
Part V
OECD Thematic Reports

Australian Aid: Promoting Insecurity?

*Tim O'Connor, Sharni Chan and Dr. James Goodman
Aid/Watch*

Summary

Central to the post 9/11 development agenda is the concept of security. As Australia dons the mantle of “regional sheriff”, it has invoked the fear of failed or “fragile” states as justification for a newly interventionist aid policy – one that strays far from notions of human security.

Since 1997 Australian aid has been explicitly in the service of the “national interest.” The Government’s definition of the national interest is increasingly centered on countering regional “security threats” with the additional focus on supporting Australian commercial interests. Thus the aid program has become more explicitly a tool of domestic defense, and foreign and economic policy. Aid is now centered on “good governance,” law and order and military assistance, and geared to Australian strategic interests rather than to regional development priorities.

This paper examines recent aid projects; the “Regional Assistance Mission to the Solomon Islands” (RAMSI), the Australia-Papua New Guinea “Enhanced Cooperation Program” (ECP) and the Australia-Indonesia “Partnership for Reconstruction and Development” (AIPRD). These three cases

expose Australia’s new approach to “aid”, and highlight the threat it poses for the everyday human security of the people of the Solomon Islands, Papua New Guinea (PNG) and Aceh.

Introduction

Almost 10 years ago the newly elected Foreign Minister, Alexander Downer, released a review of the Australian aid program entitled “One clear objective: Poverty alleviation through sustainable development”.¹ This landmark 1997 Report recommended a more focused aid program aimed at poverty reduction. Unfortunately, like the Jackson review of the Australian aid program in 1984, many of the most positive aspects of the Report were never implemented.² In 2005 the OECD conducted a review of Australia’s aid program and in its report, hidden beneath the diplomatic veneer, was a clear indication that Australia’s aid program was failing the global south.³ Instead, the aid program was being used explicitly as a tool of an increasingly interventionist foreign policy.

Since 2001 the post 9/11 security focus in the North has produced a new rhetoric of pre-emptive intervention against so-called

Australia

“failing” states in the South. This new interventionism is legitimizing a dramatic shift in the practice of development assistance. Instead of addressing the causes of the human development crisis, aid is increasingly used to address its symptoms and to promote the agenda of the donor.

The Australian government’s aid agency – AusAID – has, under the current government, effectively been downgraded to the status of an adjunct to the foreign affairs portfolio and remains firmly ensconced in the Department of Foreign Affairs and Trade. This sends two messages: i) aid is not an important role of government and ii) aid is more about the advancement of foreign policy objectives than the alleviation of poverty. To what extent are these interpretations reasonable? A brief glance at developments in aid policy over the life of the current Australian government provides some answers.

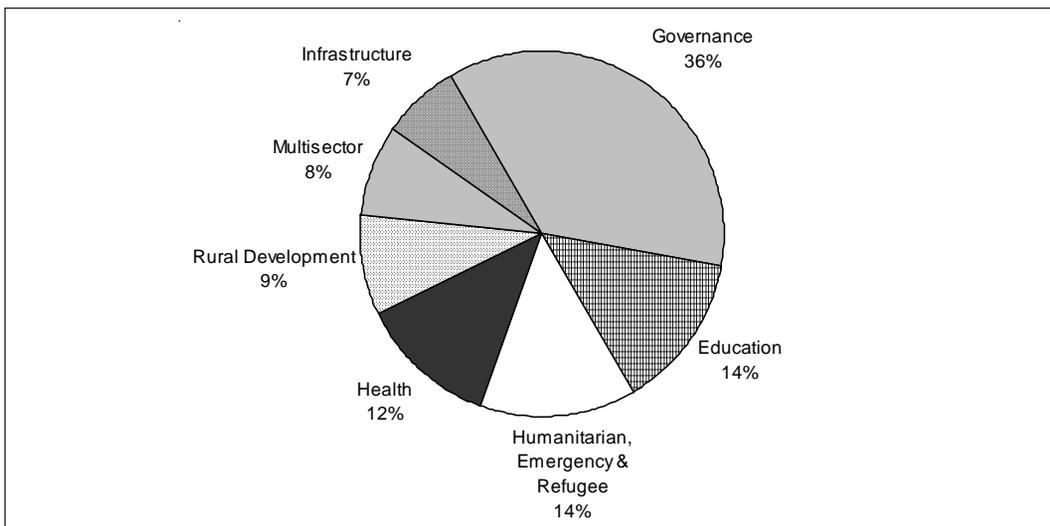
Development orthodoxy is now centered on the need to put in place “good governance” programs that facilitate “free

trade” and work as a “boomerang” to generate income for Australian companies. Across the globe Southern elites have been encouraged to think of governance rather than government. Market-friendly interventions, and various forms of corporate welfare, have become the order of the day with scant regard for their impact on the poor.

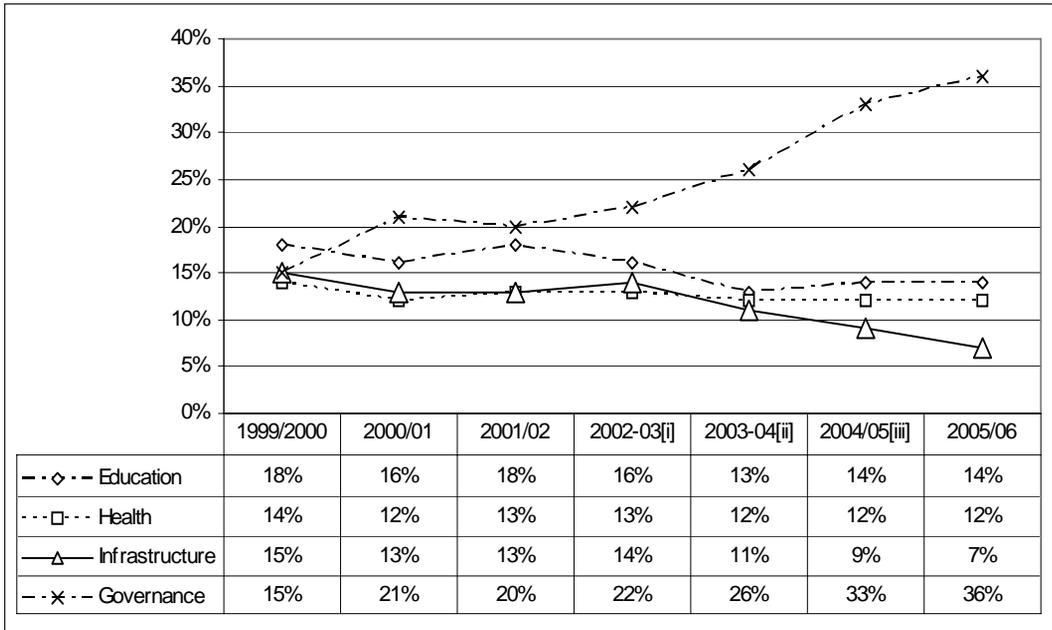
We can see this trend clearly reflected in the Australian aid budget. For the coming fiscal year, funding to the governance sector will top \$1 billion and will absorb 36% of the entire aid program (See **Graph 11.**) Governance now eclipses the combined funding allocated to health, education, and infrastructure – the traditional bread and butter of aid programs.

It is no accident that we have seen this rapid rise in funding for governance projects over the past five years. Security and governance are now closely linked – since 9/11 and Australia’s involvement in the War on Terror we have seen governance expenditure more than double (See **Graph 12.**)

Graph 11. *Estimated sectoral breakdown of Australian ODA 2005-06⁴*



Graph 12. Comparison of Australian aid funding priorities pre- and post 9/11⁵



If we dig a little deeper into the aid budget we can clearly see the particular types of governance the aid program is promoting. In line with the post 9/11 security agenda, the main priority of governance is funding for the law and justice sector 47%. This should be compared with the paltry 2% that is allocated for “improved democratic processes” (See Graph 13.)

The Department of Foreign Affairs and Trade (DFAT) admits that there is a clear development and security nexus in the funding of Official Development Assistance (ODA): “In recent years, development issues have become increasingly interlinked with broader Australian regional and international policy priorities, including regional security, trade, economic integration, and the trans-boundary threats posed by communicable diseases”.⁷ The emphasis is on development

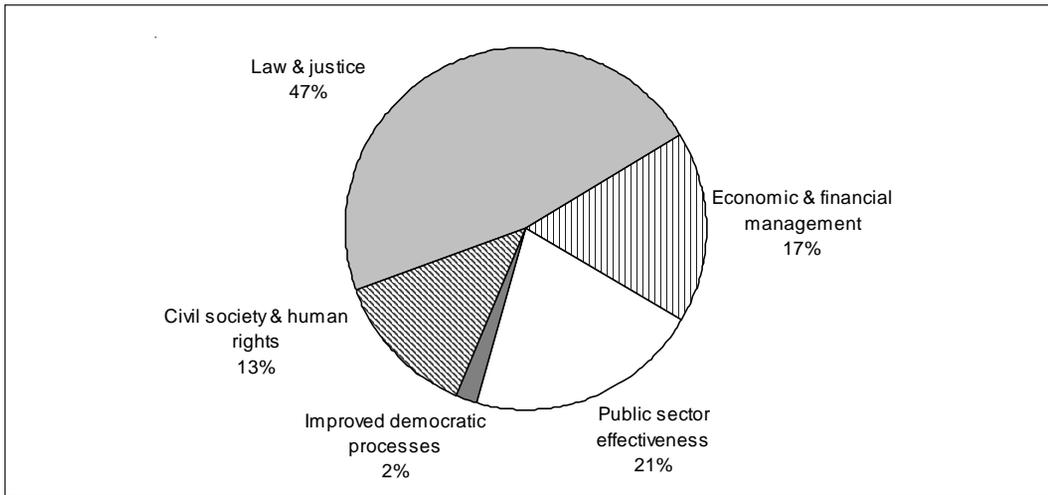
through market liberalization, with the program focused on “improving market access” and “improving the investment environment”, with little regard for the provision of basic needs or human security.⁸

The Director General of AusAID, Bruce Davis, has most recently reinforced the link between the government’s regional security agenda post 9/11 and the development program. In a speech at an Australian Strategic Policy Institute (ASPI) “Defence and Security” luncheon, Davis specifically linked the aid program with the War on Terror, endorsing the argument by Hughes⁹ and others that “fragile states” are incubators of “crime; people, gun and drug smuggling; and, potentially, terrorism”.¹⁰

Security is now presented as the cause and solution of all development dilemmas. Viewed through the lens of the War on

Australia

Graph 13. Good governance funding under the Australian aid program⁶



Terror, it has become all too convenient to categorize security issues as the “primary cause of poverty”. For Davis, not only is “security” a prerequisite for development but “underdevelopment is itself a security threat”.

The very fact that it was deemed appropriate for the Director General of AusAID to address ASPI’s defense and security luncheon reflects the progressive merging of the development and security agendas of the Australian Government.

It should also be noted that the “threat”, to which “aid” is the response, –is conceived entirely in terms of Australia’s regional interests. As Davis says, the times of just “doing good” with the aid program are now over. Instead the aid program today must focus on “building a strategic environment that favors Australia’s interests”.¹¹

Not only does the government rhetoric of aid and security reflect the changing agenda. It also indicates a marked politicization of the aid program. This

process has resulted in the hijacking of Australia’s pro-poor aid policy by the Department of Prime Minister and Cabinet under the guise of the “whole of government” approach. Australian Government Departments now contribute over \$563 million in the form of services to aid recipients. This includes departments such as Treasury, Finance, Customs, Immigration and Multicultural Affairs, and of course Defense and the Australian Federal Police – agencies that have no mandate for development, yet increasingly have become “aid providers”.

The following discussion illustrates how these broad agendas are played out in practice. The focus is on three recent examples of Australian ODA politics, centered first on the Solomons, second on Papua New Guinea and third on Indonesia.

RAMSI: Aiding the war on terror

The Regional Assistance Mission to the Solomon Islands (RAMSI) was announced in June 2003. It saw one of the largest

deployments of Australian troops since World War II, and was funded directly through the Australian aid program. While Australia had also sent troops to Iraq and Afghanistan in response to the US led “war on terror”, the intervention in our own region was unprecedented. RAMSI thus marked a clear shift in Australian aid and foreign policy.

RAMSI was initiated following a request from Solomon Islands Prime Minister Alan Kamakeza. Significantly, in early 2000, the Australian government had rejected a request for 50 Australian police officers to be sent to assist the then Prime Minister of Solomon Islands, Bart Ulufa’alu (who was overthrown in a coup in June 2000).

Explaining why Australia could not then intervene in the Solomon’s, Foreign Minister Downer remarked that: “Australia has a strong commitment and devotes substantial resources to the South Pacific region. It is not however, the region’s policeman”.¹²

In December of 2002 Foreign Minister Downer, on a trip to the Solomons, again refused to provide policing assistance for the Solomon Islands Government. Yet, with the launch of the RAMSI initiative just a few months later, Australia very much took on the role of regional policeman — a turnaround in policy that should be seen in the context of both the September 11 World Trade Center bombings and the 12 October 2002 bombing in Bali.

RAMSI was heralded as a multilateral effort that involved Papua New Guinea, New Zealand, Fiji, Tonga, Samoa, Vanuatu, Fiji, Cook Islands, Nauru, Tuvalu and Kiribati, as well as Australia. Yet the vast majority of the police and military were sent by the regional power, Australia. Interestingly, at the time, Australia was under pressure from the United States to send more troops to Iraq, a move that would have been politically unpopular. Instead, under RAMSI the Australian Government bolstered its regional presence

with a 2,225-strong intervention force, composed of approximately 1500 Australian Defence Force personnel, 155 Australian Federal Police and 90 personnel from the Australian Protective Services.¹³

The official aim of RAMSI was outlined in the Framework for Strengthened Assistance to the Solomon Islands. It stated that: “Strengthened assistance will address the most serious specific threats to security and economic recovery in Solomon Islands”.¹⁴ RAMSI was designed as a police-led operation with Australian and other regional military participation to enforce the restoration of peace and ensure a clear path for the work of the police.

While the first stage of RAMSI was effective in restoring peace largely through the presence of a large and well-equipped military, the long-term situation is less certain. There have been suggestions, including from Solomon Islands civil society organizations and in the Solomon Parliament, that little has been done to attempt to reconcile the ethnic tensions that are at the root of the conflict, nor to deliver justice to those affected by the bloody conflict that plagued the country from December of 1998.

Around 12 months after RAMSI began, the Australian Government released a Report through the Department of Foreign Affairs and Trade, titled “Solomon Islands: Rebuilding an Island Economy”.¹⁵ The Report, which was funded by the Australia-based mining giant BHP-Billiton, signaled a shift in the mandate of RAMSI from peace-keeping to business-promotion. In his speech at the launch of the Report, John Ridgeway, President of the Australia-Pacific Island Business Council, stated that RAMSI has had a “positive effect on business confidence”: the “business outlook” in the Solomon Islands was improving, adding, “Australian businesses are the most likely to succeed in creating the

Australia

type of private sector-led economic growth that is fundamental to the rebuilding of the Solomon Islands economy".¹⁶

The Report revealed that Australia was overtly using the RAMSI aid program to promote its business interests rather than to address the causes of the conflict or to assist in poverty alleviation and sustainable development. With aid used to bolster Australian business interests and "private-sector" growth, human security falls off the agenda.

One of the main recommendations of the Report was that land holdings in the Solomons should be registered. Communal ownership was identified as a key barrier to wealth creation. The Solomons, like PNG and several other Pacific nations, remains largely the domain of traditional landowners. According to the report approximately 88% of land in the Solomon Islands is customarily owned and only 12% is registered. The Australian Government sees land registration as a key precondition for growth, since land that can be sold can be turned into capital, which in turn can facilitate growth. But "land registration" has long been a controversial topic in Pacific nations. The World Bank's attempts to register land in PNG in 2000 resulted in huge protests, and the Bank withdrew its proposals after four protesters were killed.

It is not simply a coincidence that the DFAT Report, funded by one of the world's largest mining companies, advocated land registration. Like PNG, the Solomons is a mineral-rich country, and commercialization of land holdings would certainly open the way to extended exploitation of its mineral wealth. BHP Billiton has close ties with the main company involved in Australia-funded land registration projects throughout Asia, a company known as Land Equity International (LEI).¹⁷ The first land-titling project that Australia funded was in Thailand and it was

conducted by BHP. BHP employees on the project then went on to form LEI, which has since been an AusAID contractor for further land registration projects throughout South East Asia.

In partnership with companies like BHP Billiton and LEI, the Australian Government has expanded the mandate of RAMSI, to include the dismantling of local barriers to land acquisition. While this may serve Australian corporate interests, it does not serve the interests of the local populace, suggesting a direct conflict at the heart of the Australian "aid" program. The clear implication is that Australia is using military intervention and "good governance" programs to advance the interests of Australia-based corporations in the Pacific. It is telling also that Nic Warner, the person in charge of the first stages of RAMSI, is now the senior adviser on international issues in the Department of Prime Minister and Cabinet.

The Enhanced Cooperation Program (ECP): security for whom?

The policy package on display with the RAMSI intervention was also in evidence with the Australian Government's ECP scheme for PNG. The ECP reflects the same policy of aiding the war on terror, along with a willingness to intervene in the domestic affairs of foreign nations, a clear focus on private investment, and the promotion of boomerang aid as a basis for development. The ECP is best understood as a form of transnational "forward defense", where the neighboring country becomes a "frontline" in protecting Australia from global terrorism, drug-trafficking and "people-smuggling". Here, "securitization" and market-friendly policies displace any commitment to poverty reduction and human security.¹⁸

Since PNG independence in 1975, over \$15 billion of Australian aid money has flowed

into PNG. Yet living standards for the majority of people there have barely improved.

The ECP inter-governmental agreement was signed under duress by the PNG Government on 27 July 2004. The ECP offered \$1000 million in new funding to PNG over five years¹⁹, principally for placing Australian police and departmental personnel in PNG, with a mandate to promote “good governance”. The ECP proposal was vociferously opposed by PNG politicians, including Prime Minister Somare and Foreign Minister Namailiu, who viewed the package as an unwarranted intervention in PNG affairs.

The PNG Government was forced to sign when Australia made the ECP a condition of future aid receipts.²⁰ The Australian Government effectively threatened to cut off PNG’s lifeline – aid receipts of \$330 million annually. But Australia’s cheque-book diplomacy unraveled when the PNG Supreme Court ruled that parts of the ECP were in violation of the PNG Constitution. Specifically, the Court found that “the authority of the country’s Police Commissioner and Public Prosecutor, and the rights of citizens to seek redress, have been undermined by the immunity given to Australian personnel”.²¹

Questioned in the Australian Parliament, Departmental officials revealed that the Australian Government spent at least \$165,000 on legal advice in relation to this project.²² The Government and its advisers were either cynically unconcerned with questions of legal jurisdiction, or unaware of how the project could backfire, or simply were assuming the PNG courts would not assert the country’s sovereign rights.

Australia’s willingness to force PNG to accept the ECP, in violation of PNG sovereignty, highlights the hypocritical nature of donor-driven governance projects

and raises questions about Australia’s claims to support “good governance”. It also suggests incompetent, on-the-run policy-making.

The ECP was clearly a product of Canberra policy innovation, exported to PNG with minimal consultation. Australia’s disregard for PNG sovereignty, though, extends beyond the legal issues. The ECP must be seen as an intervention that acts to restrict the future ability of ordinary people in PNG to democratically determine their path to development. Far from assisting governments to realize their own development objectives, the ECP was essentially a political intervention designed to promote Australian interests. We may be forgiven for asking what place such approaches should have in Australian diplomacy, let alone in any “aid” program.

According to AusAID, the original objective of the ECP was to “promote sound economic management and growth in PNG, to help improve the law and order situation and ensure the integrity of national security systems”. AusAID makes it clear that the ECP was “designed to re-establish investor confidence and provide an enabling environment for broad based development.”²³ To this end, the ECP involved the expenditure of \$800 million for policing and \$200 million for departmental placements, amounting to \$1 billion over the five years. To put this in perspective we can calculate the opportunity cost of the ECP. According to Sugden, the \$1 billion funding for the ECP could provide:

1. Education for around 700,000 children annually; or
2. For the law and justice sector at twice its size; or
3. For the entire health sector; or
4. The maintenance and progressive

Australia

upgrade of all national, provincial and district roads.²⁴

When considering whether the ECP would have resulted in long-term security or development for the people of PNG, there are several things to consider. One is the disproportionate amount of funding that was allocated for the salaries and accommodation of the Australians in comparison to money invested in PNG for the project. From Table 7, we can see the kind of boomerang aid that sparked controversy over the project. Australian Police salaries and accommodation would have absorbed the bulk of the funding, leaving anywhere between 11 and 1.4 per cent per annum for the provision of technical assistance to the Royal Papua New Guinea Constabulary (RPNGC) over the duration of the project. The ECP offered little, if any, provision for improving the material situation of the local police service,

for instance to address problems associated with poor morale and under-resourcing. It should be noted that the Australian Parliament itself has recognized that problems in the RPNGC are exacerbated by a lack of resources, yet the ECP has clearly ignored its recommendations.²⁵

Law and order problems have persisted in PNG despite a long history of AusAID funding for law and justice sector projects. Since 1975 Australia has provided more than A\$240 million in assistance to strengthen law and justice in PNG, 68 per cent of which has supported the police force.²⁶ The lack of evaluative data about these projects is likely to have an impact on AusAID's ability to learn from its mistakes and improve on its previous performance. The lack of any policy framework for evaluating the ECP itself is also of major concern.

The ECP planned to send around 300 Australian police and officials to take up positions directly within the PNG public

Table 7. Budget allocations for the policing component of the ECP

	2003-04	2004-05	2005-06	2006-07	2007-08	Totals (x Aust. \$ 1 Million)
Australian Federal Police (AFP) Salaries & Accommodation	3,087,933	75,534,374	83,673,028	87,019,950	90,500,748	339.82
AFP Logistics, Operational Costs	27,207,212	102,066,930	92,993,055	85,374,007	86,955,429	394.59
Sub total Australian Federal Police (x Aust. \$1 mill.)	30.29	177.61	176.66	172.39	177.46	734.41
Royal PNG Constabulary (RPNGC) Technical Assistance	16,052,755	10,038,845	20,913,100	6,082,850	2,615,975	55.7
Total (Including Capital)	46,347,900	187,640,149	197,579,183	178,476,807	180,072,152	\$790.11

Source: Senate Foreign Affairs, Defence and Trade Legislation Committee (2004).

service.²⁷ While there has been much controversy over the deployment of Australian police to PNG, much closer attention must be paid to the activities of the Australian bureaucrats that have also been inserted into strategic positions within the PNG public administration as part of the ECP project.

While the police play a role in securing areas of commercial interest to Australia such as Port Moresby, Lae and major transport corridors such as the Highlands Highway, what can we expect from Australian officials? A look at the job descriptions of the officials working under the ECP indicates that their main concern is to serve Australia's economic and strategic interests by marketizing the PNG economy and strengthening customs and border controls. In doing so, they are in no way charged with directly addressing the day-to-day difficulties of people in PNG.

In this context, special attention must be given to the work of a team of Australian treasury officials — one of whom is now the Senior Policy Advisor with the PNG Department of Treasury. This team of Treasury officials has taken control of strategic roles such as “expenditure control activities”, “evaluation of proposed investments”, “asset sales”, “taxations policy”, “structural adjustment”, and reviewing of wages.²⁸ The officials are thus literally drawing-up an emerging matrix of neo-liberal reforms designed to create a more market-friendly environment in PNG.

Chief among the restructuring is what the Australian Government is calling the “rightsizing” of the PNG bureaucracy. Rightsizing is modern managerial-speak for downsizing, or cutting jobs. One of the first areas targeted for rightsizing was the PNG Defence Force, which was reduced to 3000 personnel at the request of Australia in 2003.

For a country of over 5.2 million people, this is equivalent to 0.06% of the entire population. This compares with Australia, which has 0.26% of the total population under arms.²⁹ Such layoffs in defense are at odds with the Australian governments’ stated concerns about security, and suggest other agendas may be in play especially given the military’s active role in PNG politics.

Military down-sizing should raise alarm bells for the people of PNG, forewarning them of cuts in social services (“expenditure control activities”), privatization (“asset sales”), reductions in company taxes to promote foreign investment (“taxation policy”), and industrial reform. These reforms have little to do with poverty reduction: they are a recipe for sharpened social stratification and deepened dislocation, and are likely to have a far reaching social and political fall-out. How, for instance, will a reduction in funding for social services increase access to health and education for the people of PNG who are already struggling to afford these services? How will privatization benefit people in PNG who do not have the capital resources to compete with foreign investors?

In addition to Australian Treasury assistance in PNG, there were also proposals to post officials from the Australian Customs Service, the Department of Immigration and Multicultural Affairs, and Aviation.³⁰ AusAID failed to explain how these officials would assist in reducing poverty, suggesting their primary function would be to protect Australia’s strategic interests through, for instance, strengthening border controls to prevent transnational terrorism, drug trafficking and the flow of asylum-seekers. The proposed role of these ECP officials placed them outside the official mandate of Australian ODA, reflecting Australia’s increased preparedness to use ODA for

Australia

foreign policy objectives. Australia already has a track record in diverting aid funds to projects such as the “Pacific Solution”, which involved the internment of asylum-seekers in detention centers on Pacific Islands such as Nauru and Manus Island in PNG.³¹ We must ask whether using aid money to position PNG as a form of “forward defense” for Australia is the best way to alleviate poverty or even achieve regional security.

Australia’s ECP in PNG failed to address the day-to-day insecurities of people in the country. Instead it threatened to undermine national democracy and sovereignty while strengthening border controls and “enabling a market friendly environment for foreign investment”. In portraying PNG as a potential “incubator of terrorism” and as a “failing state”, the Australian Government moved to strategically frame its actions as a pre-emptive strike on terror. Yet, in seeking to police the economy of PNG, to bolster Australian interests the ECP was more likely to threaten human security than promote it.

The tsunami

The Australian public and business community pledged over \$280 million to the many Australian, international and local Non-Government Organizations (NGOs) that organized tsunami appeals. It was a tragic event that found Australians, over their traditional holiday period, shocked and stunned by what they saw on their television screens and read in their newspapers. The outpouring of compassion was unheralded and signified renewed support for NGOs, a clear indication that Australians were concerned about their neighbors who had suffered so badly.

The Australian Government was slower to respond, pledging \$10 million the day after the event and an additional \$15 million on

the 29th of December 2004. While the extent of the disaster was still largely unknown, particularly in the war-torn and off-limits area of Aceh, the Government came under pressure to increase its commitment. In response, on the 5th of January 2005, Australian Prime Minister John Howard pledged \$1 billion in addition to the emergency assistance that Australia had already committed. This generous offer was announced as international donors gathered in Jakarta to discuss what the world could do.³²

The response from the Australian media, politicians of all parties, and the Australian public, was one of unanimous support. Australia, which had long had a delicate relationship with many of its near neighbors, was seen to be reaching out in a time of need.

Despite the creation of a donors’ alliance, known as “the Core group”, composed of India, Australia, and Japan, and led by the USA, Australia took the unprecedented step of establishing a separate bilateral arrangement to distribute its funds. Taking on this role, the “Australia-Indonesia Partnership for Reconstruction and Development” (AIPRD), was to be overseen directly by PM Howard in conjunction with Indonesian President Susilo Bambang Yudhuyono, to operate as a “unique bilateral partnership”.³³

Added to the Government’s existing tsunami commitment, the total package amounted to over \$1.8 billion over five years. On announcing the package, Howard claimed it to be “the single largest aid contribution ever made by Australia”.³⁴ The commitment, though, was significantly below the \$2.3 billion allocated for PNG over the same period. In addition, the donation was to be partially offset by maintaining other forms of Australian aid to Indonesia at \$160 million per

year, rather than rising as they had in previous years, at a rate of 15 per cent per annum.³⁵ The Prime Minister's exaggeration of the extent and significance of the funding suggests there were broader political agendas at work.

These agendas were further highlighted as details came to light of how the Australian Government's "Tsunami Relief" would be spent. A common perception amongst Australians, largely perpetuated by the Australian media, was that the \$1 billion package was solely for tsunami relief. Contrary to this, PM Howard had stated in his January 5 announcement of the package that "all areas of Indonesia" would be eligible for AIPRD funds, not simply those affected by the tsunami.³⁶

The first tranche of AIPRD expenditures was announced at a joint ministerial meeting in March 2005 between the two countries. It became clear that not even the bulk of

funds were destined for tsunami-affected areas. From a total of \$115 million, only \$50 million was allocated to Aceh, \$30 million to rebuild Banda Aceh hospital, and the remainder for "health and education services and to restore local government services" in Aceh.³⁷ The remaining \$65m was to be spent on rehabilitation assistance for other areas of Indonesia (\$5m), programs to develop Indonesia's disaster relief (\$15m) and for a new "Government Partnership Fund" to support the exchange of skills, knowledge and expertise between Australian Government agencies and their Indonesian Government counterparts (\$50m).

Remarkably, the bulk of tsunami funds were to be spent on governance support rather than on disaster relief, with less than half the money going to affected areas. Even this relief was a long time coming. The Australian Government had insisted on a bilateral arrangement through the AIPRD

Table 8. Australian AIPRD funding ³⁸

Amount allocated AUD (\$) million	Type of assistance	Tsunami specific
\$ 328 million	Eastern Indonesia National Roads Improvement Project	No
\$ 300 million	Junior Secondary Education Program	No
\$ 151 million	Aceh Relief, Rehabilitation and Reconstruction Programs	Yes
\$ 78 million	Australian Partnership Scholarships for 600 students	No
\$ 50 million	Government Partnerships Fund	No
\$ 25 million	Small-Holder Agribusiness Development Program	No
\$ 10 million	Disaster preparedness and response	No
\$ 5 million	Response to other disasters outside of Aceh (eg. Nias, Alor)	Yes

Australia

ostensibly to promote the efficient delivery of funds, and the AIPRD gave Australian officials a direct role in overseeing the allocation of funds. But little happened on the ground.

The joint ministerial meeting between Indonesia and Australia did not occur until March 17th and 18th – almost 3 months after the tsunami struck. The projects that were agreed upon were then delayed by the budget process, and would not be implemented at least until September 2005. Meanwhile NGOs, the UN and other governments had been delivering funding and projects from day one. Nearing 12 months after the tsunami, the Australian Government has still only allocated \$156 million of rehabilitation aid and an additional \$30 million of emergency aid (pledged in the immediate aftermath) to the tsunami-affected areas of Aceh, Nias and North Sumatra. As can be seen from **Table 8** the majority, of the so called “\$1 billion tsunami funds” has been directed to other projects outside areas that were affected by the tsunami.

The disjuncture between rhetoric and reality suggests that tsunami relief was by no means the main purpose of the AIPRD. Perhaps we may be forgiven for speculating that there were other more pressing imperatives for the AIPRD – a program that gave the Australian Government officials direct access to the Indonesian Presidency and into Indonesian departmental decision-making.

Equally important, the AIPRD departs from the established AusAID practice of giving grants rather than loans, requiring that half of the \$1 billion be repaid to the Australian Government. The Simons review, mentioned earlier, had found that giving aid in the form of loans was an inefficient and ineffective manner in which to deliver aid and in response the Australian Government stopped

giving loans as aid in 1997.

Yet, as confirmed at the March ministerial, \$500 million in AIPRD funds would take the form of an interest-free loan, repayable from 2015.³⁹ The package would thus add to the Indonesian Government’s overseas borrowings and strengthen the role of the Australian Government as a creditor country. Already over a third of Indonesian Government expenditure is devoted to loan repayment: the package, if taken up by Indonesia, will further add to that burden.

The province of Aceh has suffered one of the world’s worst humanitarian disasters in living memory. The Australian Government response was to impose conditions on assistance that will drive Indonesia further into debt. The catastrophic incident enabled Australia to achieve a number of strategic aims it had already developed and sought to implement, long before the tsunami struck. Indonesia’s weakness, it seems, was Australia’s opportunity.

What is perhaps most distressing is the apparently cynical use of the tsunami crisis to serve Australian interests. Rather than offer assistance to address the humanitarian crisis, the Australian Government has required that the funds be used to fund projects already promoted by the Australian Government. AIPRD projects are strikingly similar to those outlined by Foreign Minister Downer in his budget statement of May 2004 – 7 months before the tsunami struck. Principal among these is the “Partnership Fund”, a fund for “good governance” assistance from Australia-based consultants and Government officials, along with a scholarship fund.

Finally, despite claiming concern for tsunami-affected Aceh, Australia failed to call on Indonesia to demilitarize the region, or to declare a ceasefire. The Indonesian military continued to pursue insurgents and

presumed civilian militants directly after the tsunami, despite a unilateral ceasefire by the Acehese militia. The ongoing conflict complicated the delivery of aid, and positioned the military, well known for corrupt practices, as one of the primary conduits for emergency and reconstruction funds.⁴⁰

The Australian Government, for strategic reasons of “national interest”, continued to insist that the civil war in Aceh was an “internal matter” and failed to comment on continuing human rights abuses in the region. If Australia was seriously concerned about the plight of the people of Aceh, it could for instance have insisted on such a ceasefire as a condition of assistance, thereby ensuring the aid effort was not constrained by the machinations of the conflict.

What these failings suggest is that the people of Aceh have not simply been forgotten by Australia — they were never actually even at the foreground of concern. The Australian PM cynically grabbed the limelight on 5 January 2005 for a program of “aid” that had little to do with the tsunami-affected Acehese, and everything to do with Australian strategic and economic interests.

Conclusion

The overall thrust of the Australian “aid” program, and the three recent examples of “aid” politics in action, clearly illustrate that Australia’s aid program is mired in domestic political expediency, short-term commercial objectives and increasing securitization. Such evidence highlights the limits of the Government’s rhetorical commitment to “poverty alleviation” and “human security”. The declaratory commitment is politically valuable to the Government, but only insofar as it offers opportunities for “humanitarian” grandstanding.

The implications for NGO advocates are important. For decades development NGOs in Australia have called for an end to “tied aid”, arguing aid should be geared to the priorities of recipient countries, not to the interests of donors. For years the Australian Government has responded that aid giving is a win-win process that serves Australian interests at the same time as it serves the interests of donor recipients.

The recent shift from conditional assistance to a combination of military intervention, law-and-order securitization and “good governance” programs signals an important new phase in this aid orthodoxy. Instead of simply offering the Australian Government a means of social and economic intervention, aid increasingly offers a means of direct political intervention. In the process, the gulf between recipient needs and donor interests has grown ever-wider.

The mythology and self-image of Australia as the generous humanitarian aid-giver, though, remains centrally important. In the age of media hype, the giving of ‘aid’ provides a vital gloss to the heightened exercise of Australian power in the region. This is not so much important for the recipient countries which, as we have seen, are not so easily convinced by the rhetoric. More important perhaps is the recognition of such ‘generosity’ by the Australian public.

Here, Australian development NGOs have a special responsibility — to expose and challenge these increasingly naked manifestations of Australian power-mongering in the region. Our responsibility lies in the first instance in forcing some accountability and responsibility from our own government, for the “aid” program it claims to enact in “our” name. *To do so will foster the beginnings of a truly secure world not just for Australia but for all.*

Australia

Notes

- ¹ "One Clear Objective: poverty reduction through sustainable development". Report of the Committee of Review, April 1997.
- ² "The Jackson Report on Australia's overseas aid program", Parliamentary Paper 203/85 May, 1984
- ³ 2005 DAC Peer Review: Australia, Development Assistance Committee, OECD.
- ⁴ AusAID (2005) Australia's overseas aid program 2005/06, May10th, pg 9.
- ⁵ AusAID annual reports 1999/2000 - 2004/05 and AusAID budget papers 2005/06
- ⁶ AusAID (2005) Australia's overseas aid program 2005/06, May10th, pg 9.
- ⁷ Ibid, page 7
- ⁸ Ibid, Page 6.
- ⁹ Hughes, Helen (2003). "Aid has failed the Pacific", *Centre for Independent Studies Issue Analysis*, 33:2.
- ¹⁰ Davis, Bruce (2005). Speech: "Aid and Security after the Tsunami", Australian Strategic Policy Institute Defence and Security Luncheon Series, [On-line] Available at http://www.aspi.org.au/pdf/Bruce_Davis05.pdf (20/11/05).
- ¹¹ Ibid.
- ¹² Downer, A, (2000) MP, Speech: Meeting the Security Challenges of the Asia-Pacific Region, Australian Defence College, Canberra, 31 October.
- ¹³ Howard, J (2003) transcript of PM Howard Media Conference, 22 July.
- ¹⁴ RAMSI Framework detail
- ¹⁵ Department of Foreign Affairs and Trade, (2004) 'Solomon Islands: Rebuilding an Island Economy'.
- ¹⁶ Ridgway, J, (2005) Speech: Solomon Islands rebuilding an island economy, Brisbane, Australia, 20th June.
- ¹⁷ Rusanen, L. (2005) Background Paper; Land titling: Australian Government and Corporate involvement, AID/WATCH, May
- ¹⁸ (See footnote 24 for the calculated opportunity cost of the ECP).
- ¹⁹ AusAID, (2004). "Australia-PNG Enhanced Cooperation Program".
- ²⁰ McLeod, Shane (2003). "PNG sends message to 'developed' nations". *ABC AM Program*, 25 October 2003.
- ²¹ Skehan, Craig (2004). "PNG rejects call to give Australians immunity", *The Sydney Morning Herald*, 14 May 2004.
- ²² Australian Government contracts (2003) Pacific and Policy Section, Contract no. 1227773, 12th September.
- ²³ AusAID (2004). "Australian aid: investing in growth stability and prosperity".
- ²⁴ Sugden, Craig (2004),. "Putting the Enhanced Cooperation Package to the test". Presented at the PNG Update, hosted by the Australian National University and The Lowy Institute for International Policy, 21 May 2004, Museum of Contemporary Art: Sydney.
- ²⁵ Senate Foreign Affairs Defence and Trade Committee: Australia's relations with Papua New Guinea and the Island states of the South West Pacific.
- ²⁶ Figures taken from the Contract lists: AusAID contracts in excess of \$100,000 in financial years 1999-2000, 2001-02, 2003-04, AusAID document delivered to the Australian Senate.
- ²⁷ AusAID (2004). "Australian aid: investing in growth stability and prosperity"
- ²⁸ AusAID (2004). "Australian officials to work in PNG" [on-line] Available at <http://www.ausaid.gov.au/hottopics/png/people.cfm> (02/02/04)
- ²⁹ International Institute for Strategic studies, (2004) The military Balance, Downer (2004) Joint statement: the PNG Ministerial Forum, Dec 14.
- ³⁰ AusAID (2004). "Australian officials to work in PNG" [on-line] Available at <http://www.ausaid.gov.au/hottopics/png/people.cfm> (02/02/04)
- ³¹ AusAID (2003). "Pacific Program Profiles 203-04" [on-line] Available at http://www.ausaid.gov.au/publications/pdf/pac_prog_prof.pdf (02/02/04).
- ³² Howard, J. (2005) Australia - Indonesia Partnership for Reconstruction and Development, Media Statement, Jan. 5.
- ³³ Howard, J. (2005) TRANSCRIPT OF THE PRIME MINISTER'S PRESS CONFERENCE, MULIA HOTEL,

JAKARTA, INDONESIA, January 5th

- ³⁴ Howard, J. (2005) AUSTRALIA-INDONESIA PARTNERSHIP FOR RECONSTRUCTION AND DEVELOPMENT, Media release, Jan 5th.
- ³⁵ Downer, A. (2004) Opening statement at Signing Ceremony of the Joint Agreement on Enhanced Cooperation between Australia and Papua New Guinea, 27 July.
- ³⁶ Howard, J. (2005) AUSTRALIA-INDONESIA PARTNERSHIP FOR RECONSTRUCTION AND DEVELOPMENT, Media release, Jan 5th.
- ³⁷ Downer, A. (2005) Australia Indonesia Partnership for Reconstruction and Development - Joint Ministerial Statement, March 17.
- ³⁸ AusAID, AIPRD, FAQs: How much of the \$1 billion has been allocated so far. <http://www.aisaid.gov.au/hottopics/aiprd/faq.cfm> 13th February 2006.
- ³⁹ Downer, A. (2005) Australia Indonesia Partnership for Reconstruction and Development - Joint Ministerial Statement, March 17.
- ⁴⁰ McCulloch, L. (2000) Trifungsi: the role of the Indonesian Military in Business, October

Japan's ODA at a Crossroad: Counter-terrorism or Poverty Eradication?

*Koshida Kiyokazu
Pacific Asia Resource Center*

Japan's ODA has been drastically changing. What drives this change is the "September 11" incident and the US-led "war on terror".

In 2003, the government reviewed the ODA charter, bringing it more directly in line with the US-led approach to global security policy. The new ODA Charter adds Japan's own security and prosperity to its purpose, and, "the prevention of terrorism" is also included in the principles of ODA implementation.¹

The Japanese government recently accelerated this move by announcing the four strategic targets of ODA for rapid implementation. These targets are 1) Waging the War Against Terrorism, 2) Peace-Building, 3) Reinforcement of Japan's influence in East Asia, and 4) Dissemination of Asia's development experience to Africa. Countries in the "arc of instability" that stretches from Northeast Asia to the Middle East will be the main ODA recipient countries. In the ODA budget for 2006, the total amount is reduced to 759.4 billion yen, but a budget for anti-terrorism has been created with an allocation of seven billion yen. Indonesia and the Philippines are already listed as recipients.

Prior to this, on 29 October 2005, Japan and the US had agreed on the "Security

Consultative Committee Document U.S.-Japan Alliance: Transformation and Realignment for the Future". In this document, the U.S. Forces and Japan's Self Defense Forces emphasized "their close and continuous policy and operational coordination" and affirmed that their cooperation must "evolve as the regional and global security environment changes". The specific areas for cooperation include counter-terrorism, humanitarian relief operation and reconstruction assistance operation.

What these show us is that Japan's ODA policies follow the US-Japan military alliance strategy. That is why "a broad arc of instability", which is a major concern of US military strategy mentioned in the "Quadrennial Defense Review 2001" of the US Department of Defense, has been chosen as the most crucial region for Japan's ODA. This is not Japan's choice, but dictated by US military interests.

It has been the premise of Japanese NGOs and concerned citizens that ODA should be a peaceful and reasonable means for a "non-militaristic international contribution" by Japan, whose Constitution prohibits involvement in "militaristic international"

adventures. Based on this, Japanese ODA must be reformed so it can realize its “beautiful slogan” of poverty eradication and human security.

But since “counter-terrorism” has become one of its top priorities, we can no longer think of Japan’s ODA as a “non-militaristic international contribution”. Without an awareness of the bigger picture of security-related issues such as UN Peace Keeping Operations and US military strategy, we cannot understand the present directions of Japanese ODA.

1. Japan’s ODA and the Afghan War

Japan has been a major donor country to Pakistan in the past half century.² After Pakistan tested a nuclear weapon in 1998, Japan imposed sanctions by suspending new ODA money (both grants and loans). Even then, however, pledged projects were continued. But just eight days after September 11, Japan pledged to lift the sanctions, provided three billion yen as emergency financial support and 1.7 billion yen for refugees support, and also implemented 64.6 billion yen of official debt rescheduling. Three billion yen of emergency financial assistance is categorized as “Non-Project Grant Assistance” which can be used for the purchase of any “goods” the recipient government needs. But since obtained goods

and expense have not been reported, this money might be a “gift” for the Musharraf regime which has become one of US’ key allies in the War on Terror. Other countries such as the U.S and U.K. also resumed or increased their assistance to Pakistan (Table 9) and decided on debt reduction.

In October 2001, the Asian Development Bank also decided to increase its loans to Pakistan from 626 million dollar to 950 million dollars, while the World Bank also approved a new 300 million dollar loan. Since then the Bank has approved 20 projects which cost more than two billion dollars up to June 2005.

This loan expansion is justified under the name of “poverty reduction”, “relief for refugees” and “structural adjustment”. But another reason behind this quick decision of donor countries and multilateral financial agencies to support the Musharraf regime is to encourage Pakistan to host a “rearward supporting role” for the Afghanistan attack.

The countries that have resumed or increased their assistance to Pakistan are those which sent military troops to Afghanistan in support of US and UK forces. These governments emphasized the importance of “humanitarian assistance for Afghanistan’s refugees”. But considering the fact that the US military attack created a lot of new refugees in Afghanistan, the “humanitarian

Table 9. ODA to Pakistan

	U.S.million dollars			
	1999	2000	2001	2002
Japan	169.7	280.4	211.4	301.1
U.S.A	75	88.5	775.6	209
U.K	39.5	23.7	27.4	66.9
Total	435.2	475.1	1100.1	702.5

Japan

assistance" actually serves to support the military operations of the US and its allies.

What the Musharraf Regime of Pakistan has received is not only ODA money. Powerful countries in the North also politically supported and recognized the Musharraf military regime, which came to power through a military coup d'état, and which has refused to hand over power to a civilian government. The donor countries imposed sanctions on Burma's military junta, but support the Musharraf military regime with debt reduction and ODA allocations. Since security has emerged as ODA's main purpose, this kind of double-standard has become the international norm.

The Pakistan case shows the new aid-security structure in which "aid" is used to cover up the massive killing and destruction wrought by war, and has also resulted in political and economic stability for the military junta. To break this evil spiral, we should distinguish between "aid" and "war cooperation".

2. Japan and the Iraq War

Japan is the second biggest donor for Iraq rehabilitation, and has already allocated the

total amount of US\$ 1.527 billion (as of June 2005) for this (Table 10). Of this amount, electricity and health (hospital rehabilitation) are major areas and consist of around 60% of the total amount. The project sites are concentrated at Samawa and surrounding areas, where Japan's Ground Self Defense Force (SDF) has been stationed since early 2003.

The government claims that the SDF was dispatched to Iraq for "humanitarian assistance", which is a form of non-military action. Aside from Ground SDF, Air SDF and Marine SDF have also been dispatched to Iraq to provide logistical support for the occupation forces (but the details are not officially shown).

The Ground SDF is reported to be working on school buildings and road repair in addition to ODA projects. Since the battles in Iraq are so intense, the government cannot send official Japan International Cooperation Agency (JICA) research teams for Iraq projects. Instead, it has apparently decided to utilize SDF soldiers for information-gathering, among other functions.

The aid for Iraq is quite problematic, and is illustrative of fundamental issues over

Table 10. Japan's ODA to Iraq, in million US dollar

TOTAL		1,527
1. Direct support to Iraq		892
a. Electricity		348
b. Health	233	
c. Water and Sanitation	118	
d. Security	94	
e. others	98	
2. Through International Organizations		101
3. Iraq Trust Fund for rehabilitation		500
a. United Nations 400, World Bank 90	490	
b. IFC	10	
4. Through NGOs		25

the conduct of Japanese ODA. Those issues include 1) the Government provides huge amounts of aid in response to US requests, but cannot draft a realistic project program since the war in Iraq is continuing; 2) but because the budget has been allocated and should be spent, 3) the government has asked Japanese firms and consultant agencies to resume the implementation of several old projects that were stopped during the Saddam Hussein regime, and 4) has mobilized the SDF for project finding research. 5) Therefore, there is no space or system for addressing the urgent and basic needs of the Iraqi people.

The main projects of direct assistance to Iraq are the rehabilitation of power plants and hospitals at Samawa, which Japanese firms constructed and delivered equipment to in the 1970s and 1980s under ODA. In JICA's hospital rehabilitation projects in Southern Iraq, four hospitals including the Samawa hospital were selected from 13 hospitals to which Japan provided ODA during the 1980s.

Current Japanese ODA for Iraq can therefore not be described as for emergency relief aid for the rehabilitation of the Iraqi peoples' livelihood. Neither is it "aid for peace-building", but a form of indirect aid to Japanese firms.

What mechanism has enabled the "remaking" of old ODA projects? Japan's bilateral grant aid handled by JICA is basically a tied one, so only Japanese companies can apply for bidding. That is why Japanese civilians (from consultancy firms contracted by JICA) normally have to be involved in the projects from preparation to implementation. But in Iraq's case, since the Japanese government is reluctant to allow Japanese civilians to enter Iraq, JICA uses a Jordanian consultancy firm to conduct the feasibility study based on projects Japanese companies had previously implemented.

There is thus no need assessment being done for emergency relief and rehabilitation in Iraq. Instead, mega projects are going on.

For Japanese firms, "aid for Iraq rehabilitation" is a big business opportunity, because around 20% of bilateral grant aid was allocated to Iraq alone in FY 2005. And it is tied aid, to implement which Japanese firms alone can be involved. Japan's giant trading companies, such as Mitsubishi Trade and Sumitomo Trade have already accepted orders under these projects.

Another serious problem is the SDF's involvement in ODA activities. In Samawa and nearby areas, around ten SDF soldiers did the research for ODA project preparation, following the Japan International Cooperation Agency's (JICA) direction. Other SDF soldiers worked for the ODA-funded water project in the outskirts of Samawa, in "joint assignment" with Japan's MOF.

In Iraq, however, the resistance movement is still fighting against the occupation forces, so it is important for the occupation forces to get the support of residents, through among other means, projects such as those being funded by Japanese ODA. Japanese ODA is thus being used for pacification purposes. The same can be said of Japan's SDF in Samawa. Because the Iraqi people regard the SDF as part of the occupation forces, their going around Samawa for information-gathering to implement ODA projects is similarly bound to military operations.

And yet Japan's ODA Charter prohibits using ODA for military purposes. This principle has been understood to mean that recipient countries cannot use ODA money for military expenses. But we should reexamine this premise because we are in an era of Japanese "international peace cooperation activities" with "the strategic use of ODA" being listed among SDF's main tasks in the November 2004 "National Defense Program Guideline for

Japan

FY2005 and after”, The strategic use of ODA by the SDF is against the ODA charter. The redefinition of ODA is going on not only in the DAC committee but also in Japan.

3. ODA for the right to live in peace

To challenge this “securitization of ODA” and to transform ODA as a means of promoting global peace and poverty eradication is urgent and crucial. Unfortunately Japan’s ODA has repeatedly been criticized for providing almost nothing useful for grassroots people in the recipient countries. But the Japanese Constitution states in its Preamble that “we recognize that all peoples of the world have the right to live in peace, free from want.” The Constitution holds up the ideal that global society will be peaceful when its people are free from fear and want.

It is a quite similar ideal with the UN Millennium Declaration. If the Japanese

government is faithful to the Constitution, it should take initiatives on disarmament, arms control, human rights, poverty eradication and other global issues. ODA should be used for these, not for military activities in the name of “counter terrorism” and “peace and order maintenance”. Human rights in particular, and social and economic rights should also be included as main target areas of ODA.

ODA is, needless to say, public assistance. The “public” will should be decided through debate among diverse ideas and opinions. But the securitization of ODA initiated by US counter terrorism is contrary to this public decision-making process. What we should do is to restore the purposes of Japanese ODA according to the commitment to peace and freedom prescribed in the Preamble of the Japanese Constitution.

Notes

- ¹ Koshida Kiyokazu, “Security and Development as Emerging Agenda”, in *The Reality of Aid 2004 Report*
- ² Aly Ercelan, “Aid from Tokyo to Islamabad via Washington and Manila”, in *Fifty Years of Japan ODA- A critical review for ODA reform: Reality of Aid Asia-Pacific*

Dutch Aid and the Interface of Conflict, Security and Development

*Jan Ruysenaars and Nicole Metz
Novib Oxfam*

Government policy on conflict, security and development

Since 2003 Dutch Foreign Policy has used an integrated approach. Its objective is to better promote Dutch interests and, at the same time, work for peace, freedom, prosperity and a sound international rule of law.

Dutch government policy aims for cooperation and collaboration among the departments of Foreign Affairs, Development Co-operation, Defence, Economic Affairs and other departments. It sees combating poverty, the prevention and resolution of conflicts, peacekeeping and post-conflict reconstruction as best addressed through this integrated approach. This policy orientation has been increasingly reflected in the budget, in plans and in program between 2003 and 2007.

The government has also adopted the policy that civil society, the private sector, the government and intergovernmental institutions should collaborate and learn from each other to be more effective together.

Government policy stresses that national self-interest and international altruism can go hand in hand. It is based on the view that poverty in many parts of the world causes violence, terrorism, and mass migration, breeds dictatorships, and incites irresponsible

exploitation of natural resources, and that if people can fulfil their basic needs and rights, they will enjoy more security.

The government intends to contribute to fostering security by intervening with more development co-operation, military activity, and private sector investment. At the same time, the government is more active in combating terrorism at home, and has a more restrictive policy on the admission of foreigners from “problematic” countries, while, as much as possible, respecting human rights and recognizing the responsibility to protect the vulnerable.

The Netherlands aims to be an example for other countries. It wishes to promote multilateralism (working with and through the UN) while also investing in a policy of strong collaboration with NATO and European partners.

The Netherlands intends to work on a combination of security, peace and development in a restricted number of regions and countries, with a focus on Africa in collaboration with the African Union and EU partners. Concrete examples of Dutch interventions are:

- Military missions with civil-military aspects in Afghanistan, including a confusing mix

The Netherlands

of secret and overt peacekeeping missions and a development role in Provincial Reconstruction Teams.¹

- An ongoing military mission in Southern Iraq in the Atlantic coalition.
- Peace and stability interventions in the Great Lakes Region, the Sudan and the Horn of Africa, with security sector reform, disarmament, reintegration and rehabilitation, and peacekeeping. With the aim of strengthening the police, army and justice systems, a pool of military advisors for implementing security-sector reform (SSR) and Disarmament, Demobilization and Reintegration (DDR) in these and other regions has been formed.
- Continuation of mixed involvement (military, civilians, business) in post-conflict peace-building in the Western Balkans.
- Continuation and strengthening of the Dutch role in development and peace in the Middle East.

Other measures reflected in the 2006 budget are:

- Increased involvement in the establishment of a national co-ordinators' office for the "war against terrorism".
- Critical dialogue with the USA on sensitive issues such as Guantanamo Bay, the International Criminal Court and human rights in the "war against terrorism".
- Contribution to the improvement of the security policies of NATO and the EU.
- Increased efforts to control proliferation of arms and weapons of mass destruction.

The use of Dutch development funds for intervention at the interface of development, security and peace has not led to a decreased availability of funds for expenditure on other sectors like education or health. However, indirectly this shift in priorities affects the

development budget: ODA funds cover a lion's share of the budget of the Stability Fund and the use of these funds is mainly for "armed security" interventions as compared to needed "human security" interventions. Also, the debate about the financial implications of the change in policy priorities lacks transparency.

To fulfil its role in international security and stability, the military has requested and will receive more helicopters, cruise missiles, jet fighters, etc. even while its overall budget and staff are decreasing. In its development role it is working also on water supply, food assistance, health programs, small business, schools and education in regions under its care in Afghanistan and, to a lesser extent, in the Great Lakes Region.

The Dutch Stability Fund (inspired by the British) is an experiment in the integration of Foreign Affairs, Development Co-operation and Defence interventions in developing countries. It responds to the immediate need for cash flow in tense areas to stop violence and promote stability and security. The idea is for the three departments to pool their funds and personnel for this experiment.

The Stability Fund was first used in 2004 and a first annual report was published in 2005. Projects financed by the Fund are mainly those in the field of technical support for SSR and DDR. In 2005 the projects financed amounted to €100 million. NGOs have been critical of the lack of information on the principles used in the initiative's decision-making procedure, and question whether expenditures have actually contributed to a more integrated approach to peace, security and development in the field. A formal evaluation of the Fund is foreseen in 2006.

The Dutch development Minister, Mrs Agnes van Ardenne, argued strongly at the OECD/

DAC in favor of proposals to adapt the ODA DAC criteria in the interest of a more integrated approach with military and security aspects. Several OECD/DAC members, as well as opposition parties in the Dutch parliament and Dutch NGOs, have expressed their concern for the financial and political risks of these proposals, but these criticisms have not yet led to a change in the Minister's position.

Role of civil society, NGOs and Parliament

Nowadays, there is more public debate about security and development issues, and more dialogue between civil society players and the government. NGO platforms working in particular regions (the Great Lakes, Sudan, the Horn of Africa, Afghanistan) and on certain themes (small arms, conflict prevention, civil-military collaboration, extractive industries) are flourishing. They also provide the meeting ground with government departments and sometimes with ministers for an exchange of information, of views, and an opportunity to criticize, evaluate and plan ahead. Public campaigning, advocacy and lobbying on conflict and development is carried out by most NGOs, with ongoing civil society pressure on government and parliament for more attention to conflict prevention instead of reactive military responses to conflict.

There is a polarization in public debate and within the parliament on the strengths and weaknesses of civil-military collaboration and the military's role in development work and its desirability. There is also more direct critical dialogue between military and civil society representatives about such issues which has led to an agreement to have future discussions on lessons learnt, from both sides, from specific field experiences such as Afghanistan and the Sudan.

Some concerns and critical observations on the Dutch role in peace, security and development

1. In spite of the publication of a first annual report, the Stability Fund is not transparent, the budget is not known, the contributions per department not specified, and the decision-making process vague. NGOs and members of parliament have expressed their concerns about this.
2. The fact that the Dutch government intends to continue efforts within the OECD/ DAC to widen the ODA definition does not take into account the concerns of other DAC members and civil society organisations in many parts of the world.
3. On the one hand more importance is given to the UN, while on the other we find more preference for working with and through the Atlantic partners. The approach to NATO is uncritical.
4. The mixture of military missions, development goals and business involvement may be preferable at times, but this should not lead to the marginalization of local and international NGOs.
5. There is a general tendency to make the military aspects dominant over civilian concerns, and a general neglect of the potential of civil peace-building capacities.
6. The mixing of secret or special military missions and military humanitarian and development work puts civilian humanitarian and development workers at risk.
7. The alliance with the US and UK in Afghanistan and Iraq does not guarantee that the Dutch military completely adheres to the Geneva Conventions in dealing with prisoners of war and civilians in peace-enforcement zones.

The Netherlands

8. Observers see a significant gap between Dutch ambitions and rhetoric and its real operational role. The Netherlands may be too small a country to really have a guiding and coordinating role for other countries, and projects may be too many and insufficiently funded to have the intended impact.
9. The Netherlands has not yet resolved the issue of control over the transit of weapons through its territory by third countries or parties.

Note

- ¹ In January 2006 the Dutch parliament agreed to Dutch military participation (1200 men and women) in regional reconstruction and security protection in Afghanistan, Uruzghan Province. The first teams will leave by June 2006.

The Link between Arms Sales and Development¹

Debbie Hillier
Oxfam-UK

“Every gun that is made, every warship launched, every rocket fired signifies, in the final sense, a theft from those who hunger and are not fed, those who are cold and are not clothed. The world is not spending money alone. It is spending the sweat of its laborers, the genius of its scientists, the hopes of its children...”

Former US President,
Dwight D. Eisenhower, 1953

“I can understand the principles of expediency and “balance” in arms sales, but I get a bit confused when morality is invoked. I think it is better to steer clear of this last concept now that we are so far into the arms supply game”

Sir Stephen Egerton, British civil servant, during the UK government Scott Inquiry into arms sales to Iraq, 1992

The arms trade can evoke some deep-seated and often contrasting views. What is certainly clear is that excessive or inappropriate arms purchases are a drain on social and

economic resources developing countries simply cannot afford. The right of states to self-defense, as enshrined in Article 51 of the United Nations Charter, is very well known. But this same Charter requires states to achieve peace and security “with the least diversion for armaments of the world’s human and economic resources” (Article 26). It is a question of balance – a balance which, according to James Wolfensohn, former president of the World Bank, is seriously missing. Annually, the world spends almost one trillion dollars on defense, around US\$325bn on agricultural subsidies and only US\$50bn to US\$60bn on aid. These figures look very stark when you consider the major development needs in the world, where 30,000 people die every single day because they live in extreme poverty.

Key World Bank analyst Paul Collier has estimated that the typical cost of a civil war is at least US\$50 billion. On average around two civil wars break out each year – so, the phenomenon is a US\$100 billion a year problem. To put this in perspective, if we could bring the risk of civil war in developing countries down to the negligible level of developed countries, the gains would be equivalent to tripling the global aid budget.

United Kingdom

Of course, security is a requirement for sustained development; arms sales and development are not necessarily mutually exclusive, but there is a need for balance. Sadly, this balance does not seem to have been struck in many countries. One third of countries spend more on the military than they do on health-care services. Military spending heavily outweighs aid spending in all G7 countries (see Table 11). Military spending has increased massively in the last four years, an increase representing 0.4% of GNI, but aid spending has not kept pace. Had half of this increase been allocated to aid, the G7 would be in touching distance of a 0.51% aid to GNI ratio. Even marginal reallocations from military spending to aid could bring the 0.7% target within reach. Since 2000, military spending per person in the G7 has increased by \$168, to \$927; aid spending has risen by \$11, to \$74 per person.

It is a common misconception that the poorer countries rely mostly on small arms, which are relatively cheap and do not pose a major risk to sustainable development. However, this clearly is not the case. Countries in Africa, Latin America, Asia, and

the Middle East hold 51% of the world's heavy weapons and spend an average of US\$22bn annually on arms purchases. This sum would have enabled these regions to be on track to meet the Millennium Development Goals of achieving universal primary education (MDG 2 – costing approximately US\$10m) and targets for reducing infant and maternal mortality (MDG 4 – approximately US\$12m). Instead, one child in five does not complete primary school, more than 10 million children die each year, and half a million women die in pregnancy or childbirth.

A few other sobering statistics:

- In Sub-Saharan Africa, military expenditure rose by 47% during the late 1990s whilst life expectancy fell to just 46 years.
- In South Asia, militarization levels² doubled in the late 1990s whilst nearly half of all children under the age of five are malnourished

But is there really a firm link between development and specific arms sales, rather than military expenditure as a whole? In fact,

Table 11. Military spending outweighs aid spending

	Military expenditure per capita (2003 US\$)			ODA per capita (2003 US\$)		
	2000	2004	Change	1990	2004	Change
Canada	308	332	24	93	71	-22
France	744	745	1	146	122	-24
Germany	438	411	-27	116	82	-34
Italy	519	483	-36	67	38	-28
Japan	329	332	4	87	66	-21
UK	698	790	92	62	114	52
US	1170	1549	379	59	63	4
G7	759	927	168	81	74	-7

Source: "The G8 summit: The Aid Equation", From Human Development Report Office, UNDP

there are several areas in which arms transfers can impact negatively on sustainable development. The clearest direct link is the financial opportunity costs of arms transfers. Other links are the impact of arms transfers on economic growth; the effects of the misuse of arms; and the cumulative impact of arms transfers on all of the above. These impacts are inter-related, and have immediate, medium- and long-term consequences that are dependent on the nature of the transfer, and on the social, political, and economic context of the country in question. The consequences are not always clear-cut, and have to be weighed alongside the legitimate security needs of the country and the respect for international human rights standards in the governance of its people.

The opportunity cost of arms sales

The most obvious and immediate impact of arms sales on development arises from the monetary cost of the transfer itself. The cost of arms imports must usually be funded from the government budget. Developing countries generally spend a greater proportion of their

national product on arms than do rich countries. In recent years, nearly half of the countries with the highest defense burden had low indicators of human development.

Military spending can divert scarce financial resources and trained personnel from projects that could create wealth and benefit the poor. A survey examining military expenditures in 125 countries between 1972 and 1988 found that military spending often occurred at the expense of economic and social development, resulting in a lower rate of economic growth.³

Past arms purchases still have an economic effect today. Throughout the 1970s, arms sales to the developing world were financed by low-interest loans. When global interest rates rose in the 1970s and 1980s, a mountain of debt impoverished many developing countries. By 1994, it was estimated that one-fifth of the developing world's debt was due to arms imports.

The cumulative impact of arms spending is also a cause for concern, particularly in the context of arms races. Research shows that

Opportunity costs of a few major arms deals

- The purchase by Tanzania of a US\$40m radar system from the UK in 2001 was, according to experts, vastly too expensive and inappropriate for its use. US\$40m could have provided health care for 3.5 million people.
- In 1999, South Africa agreed to purchase armaments from European suppliers that by 2003 cost US\$6bn. This sum could have purchased treatment for all five million AIDS sufferers for two years. The South Africa government actually spent only US\$54m combating HIV/AIDS at this time.
- When India signed a contract to buy a US\$1bn military radar system in 2003, foreign aid agencies were searching for US\$50m in donations to defeat the country's polio epidemic.
- The same year, Pakistan's armed forces were updating their multibillion-dollar shopping list, including a request for US F16 fighter jets, while aid groups fighting a tuberculosis epidemic struggled to fill a lethal funding gap. Tuberculosis, like polio, could be eradicated with adequate funding. Tuberculosis infects 250,000 Pakistanis per year and kills more than 50,000.

United Kingdom

states respond in kind to military spending by their neighbors, even non-hostile ones. Arms races in the context of developing countries can have particularly severe consequences for government spending. Once locked into an arms race, arms purchases will not just be one-off occurrences: increasing national and regional government resources are poured into importing arms, resources that could have been spent in addressing critical development needs.

India's record is particularly stark. Table 12 lists just a few of India's recent purchases.

Of course, decreases in military spending will not necessarily automatically translate into higher levels of social spending. A government's allocation of resources depends on public policy and government spending priorities. Anti-democratic, highly militarized governments are more likely to spend resources on the military at the expense of development spending.

However, this reality does not weaken the need to refuse exports to countries where there is a negative impact on sustainable development that cannot be justified in terms of legitimate security

needs, or weaken the argument that a government *could*, where circumstances allow, allocate spending differently. Rather, it challenges policy makers to think imaginatively about how to engage with importer governments to change their spending priorities in line with the country's most pressing development needs.

For example, the IMF has introduced limits on military expenditure levels since the end of the Cold War, but so far, few savings from military budgets find their way into development priorities, as the IMF insists on redirecting them towards debt service, (although the poorest countries — Highly Indebted Poor Countries, or HIPC — are exempt from debt servicing). The OECD has argued for the reallocation of military savings to sustainable development goals.

Positive impacts of arms spending?

The costs and opportunity costs of high arms spending are clear. But are there positive impacts from such purchases?

Security: Development cannot be sustained in an insecure environment. A survey by the World Bank reveals that security is a main

Table 12. India's most recent arms purchases

Year	Imports	Cost US\$	This could have bought
2000	32 Sukhoi-30 MK1 fighter aircraft	1.8bn	1 extra year's primary education for 20m girls
2000	10 Mirage-2000E fighter aircraft	325 m	Vitamin supplements for 1bn people for 10 years
2001	310 T90S battle tanks	600 m	Treated mosquito nets for 200m people
2003	5 Legacy corporate jets	88 m	Basic rural water and sanitation for 6m people
2003	66 Hawk aircraft	1.7 bn	Anti-retro viral drugs for all HIV/AIDS sufferers for 2 years
2004	Gorshkov aircraft carrier	1.5bn	Survival income for 1.1m families for 1 year

priority for poor people in all regions of the world and a necessary condition for improving their quality of life. The military may legitimately provide security from armed attacks directed against the state, and law enforcement agencies are sometimes required to use armed force to stop violent criminal acts where there is a direct threat to life.

Where such security services are provided lawfully according to international standards, as set out in international human rights and humanitarian law, they can facilitate good governance, support human security, and hence help attract foreign investment, all of which can be beneficial to trade, investment, and aid.

Arms in the wrong hands, however, can undermine development by:

- fueling and increasing violence and grave human rights abuses;
- impeding good governance;
- facilitating brutal resource exploitation; and
- contributing to environmental degradation.

The impact is felt most keenly in poor countries: development needs continue to go unmet, and in some situations may increase still further.

Arms transfers should *only* be allowed to countries where *competent* armed forces and law enforcement agencies are trained and accountable to uphold international human rights and humanitarian law, and therefore do not deliberately abuse or violently repress civilians.

Meeting development targets: The potential consequences of an arms import are not always clear-cut. Arms transfers *can* directly and positively affect sustainable development when the government has designed the import according to legitimate security needs and to meet a specific development target. For example, the Ghanaian government's decision to acquire two US naval vessels enabled the protection of Ghana's fishing grounds, and resulted in fines on foreign fishing vessels that significantly contributed to the government treasury as well as conserving natural resources. Such examples are, however, rare.

Arms transfers and internal stability

According to the World Bank, military spending does not have a significant deterrent effect on internal rebellion, but does reduce economic growth:

- "... military expenditure significantly reduces [economic] growth, while we find that [economic] growth reduces the risk of rebellion"
- "... military expenditure is completely insignificant in explaining rebellion ... although governments increase military spending in an effort to deter rebellion, the expenditure appears to be ineffective. Evidently, once a war has developed, military spending can influence its outcome, but during the inception stage of rebellion a large military response might be ineffective, or even counterproductive: excessive repression by government forces assists rebel recruitment and appears to be a common error of counter-insurgency. Indirectly, military spending might even inadvertently increase the risk of conflict through its adverse effect on economic growth."

United Kingdom

In order for arms transfers not to undermine development, the potential security benefits must be carefully weighed alongside the wider development needs of the importing country and the human rights of its people. This involves making critical choices about a country's priorities and social needs, choices which importer governments do sometimes make with development commitments clearly in mind. For example, in January 2003, Brazil's new government under President Lula decided to suspend the purchase of 12 military jets costing between US\$700m and US\$1bn, reportedly so that it could spend more on social programs. About 15 per cent of the country's population are seriously malnourished, and around 33 per cent of Brazilians live in poverty.

Economic benefits? Politicians frequently cite "offsets" to justify heavy expenditures on armaments. Offsets, the promise of future investments as an inducement to trade, are prohibited for civil trade transactions under the World Trade Organisation (WTO) rules. However, the armaments industry has negotiated an exemption for itself on the basis of national security. The overwhelming majority of research illustrates that the full promised benefits of offsets rarely materialize. They:

- increase rather than decrease the costs of weapons acquisition;
- distort market forces;
- can cause weapons proliferation;
- are almost impossible to monitor;
- are notorious for involving corruption;
- impede, rather than contribute to economic development.

In Saudi Arabia, the Al Yamamah arms deal was supposed to create 75,000 jobs. Now that the contracts are complete, it transpires that only 1,600 jobs resulted, of which 1,300 were

for expatriates and only 300 for Saudi Arabians. Similarly, the South African government's decision to enter into the 1999 US\$6bn arms deal with German, British, French, and Swedish companies was predicated upon the purchases being affordable through offsets of foreign investments and exports intended to create 64,165 jobs. Research has since concluded that it is extremely unlikely that this number of jobs will be created.

Development benefits are often supposed to accrue when an agreement is reached that the weapons assembly or production will take place in the importing country. However these benefits also generally fail to materialize.;

- technology transfer — research shows that developing nations are the least likely group to benefit from these arrangements;
- employment and tax generation — the defense industry is highly capital intensive, and thus this is not the most cost-effective industry to reap such rewards.

The bottom line is that far greater economic benefits can be obtained through investment in other industries. An equivalent investment by South Africa in, for example, water supplies would have provided far more employment and other practical benefits for the poorest strata of the population.

The role of development organizations

Although often reluctant to deal explicitly with arms, development organizations — whether NGO, government or the UN — have a responsibility to address *all* factors that limit sustainable development, including the impact of arms sales. There is an urgent need for development organizations to become

engaged with this issue and to hold both arms importer and exporter states to account for the shortfall between rhetoric and reality of action around sustainable development needs worldwide.

There have already been two important initiatives. The UK Department for International Development's Armed Violence and Poverty Initiative is a research project that has demonstrated that there is a clear relationship between armed violence, arms availability and development. Although this relationship is often complex, the research shows that armed violence has an almost entirely negative impact on poverty reduction and growth and that high levels of armed violence and arms availability inhibit the effective delivery of development and humanitarian relief programmes.

The research also showed that programs addressing small arms availability and armed violence can have a positive impact on poverty if they are designed and implemented with development principles in mind. This initiative has been instrumental in the OECD Development Assistance Committee (DAC) decision to include "support for controlling, preventing and reducing the proliferation of SALW" in those activities which qualify as development spending internationally. Whilst this is clearly a positive step in opening the door for more development agencies to engage on the issue of small arms and development, this should not be used as an instrument for furthering donor-driven security concerns.

A further initiative is the Armed Violence Prevention Programme of the UNDP and WHO, launched in 2004, that seeks to promote effective responses to armed violence through informed discussion and dialogue at the country level and at the global level. A new initiative of the Swiss government and UNDP is a Ministerial Summit which will be held in Geneva in June 2006, to develop a

Declaration on Armed Violence and Development.

These initiatives are valuable contributions, but much more needs to be done to get this message into the mainstream. This was painfully evident at the World Summit in September 2005. The Summit was aimed at addressing a huge range of issues around development, security and human rights. However, the issue of the availability and misuse of conventional arms, and the broad debate around armed violence, did not register. This is despite the obvious linkages between conventional arms, and small arms in particular, to these issues. For example:

- development — 84% of armed conflicts are in Africa and Asia, which include most of the priority countries for the MDGs;
- security — middle-income countries like Brazil and South Africa have some of the highest levels of firearm homicides in the world;
- human rights — an Amnesty International study of 12 countries in different world regions revealed that 40-90% of grave abuses of human rights were perpetrated with small arms.

Why is this link between arms and development not being made?

- Institutional impediment — There is a fundamental dichotomy between the disarmament and development/human rights agenda within different organizations — this split is reflected at all levels in NGOs, UN agencies, and donors.
- Other issues dwarf the security debate — the security debate is dominated by the northern

United Kingdom

(particularly US) agenda, such as terrorism and WMD. This is despite the fact that the WMD is a potential threat, whereas violence from small arms represents a current reality for very many states.

- Traditional perspectives on development do not embrace arms issues — for example, arms are almost invisible in the Jeffery Sachs UN Millennium Project report on achieving the MDGs. In the development field, solutions to armed violence are generally focused on the *root causes* of violence and small arms are considered solely as *tools*; this fails to recognize the catalytic/trigger role played by small arms: if conflict is a fire, then arms availability is the petrol.

This must change. Strong foundations exist, in terms of human rights standards, development commitments, and export-control legislation, that development organizations can build upon to advocate for a more thorough approach to assessing the critical relationship of arms transfers and sustainable development. By working with each other and engaging with importer and exporter states about the impact of arms sales on sustainable development, development organizations have a vital role to play in redressing the arms-development imbalance.

The role of the arms importer

Governance and the decision-making process are key. Transparent, accountable, and participatory processes for defense-spending decision-making are more likely to produce spending policies that take into account development needs. However, the reality is that the decision to import arms is currently normally taken within a single ministry or by

a relatively small select group of officials and rarely open to public scrutiny. In addition, government decisions to import arms, and their decisions to pursue development commitments, are generally conducted entirely separately.

Simple ways to solve this problem would be to involve a wider range of government experts in arms procurement decision-making, in particular including the department(s) concerned with development and engaging with local development experts, think-tanks, and independent international experts, to draw on their expertise about appropriate arms procurement, particularly in terms of cost-effectiveness. The decision-making process and the budgeting of arms acquisitions should be transparent and accountable to parliament and civil society.

The Poverty Reduction Strategy process encourages more transparent and accountable national budgeting to reduce poverty, but so far, explicit commitments to balance development and defense needs are rare. Where applicable, governments should ensure that military expenditure is included in the Poverty Reduction Strategy process or other targets to reduce poverty and achieve the Millennium Development Goals.

Finally, undertaking an affordability study is a key strategy to consider carefully whether the benefits of the transfer in meeting legitimate security needs are greater than their development costs. Ensuring that this is open to public scrutiny can be a real step in the right direction.

Security Sector Standards: The right to purchase weapons confers responsibilities and legal obligations. During armed conflict, governments must observe international humanitarian law, in particular the Geneva Conventions. Police and other law enforcement agencies must act according to the UN Basic Principles on the Use of Force

and Firearms by Law Enforcement Officials. In addition, in purchasing and using arms, international human rights instruments and declarations should be respected to protect the economic, social, cultural and political rights of the people.

Importers should work to ensure that security forces have the necessary training and support to manage and use their arms responsibly, according to international humanitarian law and human rights standards. And exporters should hold importers accountable for the ways in which arms are used and monitor agreements — where appropriate, offering packages of support including training or reform, and if necessary, refusing further arms transfers.

Where defense-spending decision-making is not based upon legitimate security needs

and these international standards, the impact of arms transfers can have significant negative effects upon the country's development. Arms are also more likely to be misused, facilitating the suppression of human rights and brutal resource exploitation, and contributing to increasing levels of violence.

The role of the arms exporter

Arms export control regimes in the EU, the Organisation for Security and Cooperation in Europe (OSCE - 55 countries of primarily Eastern and Western Europe, and including the USA, Russia and Canada) and the Wassenaar Arrangement (a group of the world's major arms exporters) (see Table 13 & 14) include commitments to take sustainable development into account when making arms

Table 13. Ranking of the world's biggest arms suppliers

Rank	Supplier	Arms Deliveries
		<u>2001-2004</u> US\$m
1	United States	51,849
2	Russia	16,200
3	UK	16,800
4	France	11,200
5	Germany	4,700
6	Ukraine	3,300
7	Israel	3,200
8	China	2,900
9	Canada	2,800
10	Sweden	1,800
11	Italy	1,300
	TOTAL	131,217

(figures given in constant (2004) US dollars)

Source: Table 9c, *Conventional Arms Transfers to Developing Nations, 1997-2004*, Richard F Grimmett, CRS Report for Congress, 29 August, 2005

Table 14. Ranking of the leading recipients of arms

Rank	Recipient	Arms deliveries
		<u>to developing nations</u> <u>2001-2004</u> US\$m
1	Saudi Arabia	19,000
2	China	8,800
3	UAE	6,800
4	India	6,000
5	Egypt	5,900
6	Taiwan	3,900
7	Israel	3,400
8	South Korea	2,600
9	Pakistan	2,400
10	Malaysia	1,400

(figures given in constant (2004) US dollars)

Source: Table 21, *Conventional Arms Transfers to Developing Nations, 1997-2004*, Richard F Grimmett, CRS Report for Congress, 29 August, 2005

United Kingdom

licensing decisions. Yet it is shocking how few governments make a serious attempt to ensure that arms exports do not undermine sustainable development. A 2003 survey of 22 of the world's major arms exporter states revealed that:

- Two of the world's biggest arms exporters, Russia and China, do not incorporate sustainable development considerations into their arms-export licensing regimes;
- Of 17 countries surveyed who are parties to the EU Code of Conduct on Arms Exports and/or the OSCE Principles Governing Conventional Arms Transfers:
 - o only 10 would even consider denying a license on sustainable development grounds;
 - o only seven have actually incorporated the commitment from this regional agreement into their national licensing regime;
 - o only four have ever denied arms-export licenses on sustainable development grounds.

There is also a lack of dialogue between the different government departments that could help reach an informed licensing decision. Only the Netherlands and the UK stated that they have an established policy of consulting the government department for development in the export decision-making process. It would be helpful if exporting governments established a clear mandate for their development agencies to become involved in export license decision-making.

So, despite the rhetoric, the reality is that most states do not have a systematic way of

looking at arms transfers and sustainable development; they have simply not thought through the assessment process. The result is that scarce resources are being diverted from the fight against poverty, and millions are suffering as a result.

And of course, many states which export or re-export arms are not yet included in these agreements. An international Arms Trade Treaty is needed. This would bind all states to minimum common standards for arms sales. This would be a global, legally-binding agreement, which would prevent arms sales where the arms may be used for serious violations of human rights or humanitarian law, or where they would undermine sustainable development. In this way, the obligation of taking the impact of arms transfers on sustainable development into account would become universal and binding in its application, and licenses refused by one exporter would not be granted by another.

Balancing security and development concerns is not always straightforward. If the potential impact of arms transfers on development is considered at all, it is generally in such a subjective and *ad hoc* way, that at present it is difficult to account for the decisions that are made. While the final decision as to whether or not to issue an export license will always remain a matter of judgement, it is essential that such judgements are rooted in a thorough and transparent assessment process.

Research reveals that three levels of analysis are central to such an assessment:

1. **Identifying arms sales of possible concern** to consider the significance of the financial value of the arms transfer, in combination with the development situation of the importer country.
2. **Mapping the development and human security status of importing countries**

using indicators to capture economic, social and human development characteristics by incorporating an assessment of the importing country's progress in achieving the MDGs, of gender in development, of human security and several economic indicators.

3. **Deeper context and deal-specific questioning of arms-procurement processes**, to make an arms-export judgement against key factors investigating responsible governance; arms-procurement decision-making; import rationale and

appropriateness, and affordability against this justification; and importer capacity in terms of industrial and technological capability, and military and law enforcement technical capacity.

The introduction of an Arms Trade Treaty, and the transparent development and consistent and open implementation of an effective assessment methodology, so that the impact on development is considered for all arms exports, would have profound implications for sustainable development around the world.

Notes

- ¹ This paper includes many of the findings of the Control Arms Report: *Guns or Growth? Assessing the Impact of Arms Sales on Sustainable Development*, published in June 2004.
- ² Measured by the BIC3D Index which is a combination of military expenditure, arms reserves, personnel in armed forces and arms production.
- ³ It is important to note that this conclusion is based on the assumption that economic growth is supported by economic and social-development expenditures. See D. P. Hewitt (1991) "Military expenditures in the developing world", *Finance and Development*, 28: 3.

US Aid: Through a National Security Lens

*Adrienne Paul Elwell, Co-Chair, InterAction Transition,
Conflict & Peace Working Group*

Introduction

This chapter will focus on the United States (US) perspective on peace, security and development, examining recent changes in US government foreign assistance strategies and how US Non-Governmental Organizations (NGOs) are responding to these realities. In response in part to the threats encountered through the events of September 11, 2001 and the changing socio-economic and political global landscape, the US is increasingly viewing its foreign aid through a national security lens. Development assistance is regarded in part as a means of supporting US national security.

NGOs face challenges today in responding to what they perceive as threats to aid's impartiality vs. the humanitarian imperative to respond without regard to politics. They also have to contend with increasing scrutiny by the US Government (USG) with regards to assistance provided to terrorist organizations and a view of certain developing countries as "threats" to be minimized following the events of September 11, 2001 on US soil.

New counter-terrorism measures established by the USG in response to September 11 impact NGOs in several ways.

US NGOs applying for USG funding now have to certify in their grant applications that proposed grant implementing partners, beneficiaries, and they themselves are not affiliated with terrorist organizations. Support to terrorist organizations or work in embargoed countries can result in sanction, liability, freezing of assets, or termination of USG grant agreements.¹ The operating environment for NGOs has changed due to these terrorist threats and it is now up to the NGO community to understand counter-terrorism measures and make sure that humanitarian support does not end up in the wrong hands. The criteria for humanitarian and development assistance is increasingly becoming politicized relative to state security and under threat of being co-opted by the current security agenda at the risk of true humanitarian need remaining as a determining factor for assistance.

US Government trends and direction

The foundations of USG foreign assistance in the 21st century are outlined in three key documents and initiatives issued by the USG in the last few years: the National Security Strategy (2002) which placed development at the forefront of the diplomacy and defense

arenas in the pursuit of US foreign policy, the US Agency for International Development (USAID) report on Foreign Aid in the National Interest (2002), and the establishment of the performance-driven Millennium Challenge Account (2002). New challenges facing the world today require targeting aid assistance in different ways, depending on whether the recipient country is classified as a fragile state or just as a less developed country that has a good governance record.

USAID's white paper, "U.S. Foreign Aid: Meeting the Challenges of the Twenty-First Century" (2004) puts forth recommendations on how best to respond to current challenges facing the aid community while increasing aid effectiveness. It also underscores how USAID's mandate now goes beyond pure development and focuses on security and foreign policy. In the white paper, strengthening fragile states is one of five core operational goals of US foreign assistance, along with promoting transformational development, providing humanitarian relief, supporting US geostrategic interests, and mitigating global and transnational ills.²

The USG Fragile States strategy focuses on how USAID can more effectively respond to the challenges posed by those vulnerable and crisis states, including failing, failed, and recovering states. The four major pillars of the strategy include better monitoring and analysis, identified priorities responding to realities on the ground, programs focused on the sources of fragility, and streamlined operational procedures to support rapid and effective response in those situations. The overall goal is to help fragile states move out of their crisis state into one of stability, security, reform and strengthened institutional capacity which will help achieve their ultimate development goals.³

The challenge of fragile states is one

that affects more than just USAID and requires a coordinated approach across all USG branches. The creation of the State Department's Office of the Coordinator for Reconstruction and Stabilization (S/CRS) in July 2004 shows a commitment to coordination of the civilian side of post-conflict operations. S/CRS works with USG agencies, the United Nations (UN), external partners, the European Union (EU), international financial institutions (IFIs) and other states to "strengthen global capabilities to mitigate, manage, and respond to conflict."⁴ S/CRS is working towards transforming conflict management through a series of innovations, including inter-agency coordinating mechanisms, a common civil-military planning framework for stabilization and reconstruction, advance civilian teams, a response corps, and proposed conflict response fund.

The establishment of the Office of Conflict Management and Mitigation (CMM) under the Bureau of Democracy, Conflict and Humanitarian Assistance (DCHA) in September 2002 underscores USAID's commitment and recognition of the impact of conflict on its programming. CMM seeks to institutionalize conflict programming in USAID's traditional disaster, transition, and development assistance portfolios through conflict/fragility assessments, conflict-sensitive program design, maintenance of a fragility watch list, and conflict toolkits which address the linkages between conflict and traditional development sectors thereby assisting AID Missions to better understand what is driving conflicts in their regions. The Missions also use these assessments as a basis for discussion with other donor agencies and within the USG.

USAID seeks to directly address the causes of conflict using existing development, transition, and humanitarian

United States

assistance programming and applying a conflict lens to all these programs, especially in high-risk countries. USAID also serves on the OECD/DAC Fragile States Group and is collaborating on principles for good international engagement in fragile states and addressing the problem of service delivery in fragile states. Collaboration on these issues is increasing among donor countries as well as the level of NGO input requested and provided to identify best practices and lessons learned.

The latest development in USG peace, security, and development work is the issuing of a Presidential directive signed December 7, 2005 empowering the Secretary of State to "improve coordination, planning, and implementation for reconstruction and stabilization assistance for foreign states and regions at risk of, in, or in transition from conflict or civil strife."⁵ This new mandate will help the USG to be more effective in planning early, and developing an integrated inter-agency approach to civilian and military responsibilities in these conflict-related environments. Linked to this directive is a Dept. of Defense directive issued November 28, 2005 which elevates stability missions, formerly known as nation-building, to an equal status with major combat operations.⁶ NGO reaction to these recent announcements takes a critical approach, pointing to the potential for increased politicization of humanitarian aid, increased collaborations between NGOs and the military, and more DOD involvement in humanitarian assistance. The military insists that its plan is not to assume the work of humanitarian agencies, but to be more effective at supporting them. NGOs feel that the roles of various actors in humanitarian environments need to be more clearly defined and that if the military were doing a better job at providing security, there

would not be a need for it to fill the gaps in meeting humanitarian and transition needs due to insecurity.⁷ Despite these concerns, these developments do signal a change in the way the US government approaches how it conducts its business in conflict-affected environments and shows a renewed commitment to building up joint operations capabilities across civilian agencies, improving civil-military relations and not repeating the hard lessons learned through situations like those in Iraq and Afghanistan.

NGO perspectives on USG trends

"In my experience, more NGO and UN agency energy is spent discussing the threats posed by the 'war on terror' than the threat of Islamist ideology and terrorism itself....Perhaps there needs to be a bit of truth-telling in humanitarian, human rights, and development circles. This might recognize that we are selective in owning our moral overlap. When we do not like....counter-insurgency authorities with whom we have moral overlap we tend to call it politicization and cooption. When we like them and feel good about being with them, we call it impartial cooperation, or more simply solidarity."⁸

- Hugo Slim

Three major developments in donor policy today which affect NGOs and humanitarian action⁹ include 1) aid and security: inextricably linking aid to post 9/11 policies; 2) aid and profit: increase of contracts to for-profit firms in post-conflict reconstruction; and 3) aid and faith:

increasing pressure on USAID to provide aid through faith-based groups. NGOs are also challenged by stove-piped country-specific assistance and effectively identifying priorities and appropriate tools for action in that environment. On the other hand, continued fragmentation of the NGO community remains a weakness and continues to provide its own challenges. These challenges speak directly to the perception that aid is no longer explicitly development focused, but is tied to political ends, profit, and government priorities.

Despite some of these challenges, increased collaboration and dialogue with the USG on issues of development, peace, and security is helping to bridge the gap. Through NGO networks such as InterAction and the Alliance for International Conflict Prevention and Resolution (AICPR), NGOs are ensuring that their perspectives are considered and lessons learned are shared on issues of peace, security and development.

For instance, InterAction's Transition, Conflict and Peace Working Group (TCP) collaborates with USG on issues of conflict prevention, mitigation, analysis, fragile states frameworks, conflict and development through a variety of activities including dialogues, panel discussions, briefings, and roundtables. This working group is now recognized as a key stakeholder by the USG from the community of relief, development, conflict resolution, conflict prevention, and peacebuilding NGOs. The TCP working group has contributed to the development of sector-specific toolkits that help USAID Missions address the linkages between conflict dynamics and particular sectors in their strategies and programming. TCP members also provided feedback on the USAID draft Fragile States Strategy and raised concerns regarding the sources, time frames,

and recipients of funding under the new strategy, in addition to the liberalization of security sector assistance and the need for different human resource capacities to deal with failed states.

A joint USG-NGO dialogue, including staff from the US Department of State, USAID, AICPR, and InterAction members meets regularly to focus on early warning/conflict prevention and identify windows of opportunity in crisis-prone countries where early action could help avert conflict or prevent a resurgence of violence. This forum provides NGOs with an opportunity to provide qualitative feedback to complement internal USG quantitative analysis on conflict risk in specific contexts.

The TCP working group also hosts regular briefings by USG staff for the NGO community to share latest developments, thinking, and strategy and seek input on those issues. Briefings over the last two years have focused on USAID's strategy for addressing conflict, and framework for conflict analysis, the role of civil society in peace-building and conflict mitigation, the failure of USG to respond adequately to post-conflict requirements in Iraq, and the mandate, mission, objectives, and organization of the Office of the Coordinator for Reconstruction and Stabilization at the U.S. Department of State. Through these various types of collaboration, InterAction member NGOs have contributed in a meaningful way to USG initiatives and brought its concerns to the attention of policy makers.

Over the last two years, a North American steering committee composed of TCP working group members, AICPR and other interested stakeholders, including Canada and Mexico civil society organizations, drafted a North American agenda for the prevention of armed conflict. This set of policy

United States

recommendations fed into a global civil society initiative known as the Global Partnership for the Prevention of Armed Conflict which aims at shifting efforts from the reaction to the prevention side of armed conflict. This initiative started as a response to the UN Secretary General's 2001 Report on the Prevention of Armed Conflict in which he called upon civil society organizations to work together to influence their member governments and the international system on how it approaches conflict prevention.

Following three years of intensive regional civil society consultations, a conflict prevention action agenda was adopted and launched at a global conflict prevention conference at the UN headquarters in July 2005. The action agenda called for promoting human security and addressing the root causes of conflict, making prevention the fundamental goal of collective security arrangements, and the strengthening of an integrated architecture of effective institutional capacities and partnerships for prevention and peace-building. Continued activities around the North American action agenda include work on UN reform, "SMART" security legislation, US government inter-agency dialogues on conflict prevention, and spring 2006 lobbying at the UN.

Recommendations

Given these realities, there are some concrete recommendations based on best practices and lessons learned available for consideration and action.

In 2005, InterAction engaged with the G-8 process through the TCP Working Group to provide concrete proposals for the USG on peace and security issues. Key talking points with the US delegation to the G8 Summit¹⁰ focused on preventing violent conflict and state failure. Many of the recommendations aligned with those coming

out of the OECD/DAC Fragile States Working Group's "Principles for Good International Engagement in Fragile States."¹¹ However, the TCP Working Group sought specific outcomes and roles the USG ought to play as outlined below.

Promoting peace and security requires a fundamental shift in how governments respond to challenges posed by conflict and fragile states. It is agreed that fragile states pose a particular threat to global peace and security and threaten to undermine the prospects for achieving lasting development results. Tackling state failure requires that the structural causes — inequality, insecurity, injustice, and poverty — are comprehensively addressed.

Recommendations for preventing violent conflict and state failure:

1. In linking peace and security with development, the US should:
 - Work with other G8 member governments to integrate assessments of how to reduce the risk of conflict and improve human security in country and regional assistance strategies
 - Support the development of stronger early warning and mediation capacities within regional security mechanisms
 - Promote engagement with a broad range of actors, including civil society, to find entry points and identify reformers within fragile states, and promote the establishment of legitimate democratic governance
2. Creating a UN Peace-building Commission/Support Office. The US needs to support:
 - The effort to create a standing civilian police corps
 - Amending the rules for UN

- peacekeeping budget to enable, on a case by case basis, the option of financing regional peace operations with assessed contributions
- The creation of greater early-warning/analytical capacities to help prevent deadly conflict from erupting
3. Expanding Global Capacity for Peace Support Operations. The US should support:
- The creation of a single unified African Union standby rapid response brigade that can undertake chapter VII missions and is rapidly deployable
 - The creation of an African Gendarmerie Force for Peace Support Operations
 - More training and capacity-building for AU civilian crisis management and encourage the AU to link crisis interventions with longer-term peace-building and development strategies in cooperation with other regional bodies
4. Providing Sustained Post-Conflict Support. The US should:
- Work with other G8 governments to focus on funding long-term solutions to conflicts and support peace-building, economic recovery, and civil society development
 - Provide technical assistance to help combat corruption, improve transparency and govern natural resources
 - Support a UN-based integrated rule of law coordinating capacity to

- assess, plan, and deploy international police, judges and legal experts during transitions to assure basic civilian protection and assist in training and establishing reformed indigenous rule of law institutions
- Establish a \$250 million standing fund for peace-building that can be used to finance the recurrent expenditures of a nascent government as well as critical agency programs in the areas of rehabilitation and reintegration

Conclusion

Despite the realities of aid today in the sphere of peace, security, and development, there are many positive and forward looking initiatives taking place which seek to hold donor governments accountable, uphold humanitarian principles, and help those most in need. The continued challenge our community faces is to be an active and vocal presence in the decision-making venues, influencing funding and aid allocation priorities, as well as defining the role of NGOs and the role of humanitarian aid and reconstruction in post-conflict and development contexts. NGOs can also help the USG to strategize planning frameworks and brainstorm identified gaps such as closing the gap between early warning and early action and how to address them. It is only through such intentional ongoing collaboration that development assistance can be effective in both preventing conflict, and where it is already ongoing, managing conflict.

United States

Notes

- ¹ Ramos, Lyman, Canavan, and Nichols, "Handbook on Counter-Terrorism Measures: What US Nonprofits and Grantmakers Need to Know," produced for InterAction, Independent Sector, and the Council on Foundations under the auspices of the Day, Berry, and Howard Foundation, March 15, 2004.
- ² "US Foreign Aid: Meeting the Challenges of the Twenty-First Century," Bureau for Policy and Program Coordination, US Agency for International Development, January 2004.
- ³ Fragile States Strategy, USAID, January 2005
- ⁴ US State Dept. Office of the Coordinator for Reconstruction and Stabilization briefing note, March 8, 2005.
- ⁵ US Department of State Fact Sheet: President Issues Directive to Improve the United States' Capacity to Manage Reconstruction and Stabilization Efforts, December 14, 2005.
- ⁶ "Military Support for Stability, Security, Transition, and Reconstruction Operations," U.S. Department of Defense, November 28, 2005.
- ⁷ Bristol, Nellie, "Military Incursions Into Aid Work Anger Humanitarian Groups," *The Lancet*, February 4, 2006, Vol. 367.
- ⁸ Hugo Slim, Centre for Humanitarian Dialogue, quoted in "Ambiguity and Change: Humanitarian NGOs Prepare for the Future," The Feinstein International Famine Center, Tufts University, August 2004.
- ⁹ With Us or Against Us? NGO Neutrality on the Line, Abby Stoddard, Humanitarian Practice Network, Dec. 2003, www.globalpolicyforum.org
- ¹⁰ G8 Conflict Talking Points prepared for InterAction meeting with US representative to the G8 Summit at Gleneagles, Scotland, June 2005
- ¹¹ "Principles for Good International Engagement in Fragile States," drafted for the Senior Level Forum on Development Effectiveness in Fragile States, OECD, London, 13-14 January 2005.