

11 February 2014

Mr David Sullivan
Committee Secretary
Senate Foreign Affairs, Defence and Trade References Committee
PO Box 6100 Parliament House
Canberra ACT 2600

Submission to the Inquiry into Australia's overseas aid and development assistance program

Dear Mr Sullivan,

Thank you for inviting ASPI to make a submission to the Senate Standing Committee on Foreign Affairs, Defence and Trade's aid inquiry.

As ASPI does not take corporate positions on any issue, this submission reflects the views of its authors, principally Anthony Bergin, Karl Claxton and myself, although we have consulted with others in the Institute.

In terms of the longstanding central debate over the extent to which our aid should be aimed primarily at reducing poverty or also advancing Australia's interests, we would suggest that, when it comes to promoting national security, these objectives are not incompatible. Indeed, they overlap significantly in our near neighbourhood in places like Papua New Guinea, many Pacific Islands, parts of Southeast Asia, and Timor-Leste. Accordingly, the recent amalgamation of AusAID and DFAT should allow for a more responsive and flexible aid policy, better aligned to our foreign policy interests.

But in order to improve the coordination of our poverty-reduction, trade, regional stability, and other international goals we must first know precisely what those goals are. A new foreign policy white paper is needed to help government think its way through and articulate the agenda it wants to promote and to coherently structure the often reactive business of international affairs—now a six billion dollar concern.

Specific recommendations to help align our aid, trade security, and broader foreign interests include:

- maintaining our aid focus on the South Pacific and Southeast Asia;
- but preserving niche contributions further afield where we have strong interests or unique expertise;
- continuing to prioritise efforts to mitigate deprivation, violence, and instability in fragile states;
- creating a security sector of the aid budget with a dedicated funding stream for conflict prevention;
- revisiting eligibility guidelines for spending on security; and
- managing soft power aspects of our international engagement more deliberately.

I trust this submission contributes to the inquiry and would be pleased to provide any further assistance.

I have also attached, as an annex, a copy of ASPI's input to the DFAT review of aid benchmarks, which expands on the value of keeping performance-measures strategic and the need for a white paper to do so.

Yours sincerely,

Peter Jennings PSM
Executive Director

Attachments:

- A: Submission: Australia's overseas aid—security considerations
B: Annex: Submission: Performance benchmarks for Australia's aid program—security considerations



Submission: Australia's overseas aid—security considerations

This submission addresses the inquiry's terms of reference on Australia's ability to deliver aid against stated policy objectives and commitments, in light of the integration of AusAID into DFAT and the freeze in aid funding, in the area of national security and strategic interests.

Although aid now comprises just one aspect of Australia's increasingly multidimensional engagement with developing countries, it will remain important as long as pockets of severe poverty and the nexus between development challenges, insecurity, and instability persist in our region and beyond. The move from donor/recipient relationships toward more mature development partnerships and links that also emphasise trade, investment, immigration, and related forms of cooperation—aimed at fostering sustainable development as the key to eradicating global poverty—will remain gradual and at times difficult. While that shift is underway, there will continue to be benefit in further synchronising our poverty-reduction, national security, and other international goals. Australia's international policy objectives, however are not entirely clear as currently stated. This submission suggests a new foreign policy and trade white paper is required to clarify just what goals we're trying to coordinate, and recommends some aid-related principles that could help inform such a white paper.

Security dimensions of aid

In March 2011, a study group convened by ASPI and the Foundation for Development Cooperation to explore the relationship between Australia's national security and official development assistance (ODA) identified four key areas of overlap:

- The **national security motivation** as a general impetus for donor action. Even where there are few direct connections between development and security efforts (such as in many bilateral aid programs that usually operate without substantial ADF or AFP involvement) an overarching impulse to help prevent underdevelopment from spurring insecurity and instability partly underlies ODA—especially in nearby or noteworthy areas (such as Pakistan). Severe deprivation and inequality may act as sparks for violence. Promoting a sense of material progress, strengthening institutional capacity and boosting resilience, then, can help create a general enabling environment for growth, peace and prosperity.
- State-building partnerships and **stabilising fragile states**. As spill-over effects of instability may harm neighbours' security, and we are situated in an area of mainly developing countries, successive governments have pursued 'securing development' efforts. Australia undertook both standard institutional capacity-strengthening and robust, integrated, multi-agency stabilisation missions (civil-military 'cooperative interventions') before 9/11 (UNTAC in Cambodia 1992-93, Bougainville 1997-2003, and Timor-Leste, 1999-2005). But the muscular 2003-07 'more interventionist approach' made explicit that 'we can't afford to have a failed state on our doorstep' (RAMSI in Solomon Islands from 2003, 2003-05 Enhanced Cooperation Program in PNG, Timor-Leste again from 2006, and lesser missions Vanuatu, Tonga, and elsewhere). All involved friction with host governments but achieved a great deal. In modernised form, 50 AFP support local police with no apparent loss of PNG sovereignty.
- Help with **security sector reform** and security aspects of partnerships with fragile states after stability has been restored. As conflicts and interventions wind down, assistance rebalancing unsustainably large or undisciplined security forces may be important to preventing violence and instability re-emerging. Members of ex-combatant groups may also need to be demobilised, disarmed, and reintegrated, in 'post post-conflict' situations following bitter struggles, to prevent them becoming destabilising 'spoilers' of transition back to normalised politics, governance and commerce.

- Civil-military cooperation in the delivery of life-saving assistance following **humanitarian emergencies**. The ADF, AFP and other services often have crucial planning, logistics, transport, communications, medical, and related equipment and skills to offer as 'first-responders' to disasters and to support follow-on national responses by government agencies, NGOs, and others.

Change and continuity in the international aid, development, and security setting

Recent decades have seen much progress in the fight against global poverty, with most of the world's poor now living in middle income countries with prospects of further growth, and the World Bank suggesting the goal of halving the proportion of people who existed in extreme poverty in 1990 has already been met. More than a billion people, however, still live in appalling conditions, while many of those in neighbouring middle-income countries remain extremely poor by Australian standards.

As far as our national security goes, proximity to countries containing severe or even fairly mild poverty matters because of the link between underdevelopment and instability; since those neighbours sit astride our direct approaches; and in view of international expectations we'll take a leadership role helping manage regional security problems. Key Melanesian partners are struggling to meet their Millennium Development Goals (MDGs) despite strong to moderate economic growth. Although some Polynesian and Micronesian neighbours are doing relatively well pursuing health, education and other MDGs, they suffer from greater challenges harnessing benefits of participation in the global economy, due to small scale, isolation from, and disconnectedness with, international markets. Some Southeast Asian countries such as Indonesia and the Philippines also still contain many needy citizens in spite of their progress.

Security implications of these evolving and abiding features of the aid and development environment are further complicated by the growing involvement of new donors in the South Pacific, some of whom were aid recipients themselves until recently. According to Jenny Hayward-Jones, external interest in the region falls into four categories: (1) traditional powers, mainly Australia, NZ, the US, France, the EU, and Japan; (2) ascendant or resurgent states, such as China, India, Russia, and South Korea; (3) vote buyers and marginalised states, including Cuba, Taiwan, the UAE, Iran, North Korea, and Georgia; and (4) investors. Although she warns against a tendency to overstate China's growing influence or view this through a purely geo-strategic lens, she also shows Beijing's assistance has a competitive dimension and doesn't always conform to international standards such as the Cairns Compact guidelines. China needn't seek to project hard power into the region for its increasing local presence and influence to complicate our strategic calculus. Its willingness to sometimes provide seemingly untied aid or even write-off loans, though popular with recipients, could potentially harm good governance and ultimately lead to instability.

In Southeast Asia, counter-terrorism cooperation has achieved much since the 2002 Bali bombings. This now occurs mainly through bi- and multilateral law enforcement mechanisms, such as the Jakarta Centre for Law Enforcement Cooperation (JCLEC), rather than directly under ODA auspices. But broad poverty-alleviation efforts and institutional strengthening conducted under the Law and Justice Support sector of the aid program could also help prevent re-emergence of a conducive environment for radicalisation (at a time the Syrian conflict may be capturing the imagination of Indonesian extremists, for example).

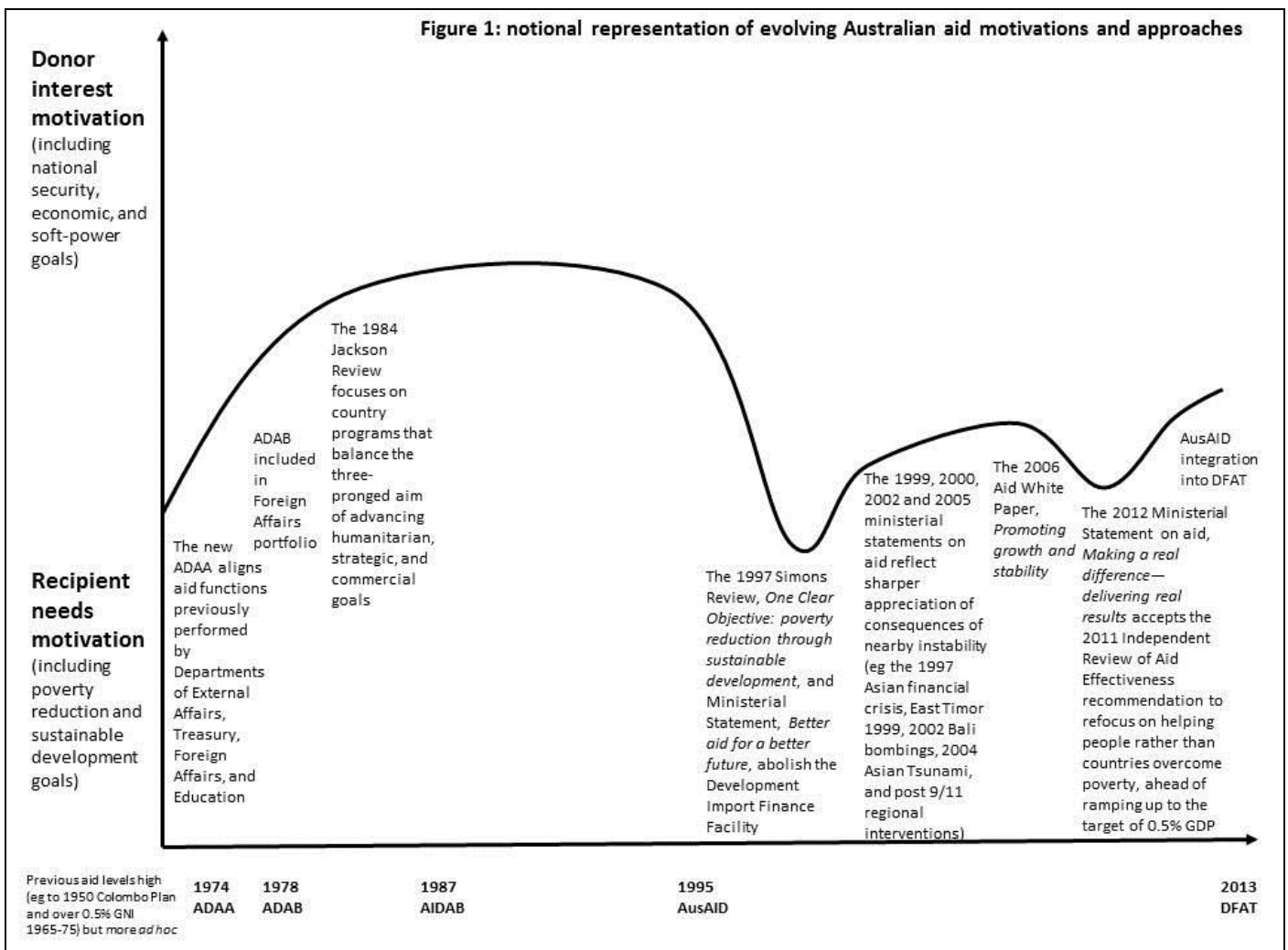
Such factors point to aid's continuing relevance and utility as a policy instrument, despite the increasingly multidimensional nature of international development. Although it's widely recognised that aid now only comprises about 13% of the finance flowing to developing countries—eclipsed by trade, investment, and even remittances—ODA remains uniquely steerable as a policy lever among those flows. And although we're increasingly able to focus poverty reduction on *preventing* want (by facilitating growth or 'teaching a person to fish so they can eat forever') the need to also *alleviate* want seem unlikely to entirely disappear, given the tenacity of pockets of deep deprivation and periodic natural or human-made disasters.

The national interest as a donor objective: 'ambiguous' and 'distorting'?

The relative weight of national security and other national interests, ever-present among the key drivers of why we provide aid, has fluctuated over the years.

In 1984 the aid program was formally charged with balancing the three-pronged objective of advancing our humanitarian, strategic, and commercial goals. The task of assisting Australian firms was removed as an official objective of our ODA in 1997, and aid was 'untied' in 2006 so that businesses from recipient companies (and in some cases other international firms) rather than just Australian and NZ companies could tender for aid contracts. Although various formulations of our aid objectives have consistently emphasised humanitarian poverty-reduction goals as the 'fundamental purpose' of our aid (and Foreign Secretary Varghese assures there's no talk of again using the aid program to directly assist our firms and exports) Satish Chand shows that, statistically, the crucial determinant of who receives our aid and why is physical proximity to Canberra. Poverty levels only appear significant after recipients have been chosen. He also identifies a strong correlation between our aid and recipients' poor rather than good governance.

Even with commercial aims removed as a determinant of our ODA nearly two decades ago, national interests seem to have regained much ground on the basis of such national security concerns:



For policy-makers, working assumptions about the intersection of aid, security, and the national interest draw in part on post-Cold War conceptions of *human security*, whereby freedom from want and freedom from fear are closely connected, and individuals' wellbeing can affect much wider concerns. That idea was taken further after 9/11 in the notion of a 'security-development nexus' which captured a growing consensus that unmet human needs are inextricably linked to the security of states in a rapidly globalising world that still contains large pockets of suffering. According to that formulation, grievances provide a fertile breeding ground for violence that may lock developing countries in a vicious cycle whereby there can be 'no development without security and no security without development'. Moreover, the resulting disorder is liable to spill-over national boundaries and affect developed countries. Generous assistance to less fortunate neighbours thus becomes a matter of 'enlightened self-interest'.

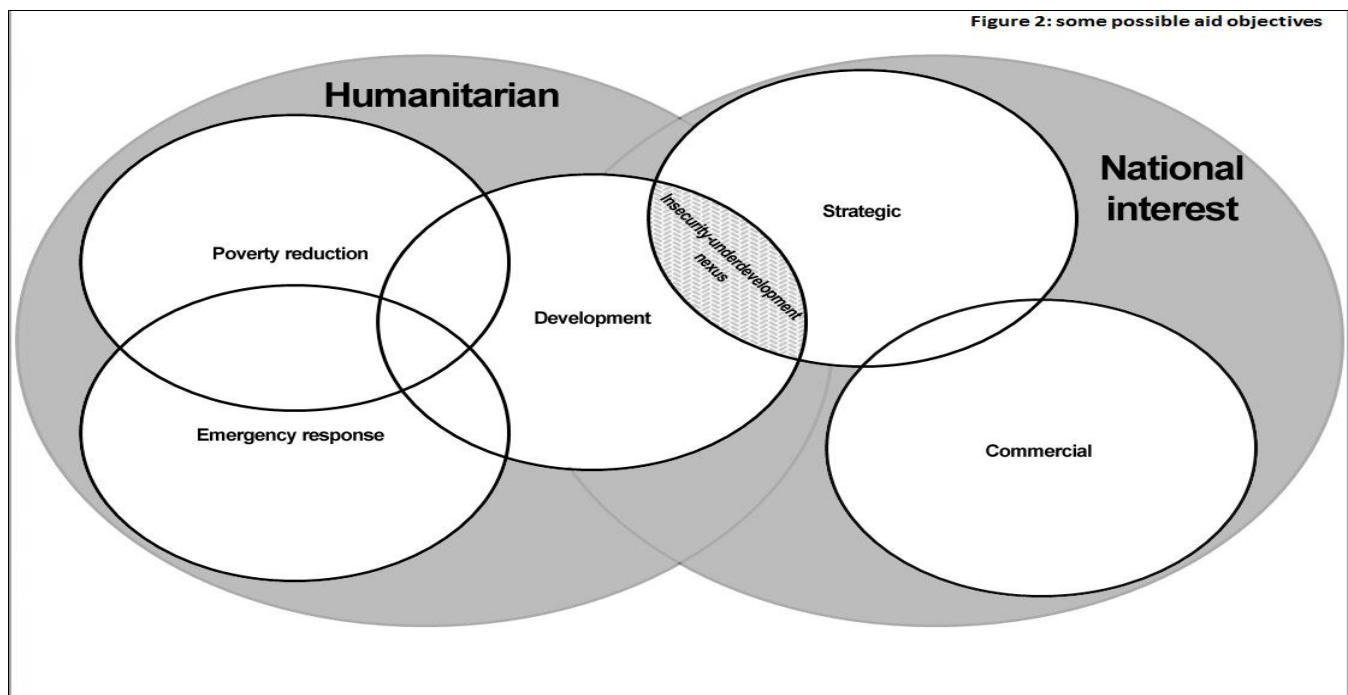
Such ideas have their critics. Some development scholars are sceptical about linking underdevelopment with insecurity as an intuitively handy but hopelessly imprecise and possibly misleading notion. According to Maria Stern and Joakim Ojendal, the very phrase security-development nexus “resonates confusion, lack of conceptual clarity and ideological divisions at best, and rhetorical facades, interest politics and shallow political correctness at worst”, due to the very different, and possibly incompatible, impulses of fairness versus order underpinning development and security goals. Aid practitioners are typically less hostile, recognising the value of stability for delivering human development, but also tend to regard nexus theories as a diversion from the real matter of saving lives, alleviating suffering, and overcoming poverty. The 2013 Australian Aid Stakeholder Survey showed aid insiders feel strategic and commercial interests have more weight than poverty reduction objectives and more influence than they deserve. Thus, a World Vision advocate laments “can't we just focus this tiny part of the budget on the thing it is good at (helping the poor) and leave the diplomatic, military, trade and other self-interests to other areas of government?”

But while it's necessary to focus aid on fighting poverty, in part 'because that's what voters expect' in a world where 18,000 under five year olds die needlessly each day, claims that donor and recipient, welfare and economic development, or security and humanitarian interests can't go together don't really stack up. Nor can ODA expenditure really still be considered just 'a rounding error' compared to the Defence budget. Although individual Australians donate nearly a billion dollars annually to development charities and NGOs for altruistic or philanthropic reasons, taxpayers contribute a five times larger amount as an expression of values that are, by definition, subjective, diverse and, for some, include building regional stability that enhances the security of us all. (To reverse that proposition, while strategists would object to structuring Defence mainly for humanitarian assistance and disaster relief or using defence funds chiefly for poverty-reduction, they would hardly suggest ADF assets shouldn't be used for HADR missions at all.)

Australia can and should do much to help lessen global and regional poverty but isn't about to eliminate it. In this situation, there's no need to choose between improving poor peoples' lives and reducing instability and insecurity. Indeed, the two are linked, and fear of violence is an especially insidious form of poverty.

Australia is already 'doing well by doing good' but we could do much better

The 2011 Independent Review of Aid Effectiveness, which in 2012 informed Australia's most recent comprehensive aid report *Making a real difference—delivering real results*, recommended removing the ambiguity surrounding national interest aims by highlighting people, rather than countries, as the focus of our ODA. Our national interest, the review proposed, could usually be advanced simply by ensuring our poverty reduction efforts chiefly occur nearby. All aid, it suggested, must pass the poverty alleviation test but not all should have to pass the test of promoting some other particular national interest.

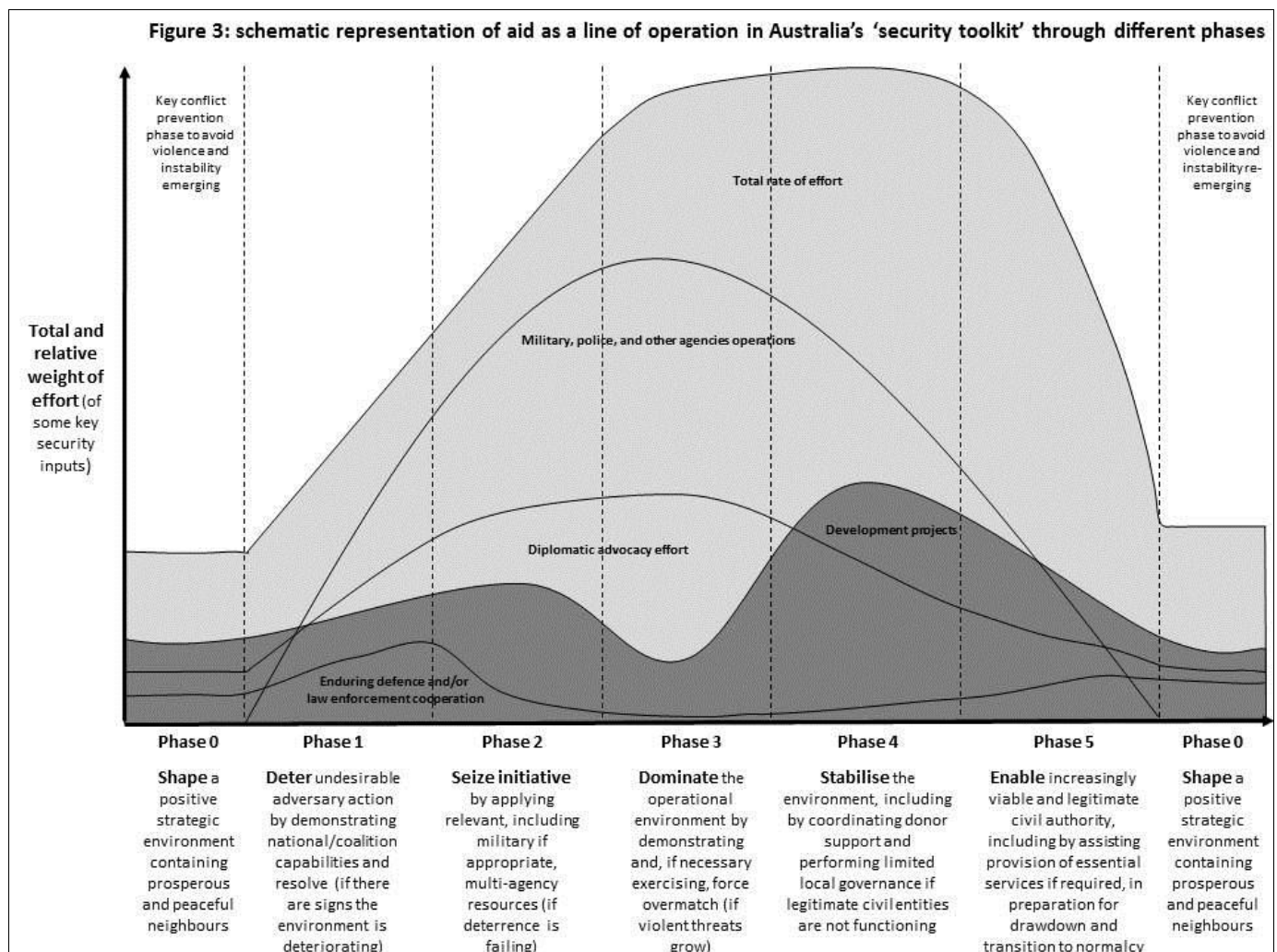


Yet although *any* Australian ODA activity that addresses poverty in the region arguably has some intrinsic benefit for our reputation, influence, or trade and security prospects—that is, ‘advancing our national security interests by doing the right thing’—this hardly seems sufficient to meet Government’s intent to more closely align the aid and diplomatic arms of our international policy agenda. Promoting growth in developing countries should ultimately help expand trade and investment opportunities for Australia as well as reducing poverty, but both are indirect, long-term, and partial processes. In terms of security interests, a recent ASPI report found that although Bougainville’s share of our aid was a bit higher than its proportion of PNG’s population, it was still receiving much less support than it should when measured by its substantial strategic importance to Australia rather than its modest number of poor people. Nor would leaving the disbursement of five billion dollars worth of aid solely to heads of mission necessarily maximise its value, given what Annmaree O’Keeffe describes as the need to insulate the necessarily long, slow and hard investment in development a bit from the often reactive business of diplomacy.

Further potential for aid to contribute to conflict prevention

Although there’s no sign we’ll need to lead another RAMSI-style major civil-military regional intervention any time soon, the need for some such previous missions emerged quickly and without much warning.

And far from signalling the end of any need for sophisticated multi-agency cooperation to help boost regional peace and prosperity, the apparent end of Australia’s ‘intervention era’ for now, as seen in the drawdown of large civil-military missions in Timor-Leste, Solomon Islands and Afghanistan last year, frees resources and expertise and offers other new opportunities to work together *before* costly, risky, interventions are needed. In the language of military planners, the idea is to help to shape the strategic environment while it remains in ‘phase zero’ peacetime conditions. This is intended to make intervening unnecessary in the first place or, if that fails, ensure conditions are poised for a successful campaign to return the situation to phase zero as efficiently and effectively as possible.



As Andrew Smith points out, though, governments such as Australia's generally prefer much looser management of autonomous specialist agencies, including within the national security community, during the peacetime conditions that characterise phase zero, rather than the highly centralised coordination that generally exists after they have committed themselves to an intervention.

The need for a new foreign policy white paper

If the question is not whether but how to further synchronise our poverty-reduction, national security, and other international goals, we must first know precisely what those goals—diplomatic, strategic and economic as well as humanitarian and developmental—are. However, there have only ever been two foreign and trade policy white papers, both under the Howard Government and each titled *The National Interest*, the latest of which is now a decade old. Meanwhile, the 2012 *Asian Century White Paper's* glow about the opportunities to be presented by presumed Asian growth and stability, and the “relatively benign global landscape” identified in the 2013 *National Security Strategy*, have already expired due to increasing competition, more overt tensions, and growing economic and strategic risk in North Asia.

The current focus on aid performance standards and measures seems set to improve tactical-level aid efficiency and effectiveness targets, metrics, and results a bit within silos (see annex). But without an up to date overarching framework to help define, balance, and coordinate more strategic level-goals, there's a risk it will miss an opportunity to set the larger objectives of a clear-eyed road map for delivering government's 'new era in diplomacy', where the greater gains are to be had. And as Benjamin Day warns, given the drama of AusAID's disestablishment and major changes to how the aid program will function, if we don't obey the maxim that 'structure should follow strategy' then structure rather than strategy will be the story.

A new foreign policy white paper is required to comprehensively examine all our foreign policy interests rather than only those in the Asia-Pacific, and to help government consider, articulate, coherently structure, and navigate its overall international agenda.

Recommendations

From a national security perspective, implications of the above analysis, and useful principles to consider in formulating aid aspects of a new foreign policy and trade white paper, include:

1. **Aid volume.** Our standing as a significant and reasonably generous donor, both in absolute terms and as a share of GDP, assists our influence in the region (and our reputation on the broader stage) as well as prospects for regional stability. Approximately matching our ranking to the size of our economy should be preserved as far as possible in line with other national priorities.
2. **Geographical focus.** Although nearly all the 36 states on the World Bank's list of poorest countries lie outside our South Pacific and Southeast Asian neighbourhood, that's where we have our greatest regional responsibilities, most direct interests, and greatest reach to be able to help. In general, we should continue to prioritize our efforts close to home.
3. **Niche contributions further afield.** The significance of nearby countries to our national interests shouldn't, however, entirely define our aid focus. For example, we have a unique capacity to make contributions in areas such as dry-land farming, mining and other aspects of the extractive sector (where State Governments and the private sector can also make key contributions in partnership with the Commonwealth's development work) outside as well as in our near neighbourhood. Even where such efforts are not directly security-related, they can contribute to stability through targeted economic development.
4. **Managing the marine environment.** In the security field, Australia's recognised good-standing in management of the marine environment, fisheries resources, and oceans affairs is one area that could form a central plank of our broader political and economic relations, including where the population of countries outside our immediate region are highly dependent on maritime domains.

5. **Assistance to fragile states.** We have a strong stake in preserving the priority currently afforded to fostering development and mitigating deprivation and violence in fragile states (seven out of ten of our top aid recipients) especially in our immediate region, even as our support in Afghanistan winds down. Given the link between improving poor peoples' lives and preventing instability and insecurity, this is where help can most directly engage our national interests and where we're expected to, and can, make a big difference.
6. **Civil-military capabilities.** Given the importance of fragile states, our regional interests and responsibilities, and potential for major instability to arise quickly and unexpectedly, we should continue to further enhance hard-won expertise and ability to coordinate all aspects of our national power, drawing on our experience of conducting stabilisation missions and interventions.
7. **Potential for a security sector of the aid budget.** In order to reflect the importance of 'securing development', policing assistance, and security sector reform to our international objectives, and to make ODA expenditure by agencies such as the AFP more transparent, Government could consider creating a separate security sector of the aid budget. The Secretary General of the Pacific Islands Forum has warned of the danger collaboration between organised criminals, corrupt law enforcement officials, and politicians poses to "corroding and destabilising countries and national and regional development efforts" (referring to efforts to promote the rule as the "missing Millennium Development Goal" important to achieving all eight other MDGs). Given the potential value of utilising ODA in part to address the socioeconomic drivers of crime, conflict and instability via enhanced interagency and regional cooperation, the security sector of the aid budget could include a dedicated funding stream for conflict prevention.
8. **Use of ODA to advance rule-of-law and security sector reform objectives.** In view of the contribution fostering rule-of-law and stability makes to creating a conducive environment for successful development, it would be useful to re-examine OECD Development Assistance Committee (DAC) guidelines to assess what further security-related activities might qualify for ODA spending. Although the guidelines highlight economic development and welfare as the main objective and exclude supplying military equipment for military purposes, they allow expenditure on military activities to deliver humanitarian aid or perform ODA-eligible development services. This could help, for example, with currently un-funded commitments to deliver a successor to the Pacific Patrol Boat program that does much to protect the economic security of regional states.
9. **Soft power.** While the most potent elements of soft power sway stem from what makes certain countries attractive when they're not trying, deliberate public diplomacy is second-best and remains important. Given the frequent efficiency of aid delivery by multilateral and NGO partners, we need to think carefully about badging and branding, where simple (even simplistic) messages can be powerful. Even greater attention to aligning our efforts with the priorities of recipient countries and creating a sense of partnership, especially where we would make different assessments of relative priorities to the recipients, will continue to pay dividends. We must also maximise the value of our few dedicated soft-power tools, such as the Australia Network.
10. **Opportunities to partner with Chinese aid.** While occasional suggestions the South Pacific offers relatively low risk opportunities to encourage cooperation via joint military exercises with China seem misplaced—there are few signs Beijing wants to use its growing influence to project hard power or carve out an enduring strategic presence so far from its shores and so close to ours, and it would not be in our interest if it did—it's equally essential that we don't try to exclude China from normal and normalising international aid, diplomatic and commercial activities. Indeed, the region would seem to offer opportunities to try to coordinate development assistance efforts in ways that might advance the interests of recipient countries as well as Beijing's and our own.



ANNEX: Submission to the DFAT review of performance benchmarks

Performance benchmarks for Australian aid—security considerations

This submission addresses the review's terms of reference on the level at which the aid program performance should be defined and assessed, and how to link performance to the aid budget, in the area of national security and strategic interests.

AusAID's demise despite, and in some ways precisely because of, its commitment to a large, systematic, performance evaluation effort suggests Government is unlikely to be satisfied by an enhanced version of the existing system, that simply adds some new goals and standards while improving monitoring and evaluation, metrics, and new layers of oversight and regulation. That's probably just as well, as the new emphasis on advancing Australia's national interest among aid's several objectives would likely overwhelm quantitative measures and management. Benchmarked goals and standards are relevant at the country-program, partner, and project levels, but it's at the whole-of-aid program level that they can do most good and cause least unnecessary additional complexity.

Promoting Australian aid effectiveness

Efforts to ensure the efficient and successful delivery of aid accompanied the significant growth of our development assistance begun by Prime Minister Howard and continued under the Rudd and Gillard governments. An Office of Development Effectiveness, Quality Performance and Results Branch, Annual Review of Aid Effectiveness, Results Framework, and other initiatives were established; both to achieve the best possible outcomes using necessarily finite funding and to mitigate reputational risks given the expanding aid budget's vulnerability to any public perception donor funds were being stolen or wasted.

While the track-record was fairly short, most experts suggest the benefits, to project design, of measures such as the introduction of SMART (specific, measurable, achievable, relevant, time-bound) objectives outweighed the extra monitoring and evaluation burden, and that these processes were rapidly maturing.

Such initiatives weren't, however, sufficient to provide the new government confidence aid program was delivering effective and efficient outcomes in the national interest. Having underpinned activities the new government felt were without merit and not spurred others it felt were missing, the results analysis and management effort may indeed have deepened that distrust.

Benchmarking benchmarks: strategic goals and standards are best

As with other most aspects of the aid program, achieving strategic access, influence, warning, and other security and national interest outcomes requires an evaluative culture, commitment to high standards, and a focus on measurable goals. Benchmarked targets can be critical for setting strategic direction and aligning the pursuit of major, sometimes contradictory, aims at higher levels of policy, where national security goals may need to be weighed against national economic aims and trade and humanitarian principles, for example. As ACFID's submission to this review puts it, a comprehensive policy statement is needed to ensure crucial goals can be aligned rather than needing to be traded-off. (In the areas ACFID is most interested in, that means drawing on internationally-agreed standards that benchmark best practice in aid effectiveness, partnerships, and related matters, in order to meet both humanitarian and donor priorities and to ameliorate immediate suffering while also addressing broader conditions of low growth and underdevelopment that give rise to poverty.) But at lower, more tactical levels, over-elaborate or excessively rigid planning and management tools can get lost in what Andrew Natsios calls 'obsessive measurement disorder'—the urge to develop indices to 'measure the immeasurable'.

In fact, sensibly assessing inputs, outputs, impacts, and outcomes can help weigh inherently subjective security and broader national interests—say, whether help repair run-down roads in the isolated electorate of an influential minister over requests for more directly humanitarian projects—as objectively

as possible. But while a focus on strategic level goals can help evaluate such 'fuzzy' interests, relying too much on evaluation tools and minimum standards at lower levels could introduce unnecessarily complex, esoteric, techniques and terminology that, as David Guy warns, could obscure as much as it enlightens or stifle flexibility and responsiveness. Strategic level goals and standards are probably also less subject than those at the tactical level to the principle that those programs that are most precisely and easily measured are the least transformational. Only under long term, strategic, criteria is it likely to be acceptable that development programs are complicated, can take years to implement or show results, and sometimes fail, but solve rather than temporarily ease poverty when they succeed.

The potential value of a new foreign policy white paper

As we have suggested elsewhere, the best way to set and articulate these high level goals and standards, and to coherently balance poverty-reduction, national security, and other international objectives in the aid program, would be to prepare a new foreign policy and trade white paper. It will be difficult to align any goals and standards at a working level if there's any confusion about Australia's highest level international goals. But while the last edition of the white paper is now ten years old, subsequent related policy documents are neither as wide-ranging in scope as all the areas where we provide aid nor entirely current. A detailed look in a new white paper at how our ODA draws on and supports other policy levers, and which established strategic level benchmarks, would be entirely consistent with Government's determination that our aid play a larger role in Australia's 'new era in diplomacy'.

Linking performance to the aid budget

On the question of how the aid program might be structured to ensure that performance against benchmarks has a direct feedback effect on the overall size and allocation of the aid budget, we would agree that in general good results could often usefully be incentivised. However, we'd also caution that where key strategic imperatives are at stake, it could be strongly *against* our national interest to penalise poor performance in some part of a project. This too argues for evaluating the contribution of aid projects against high level strategic benchmarks more than more specific tactical ones.

The previously noted stronger statistical linkage between our aid and recipients' poor governance or corruption, and the only partial adoption of the Independent Review of Aid Effectiveness' recommendation to target our aid toward poor people in regional countries with a demonstrated capacity to effectively maximise benefits of our help rather than certain other nearby ones, doesn't point to a perverse urge to throw good money after bad but rather to our strategic interests in regional stability and other national interests at work. Indeed, this principle means that if a relationship, goal or project is really crucial rather than discretionary, for example if we really 'can't afford to have a failed state on our doorstep', in some circumstances it will be more appropriate to redouble our effort than withdraw support when we are disappointed aid goals and standards aren't being met.

In short, greater attention to 'rewarding' or 'punishing' performance depending whether key goals and standards are being achieved will be very useful, but it's crucial those benchmarks are strategic ones and that they're assessed strategically. Again, a new foreign policy white paper would help with that.