



## SUBMISSION TO STANDING COMMITTEE ON FOREIGN AFFAIRS, DEFENCE AND TRADE

### RE: Inquiry into Australia's overseas aid and development assistance program

13 January 2014

#### Executive Summary

1. Increasing the **effectiveness** of Australia's official development assistance (ODA) will allow Australia to meet its international policy objectives and commitments – as well as provide incredible social benefit – despite the \$4.5Bn reduction in future funding.
2. The work of *Copenhagen Consensus Center* shows that there is wide variance in the effectiveness of the best and worst development interventions. The best interventions do upwards of \$59 worth of social good for every dollar spent (have benefit-cost ratio (BCR) of up to 59), while the worst interventions do less than a dollar of good for each dollar spent.
3. Optimizing the portfolio of Australia's ODA towards high BCR interventions could mitigate, offset or outperform the foregone benefit that would have been generated from the \$4.5Bn increase in ODA.
4. The work of the *Copenhagen Consensus Center* assumes global scope for the application of its best interventions. Some of these are relevant to Australia; however, Australia should undertake a detailed analysis to identify ways to increase its ODA effectiveness in the countries where it is active.

#### Introduction

The amount of funding provided for Australia's ODA is largely a political issue, influenced by competing domestic interests and varying philosophies on the size and role of government. Yet, there is another way to approach ODA, that could garner significant, bipartisan support. This is the focus of the *Copenhagen Consensus Center*, emphasizing **effectiveness** in Australia's ODA portfolio – that is, how much social benefit is generated for each dollar invested. Increasing the effectiveness of ODA can create much more social benefit, despite the reduction in planned spending over the next four years. Depending on the effectiveness of current interventions and the extent of change, this action could mitigate, offset or even outperform the foregone benefit that would have been generated from the \$4.5Bn increase in ODA.

#### The Most Effective Interventions

The *Copenhagen Consensus Center* recommends a suite of interventions that represent very good value for money, with BCRs typically between 10 and 20 (though some are much higher). This is based on the work of more than 60 leading economists, including four Nobel laureates. The table below ranks and describes the best interventions identified by the *Copenhagen Consensus Center*.

Ranking	Challenge / Priority	Expenditure (in USD, p.a.)	Benefit for each dollar spent
1	<b>Fighting Malnutrition</b> Today, more than 100 million children start their lives with inadequate nutrition, impairing their mental abilities and causing physical defects. To provide both short- and long-term benefits, this sum of money would provide micronutrients, complementary foods,	\$ 3 billion	\$59

	treatments for worms and diarrhoeal diseases, and behaviour change programs. This would reduce chronic under-nutrition by 36 per cent in developing countries. It would also improve cognitive functions, increase learning and in adulthood increase incomes 24%.		
2	<b>Malaria medicines</b> These funds would prevent 300,000 child deaths if used to extend the Global Fund's Affordable Medicines Facility-malaria financing mechanism that makes combination therapies cheaper for poor countries. This approach also safeguards the most effective malaria drug for the future.	\$300 million	\$35
3	<b>Expanded childhood immunisation coverage</b> Spending \$1 billion annually to increase immunisation would save one million children.	\$1 billion	\$20
4	<b>De-worming treatments for children</b> This sum could treat 300 million children to rid them of parasitic intestinal worms, which are detrimental to their wellbeing. Free of these parasites, children would be more nourished, more alert, likely to stay in school longer and generate more income as adults.	\$300 million	\$10
5	<b>Expand tuberculosis treatment</b> Spending \$1.5 billion annually on specific tuberculosis treatment would spare one million adults from death.	\$1.5 billion	\$15
6	<b>Increase agricultural output / yield enhancements</b> By increasing investment in agricultural R&D, this solution potentially could yield many benefits to both people and the environment. Not only would it reduce hunger by increasing food production and reducing food prices, but also it would protect more biodiversity by reducing the need for forest land to be converted into agricultural land. Simultaneously, it would help in the fight against climate change, because forests lock up carbon.	\$ 2 billion	\$16
7	<b>Early warning system for natural disasters</b> For less than \$1 billion a year, the establishment of effective early warning systems for natural disasters in developing countries could alleviate the disaster damage and avoid long-term economic damage resulting from catastrophes.	\$1 billion	\$35
8	<b>Strengthening surgical capacity</b> Increasing availability of surgery for complications arising from childbirth, burns and other maladies common in the developing world is a relatively inexpensive way to prevent deaths and disability.	\$3 billion	\$10
9	<b>Hepatitis B vaccine</b> Hepatitis B falls in the category of chronic diseases, which increasingly affect people in the developing world as their lifespan improves. Hepatitis B is the major cause of liver cancer worldwide. For \$122 million, we could achieve global coverage and avoid 150,000 deaths.	\$122 million	\$10
10	<b>Low cost heart attack drugs</b> If these medicines were more widely available in developing countries, up to up to 300,000 heart-attack deaths could be prevented each year.	\$200 million	\$25
11	<b>Salt reduction campaign</b> An education campaign to reduce salt consumption would decrease the rate of heart attacks and stroke.	\$1 billion	\$20
12	<b>Investigate the feasibility of planetary cooling through geo-engineering technologies</b> This would serve to better understand risks, costs, and benefits, but also act as an important potential insurance against global warming.	\$1 billion	A rough estimate is that each dollar spent



			could yield \$1,000 of benefits
13	<b>Conditional cash transfers for school attendance</b> Providing payments to underprivileged parents conditional on their children attending school is a known and proven method of increasing school attendance.	\$1 billion	\$9
14	<b>R&amp;D for HIV/AIDS vaccine</b> The AIDS epidemic threatens every aspect of development for dozens of countries. A vaccine would be the ultimate preventative tool.	\$100 million	\$11
15	<b>Information Campaign on Benefits of Schooling</b> Providing accurate information to parents on the returns of education can increase the years a child spends in school.	\$1.34 billion	\$9
16	<b>Borehole and Public Hand Pumps</b> This is a low-risk, proven intervention that could increase access to water for millions	\$1.89 billion	\$3.4
<b>Total</b>		<b>\$18.75 billion</b> (or \$75 billion over 4 years)	

### Conclusion and Applicability to Australian Context

The solutions presented above are intended for a global context and represent incremental spending from all countries that provide ODA, not just Australia. However, as a leader in the development community, it is likely that Australia could make a valuable contribution towards implementing all or some of these high BCR interventions. The *Copenhagen Consensus Center* recommends that Australia undertake a similar cost-benefit analysis that takes into account the budget constraints of Australia's ODA and the unique characteristics of the countries in which it is active in development, noticeably in the Pacific region. The *Copenhagen Consensus Center* would be delighted to help the Australian government in finding the best priorities for the Pacific Region.

**Dr. Bjorn Lomborg**

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