

[Home](#) » [Opinion](#) » Article

With poverty so immense, how we help is crucial

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CAMPAIGNS against poverty have been enormously successful, but more than 1 billion people still live in abject conditions with incomes of less than \$US1 (\$1.30) a day. With international will, we can end such poverty in a generation. Australia has signed on to the Millennium Development Goals, the road map to ending extreme poverty, but we're not doing our share to meet those targets.

Australia gives less overseas aid than we should, but that's not the only problem. The type of aid we give is as important as the amount. Events like the 2004 Boxing Day tsunami and Pakistan earthquake in October last year resulted in a sharp increase in private donations, but people want assurance their donations are spent effectively. Many closely examine how quickly their donations reach the neediest, and how much charities spend on overheads.

We should be taking a similar approach to our national aid budget.

The Australian Government shouldn't, for example, have spent \$700,000 of aid money to send Trevor Flugge to Iraq to arrange a sweetheart deal between AWB and Saddam Hussein. John Howard shouldn't have allocated \$100 million of aid money to send asylum seekers to Nauru.

Our aid efforts should be focused on the alleviation of extreme poverty not on short-term political gain, such as funding the Pacific Solution, or on advancing Australian business interests overseas. Businesses deserve the support of their government overseas but this should be funded from the trade budget, not the aid budget.

Sometimes the scale of extreme poverty seems overwhelming, but even small amounts, well spent, can make an enormous difference.

There are two things we could do to increase the quality of the aid we give.

First, we should use a greater part of our existing aid budget on microcredit, which has proved to be one of the most effective ways of lifting the world's poorest people out of extreme poverty.

The Bangladeshi economist Muhammad Yunus, the father of microcredit, was recently awarded the Nobel Peace prize for his championing of its role in helping people out of poverty.

Last year 113 million people received tiny loans to start or expand small businesses; 82 million of them were among the world's poorest. Microloans help entire families by improving nutrition, access to health care, and school enrolment. The loans to the 82 million poorest clients affected 410 million family members. Some borrowers buy a cow to sell milk; some buy chickens to sell eggs; some buy a sewing machine to make clothes; others may set up a roadside food stall. Almost all repay the loan in full and on time, allowing the money to be lent again.

The money is mostly lent to women because they are more likely to spend it on measures to provide for themselves and their children, and they are more likely to repay it.

Australia's aid budget underinvests in microcredit. Australia will spend only about \$14 million directly on micro-finance this year: 0.6 per cent of the \$2.95 billion aid budget. Australia should establish a Pacific development trust to provide microcredit to some of the world's poorest people who live right on our doorstep.

The other thing Australia could do with not much money, but with a high level of effectiveness, is promote breastfeeding. Baby formula and baby food manufacturers spend hundreds of millions promoting a product that is not as good for babies as human milk. In some countries they promote it dishonestly as scientific and superior; as giving babies an advantage, making them stronger and smarter. In fact, the reverse is true, and in countries where water quality is often poor and where expensive formula is watered down to save money, babies are dying unnecessarily.

UNICEF says that if every baby in the world was exclusively breastfed to the age of six months, an estimated 1.3 million lives would be saved each year, and millions more babies would be healthier. Baby formula producers are paying baby health nurses bonuses in some countries for every baby they get hooked on formula.

Against this sort of aggressive promotion, Australia could provide financial support to primary health organisations, which promote breastfeeding in poorer countries. At the moment these organisations are outspent by formula producers, probably by a million dollars to one.

Australians sometimes despair about how we can help battle extreme poverty. We are generous, but we want to see our money wisely spent. Measures such as these can make a world of difference in a cost-effective way.

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