

Foreign Affairs, Defence and Trade Committee  
Department of the Senate  
PO Box 6100  
Parliament House  
Canberra ACT 2600

## **Micah Challenge Australia Submission on Australia's overseas aid and development assistance program**

### **1. Introduction**

Micah Challenge is a global movement of Christian agencies, churches, groups and individuals speaking out against poverty and injustice, and advocating to governments for strong action to achieve the global anti-poverty Millennium Development Goals (MDGs). Micah Challenge is a coalition of Christian development NGOs as well as mission agencies, churches and church bodies and individuals. A list of most active coalition partners can be found in Annex 1.

Together with Make Poverty History, we raise awareness in the Australian community and advocate to the Australian Government in support of stronger contributions to the achievement of the MDGs, the sustainable reduction of poverty and a more just world.

We take heart from the unprecedented progress against poverty the world has seen in the last few decades. For example, global child mortality has fallen by 42%<sup>1</sup> and maternal mortality by over 47%<sup>2</sup> over the last twenty years, thanks largely to well-targeted interventions in maternal and neo-natal care, immunisation and other health initiatives –very often supported by the aid efforts of governments, NGOs and multilateral organisations. It should be noted that these improvements have occurred even in countries and in regions characterised by weak governance, political instability and/or low economic growth, for example Bangladesh<sup>3</sup> and Nepal<sup>4</sup>. This gives confidence that investment in saving lives through Australian aid can continue to be effective and also that aid can make substantial contributions to the underlying determinants of human wellbeing and sustainable growth and prosperity (particularly a healthy, educated and empowered population) even absent economic growth in the partner country or a specific economic growth focus in the aid program.

As a key player in the Asia-Pacific region, where two-thirds of the world's poor live, Australia has a vital stake in ensuring that this progress against poverty continues. We recognise that our aid program plays an important part in this fight against poverty, must be as effective as possible, and should be scaled up to meet the challenges of reducing poverty and addressing regional and global challenges.

We welcome the opportunity to make this submission to the Senate Foreign Affairs, Defence and Trade References Committee on Australia's overseas aid and development assistance program.

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<sup>1</sup> Unicef 2012, *Committing to Child Survival*

<sup>2</sup> WHO 2012, *Trends in Maternal Mortality 1990–2010*

<sup>3</sup> Government of Bangladesh 2010, *Maternal Mortality and Health Services Survey*

<sup>4</sup> GAVI Alliance 2012, *Nepal Progress Report*

## **2. Responses to the terms of reference**

### **a) Australia's ability to deliver aid against stated policy objectives and international commitments**

The current high-level statement of the purpose of Australian aid notes that,

*The fundamental purpose of Australian aid is to help people overcome poverty.*

Micah Challenge fully endorses this as the over-arching statement of purpose for Australian aid, while recognising – as the statement goes on to do – that other national interest and capacity matters are relevant for informing the type, geographical and sectoral focus, and modalities of aid and delivery. We would oppose significant changes to this statement of purpose, or prioritising other national interest agendas above the sustainable reduction of poverty. Surveys have indicated that most Australians support this poverty focus for the aid program.

We believe that the work initiated with the Independent Review of Aid Effectiveness and the Government's responses, particularly the 2011 policy paper, *An Effective Aid Program for Australia*, the 2012 *Comprehensive Aid Policy Framework*, as well as AusAID's transparency charter and the reviews of advisor remuneration and multilateral effectiveness all contributed to improving the strategic clarity and transparency of the aid program. We are concerned that the recent cuts and changes undermine this hard-won strategic clarity and reverse the recent (limited) transparency gains.

The Comprehensive Aid Policy Framework (CAPF) proposed three tiers of objectives against which aid effectiveness could be measured, MDG progress, Australia's aid contribution to goals under the five strategic areas (saving lives, promoting opportunity for all, sustainable economic development, effective governance and humanitarian and disaster response) and operational and organisational effectiveness. We endorse this approach, although further elaboration, publication and assessment of country and project level goals should be undertaken as well.

The recent mid-year cuts and changes to the aid program, regrettably, contribute further to a loss of strategic clarity and a reduction in funding that will undermine the progress made across all three tiers. Not only will reduced funding adversely affect progress towards achieving higher-level poverty-reduction outcomes enshrined in the MDGs and the CAPF, but the sustainability of some programs at the local level will also be adversely affected by the mid-year cuts.

### **b) Australia's ability to maintain its international development priorities, including sectoral, regional, bilateral and multilateral international relationships**

Aid effectiveness relies to a significant extent on secure, long-term and predictable funding. Many development interventions are complex and multifaceted and require long-term engagement, feedback and follow-up to ensure their success. The recent decision to cut around \$650 million from the aid budget part way through the financial year will undermine confidence in planning, reduce morale among Australian and partner staff and groups involved in aid delivery, and risks undermining the project level goals of aid programs which rely on longer time horizons for funding to achieve results.

World Bank and IMF research found that,

*Low (aid) predictability generates the need for governments to adjust their spending plans in response to “aid surprises” and thus has inherent destabilizing characteristics. If aid is intended to be countercyclical, low predictability may also lead to more procyclical aid and reinforce rather than soften economic cycles, exacerbating problems of aid management.<sup>5</sup>*

Indeed, the mid-year cuts are a serious breach of Australia’s commitment, through the OECD’s *Paris Declaration on Aid Effectiveness*, to

*Provide reliable indicative commitments of aid over a multi-year framework and disburse aid in a timely and predictable fashion according to agreed schedules.*

Of particular concern to Micah Challenge are the cuts to humanitarian and other emergencies as well as global refugee support which has been cut by \$75 million, from \$339.6 million in the May budget to just \$264.2 million. Additionally, funding for regional and global environmental and climate change programs has been reduced to just \$500,000.

Asia-Pacific is the most disaster-prone region in the world. UNISDR’s *2012 Asia–Pacific Disaster Report* found that the region suffered \$294 billion of economic losses from disasters (80 percent of global disaster losses) in 2011 — and our near neighbours are particularly vulnerable to floods, storm surges and cyclones that are intensified by climate change. Contamination of groundwater, seawater encroachment on agricultural land, and other climate change impacts are all widely reported in our region, particularly in the Pacific, the Mekong delta and the Indian subcontinent. In that light, these cuts seem particularly counterproductive if the government’s aim is to prioritize poverty reduction and development in our region.

The Australian Government had previously committed, through the Busan Partnership for Effective Development Cooperation, to:

*Continue to support national climate change policy and planning as an integral part of developing countries’ overall national development plans, and ensure that – where appropriate – these measures are financed, delivered and monitored through developing countries’ systems in a transparent manner.*

It is not yet clear whether or how the Government will deliver on this commitment, nor make a contribution to the Copenhagen Accord pledge of \$100 billion annually for climate financing. However, to resile from these commitments would be both to leave near neighbours in need of assistance to meet climate adaptation challenges and would likely have a substantial and negative impact on ongoing international climate negotiations. The Government should identify and provide adequate financial support for disaster risk reduction and climate adaptation priorities through country, regional and global programs and should make an early commitment to providing public financing towards meeting internationally-agreed targets.

Supporting the work of well-performing multinationals has been identified as one of the best ways to achieve value-for-money in aid spending, so it is disappointing that the Government’s announced priorities involve a reduction in funding to these multilaterals. The lower-than-expected commitment to the World Bank’s IDA replenishment as well as that of the Global Fund to Fight AIDS, TB and Malaria may be indicative of this trend, which we urge the Government to reconsider. In addition to the multilateral organisations and initiatives already supported by the Australian aid program (particularly GAVI and the Global Fund), further exploration and

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<sup>5</sup> Celasun and Walliser (IMF/WB) 2007, “Predictability of Aid: Do Fickle Donors Undermine Development?”

investment would be warranted to meet global education, water, sanitation and nutrition challenges through The Global Partnership for Education, the Scaling Up Nutrition Movement, and the Sanitation and Water for All Partnership.

We note that while blanket cuts have been applied across virtually all regions, countries and programs, the details of how to apply these cuts are still to be revealed and the process to inform partner countries and implementers (both international and Australian NGOs) of the cuts was extremely disruptive and lacked transparency. The rationale for targeting particular international programs and certain Australian NGOs for cuts has not been made clear and the likely impact of these cuts has not, to our knowledge, been fully assessed. It has certainly not been made public.

### **c) Integration of AusAID into DFAT and freeze in international development assistance funding**

The integration of AusAID into DFAT raises a number of key questions.

First, and most significantly, the Government has indicated that subsuming AusAID within DFAT offers the opportunity to align Australia's interest in reducing poverty with other commercial, trade and strategic interests and ensure better policy coherence. There are risks, as noted earlier, that the widely-supported purpose of Australian aid to reduce poverty will be undermined or overcome by other strategic, diplomatic or trade priorities under the new structure. The possibility that the Australian aid program could be used to leverage or promote access to markets for Australian industries or businesses should be fiercely guarded against. The last thing Australians want or expect is for our aid program to be used to provide hidden subsidies to Australian businesses.

Second, transparency becomes a significant challenge. AusAID's commitment to a transparency charter had begun to show some results, but it was at a very initial stage. The Department of Foreign Affairs and Trade must commit to taking up and building on this transparency agenda and ensure that Australian aid meets the highest standards of transparency and accountability to both the Australian public and to partner countries and communities, by publishing integrated country strategies with expected development outcomes clearly outlined, and publishing timely project level reviews and assessments for all aid-related activities. Further, the new structure must maintain a role for independent advice and evaluation on development effectiveness – such as currently provided by the Office for Development Effectiveness and the Independent Evaluation Committee.

Finally, we hope that the Government is able to ensure that relevant expertise is able to be maintained in the new structure. Many aspects of Australia's aid program require specialist knowledge and skills and high priority should be placed on identifying, maintaining and strengthening this expertise as the new structure and processes are developed.

Regarding the freeze in funding, while it may provide a degree of funding predictability, the recent mid-year cuts, removal of \$4.5 billion from aid forward estimates and chaining Australian aid to the Consumer Price Index are problematic in not taking into account development needs and challenges in our region and beyond nor comparative international effort of other donor countries. The aid cuts, reducing aid to \$5.042 billion in the revised 2013-14 budget, will mark a reversal of progress towards the previously bipartisan target of 0.5% GNI the first time Australia's ODA/GNI ratio has fallen since 2000 when Prime Minister John Howard, signed the Millennium Declaration committing Australia to:

*Spare no effort to free our fellow men, women and children from the abject and dehumanising conditions of extreme poverty to which more than a billion of them are currently subjected.*

The scale of the development challenges in our region – particularly food security, adequate nutrition for all, limited access to sanitation and hygiene, disease prevention, treatment and control, disaster risk reduction, inclusive economic growth and job creation, and climate change adaptation – are such that Australia was justified in seeking to scale its aid towards 0.5% GNI (as a step towards the internationally-agreed aid target of 0.7%GNI).

However, the cuts and freeze in funding will further entrench Australia's position in the lower half of performance on ODA/GNI ratio among all OECD donors (13th of 24 donor countries). Our projected ODA/GNI ratio of 0.33% in 2013–14 is and will remain well behind the average country effort of around 0.41% at least over the forward estimates.

The Independent Aid Review identified key challenges for Australia's aid program being scaled up, particularly strategic and geographical clarity, coordination across the whole of government, a focus on effectiveness and transparency and attention to management processes, recruitment and learning. Subsequently, AusAID and the Government undertook action on all but one of the Review's 39 recommendations and, following structural reform and strategic reframing, the OECD's peer review of Australia's aid program found that,

*Australia's aid system is set up to deliver the current and a growing aid programme effectively.*

It is, therefore, regrettable that Australia will reduce its contribution to MDG progress and reverse a decade of progress towards the internationally-agreed aid target of 0.7% GNI.

#### **d) Any unintended consequences of these changes**

We note that a possible unintended consequence of these changes and cuts could be to undermine public confidence in the aid program. When the aid budget is changed or cut mid-year according to political priorities rather than genuine development need and impact this may signal that the development outcomes themselves are not valued highly by Government. We understand that this is not the case, however public engagement has not been a strong point of the aid program in recent years and it would be a shame if this was further undermined by cuts and restructuring.

We strongly urge the Government to undertake public education and awareness-raising work about the importance and achievements of the aid program, as well as the relevance of the MDGs and Post-2015 development framework to our region and to Australia's support for sustainable poverty reduction.

For further information please contact:

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## **Annex 1**

The following Christian groups are among the most active supporters of Micah Challenge Australia. Many individual church and community groups are also active and engaged supporters.

ACC International Relief

Act for Peace (National Council of Churches Australia)

ADRA (Adventist Development and Relief Agency)

African Enterprise Australia

Anglican Overseas Aid (formerly AngliCORD)

Baptist World Aid Australia

Caritas Australia

CBM Australia

Compassion Australia

Global Mission Partners (Churches of Christ)

Salvation Army (Australia Eastern Territory)

SIMaid

TEAR Australia

Uniting Church of Australia, Synod of Victoria and Tasmania

Uniting World

World Vision Australia