achieve. Rather, taking 'forwarding Australian national interest' as read, the presence of aid actors in national or international engagements—such as in trade or negotiations regarding natural resource management and/or exploitation—might serve as a watch-dog on such activities.

At the time of writing, the future of the LA Program is uncertain—whether future governments will continue to support it is unclear. It certainly seems, at the very least, that a major expansion of the program is unlikely. Hence, the Program strategy should accordingly work to short timeframes, and focus on enhancing existing initiatives, especially scholarship, fellowship and organisational linkages programs, rather than beginning these from scratch.

Likewise, criticisms about the region's deservedness as an aid recipient are relatively easily dealt with. Certainly, Latin America is a region characterised by the strong growth of national economies, a burgeoning middle class in many countries, and relatively strong average HDI vis-à-vis those of Africa and South-East Asia. Nonetheless, the region is also consistently ranked as the most unequal in terms of wealth distribution. Large sectors of populations continue to live in abject poverty despite the growth of their countries' economies, and many communities are affected by situations of insecurity largely generated by unequal resource allocation. Furthermore, unlike some countries saturated by aid provisions, Latin America's capacity to use aid flows means that if programming is undertaken strategically, increased aid provisions via the scaling-up of the Australian aid program to meet MDG commitments might see a significant impact within the region. Just as the criticisms about political interests indicate the need for short-term planning, responding to criticisms about deservedness leads to the conclusion that Australia's focus should be appropriate for the needs of the region.

The final and most compelling group of criticisms points to Australia's limited capacity in terms of time, budget and staffing to deliver effective aid in an area where it has no history of engagement. Noting these constraints, the chapter

posits two recommendations. The first is that AusAID should seek partnerships to guide its work strategically as well as operationally; and the second is that AusAID ought to refine its objectives to a single priority area.

In relation to the first of these recommendations, GIZ stands out as the most valuable potential partner for the LA Program, given its similar program focus and its large-scale, long-term and well-received regional presence. A partner to whom AusAID might look for lessons learnt and on which to model its strategy as a fledgling and lightweight donor is neighbouring New Zealand.

In relation to the second of these recommendations, the stand-out issue for the Latin America region is the protection of the abundant but all too often mismanaged natural resources upon which all communities in the region depend in one form or another.

Championing improved natural resource governance would see the LA Program orient all activities in a cohesive manner and permit collaboration with GIZ, which works extensively in this theme. Furthermore, it would support fulfilment of the ethical responsibility that ought to accompany Australia's involvement, namely, mining investments and trade based on primary commodities. That is, in this way Australian aid might assist the reduction in environmental damage associated with the extractive industries, and furthermore might support the more equitable sharing of benefits generated by natural resources with otherwise marginalised communities. Given that Australia is likely to be involved in rising investments in extractive industries in Latin America in the future, the country's reputation can only be enhanced by aid designed to produce the best possible local outcomes in these industries.

The importance of the Program's reconfiguration is more than one of semantics. Clear prioritisation within an aid program's strategy is of utmost importance as this will inform the decisions made about activities funded and increase the likelihood that these might complement or strengthen one-another. The strategy outlined in this chapter—of championing natural resource governance, in partnership with GIZ and via established programs—would satisfy the necessary obligations of forwarding Australian national interest by promoting Australia as a good international citizen with concern for issues of international relevance. Moreover, this proposed strategy would concentrate modest aid provisions towards an area which sees the intersection of two areas of vital importance across all of Latin America: enhancing environmental protection and improving equity.

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