

Email of the day: Aid money should be spent locally

Edward Rees, East Timor Country Director of [Peace Dividend Trust](#), writes on our foreign aid thread:

Some comments from Dili, Timor-Leste: As your guest bloggers, Lusby and Wheen, [correctly state](#), there are such large and powerful vested interests involved that the reform of how the Australian Government, or for that matter other government, spends its aid money is a difficult process that takes years if not decades.

AusAID, the World Bank and the UN funded the Peace Dividend Trust (PDT) to conduct the 2005 study on the 'Economic Impact of Peacekeeping Operations (EIP)'. This study found that operational spending has the potential to kick-start a post-conflict economy at the time it is needed most. Though most peace operations directed less than 10% of their spending directly into the local economy, even that small amount could boost local GDP by as much as 8%. This is not yet happening in most places, and this represents a major opportunity lost.

One of the primary recommendations of this study was that peacekeeping operations (in addition to their international partners) should increase their local procurement of goods and services. This can take advantage of their presence in country and act as an engine of post-conflict economic growth. In countries such as Timor-Leste, Haiti, Sierra Leone, and Afghanistan the large numbers of underemployed or unemployed are a major source of instability. Local procurement of goods and services by international actors can provide jobs and facilitate private sector development.

But how to do this? In many of these countries the domestic supplier usually has little idea what the international buyer requires, and the international buyer is often equally as ignorant of what the domestic market can provide. Additionally, there are matters of capacity, quality assurance and a range of other inhibitors. Peace Dividend Trust piloted a unique Peace Dividend Marketplace project in Afghanistan in 2006-2007. This project is focused on the expansion of local procurement of goods and services. It does so by being practical and useful. It has four main components:

- 1. Build an online procurement database of businesses, providing a platform to better access reliable information about the domestic market.*
- 2. Establish a tender distribution point, enabling domestic suppliers to gain better access to the procurement activities of international actors.*
- 3. Provide a matchmaking service, 'matching' international procurement initiatives with the domestic market.*
- 4. Provide training to local businesses, enabling the domestic market to understand international procurement requirements and thus be in a position to be more competitive.*

The Peace Dividend Marketplace Project has redirected more than 60 million USD into the Afghan economy – for a tiny fraction of that cost in donor funds.

Taking note of this experience, and in recognition of the socio-economic problems facing Timor-Leste,

AusAID funded a Peace Dividend Marketplace project in Timor-Leste in late 2007. To date, the Peace Dividend Marketplace project in Timor-Leste has surveyed hundreds of businesses, and their details will soon be made available online. Over 100 matchmaking requests have been made for a wide variety of procurement initiatives. Finally, approximately 60 previously inaccessible international tenders have been distributed to over 200 businesses across Timor-Leste.

It is too early to establish results, but the level of interest in this new approach has been very high. PDT's private sector and Government partners in Timor-Leste have a common refrain when speaking of the Peace Dividend Marketplace project – 'Why could you not have done it this way since the UNTAET time in 1999-2002?' Notably, the Australian-led ISF has been at the forefront of efforts to procure locally. International NGOs, UN agencies and others have demonstrated real and material interest in the approach.

There are efforts to change the way business is being done, but it remains a long way to wholesale change. Small and practical efforts at changing behaviour today can have a major impact in the future.

CATEGORIES: [WEST ASIA](#), [AUSTRALIA IN THE WORLD](#), [MELANESIA](#)