



Australian Government

Australian Government response to the Senate Foreign
Affairs, Defence and Trade References Committee report:

Australia's overseas aid and development assistance
program

August 2014

Recommendation 1

The committee recommends the Australian Government release an overarching policy framework for Australia's aid program as part of the May 2014 budget process.

Agreed.

The Government's new development policy, *Australian aid: promoting prosperity, reducing poverty, enhancing stability*, was released on 18 June 2014.

Recommendation 2

The committee recommends the Australian Government undertake a white paper process to refine the long term strategic objectives of Australia's aid program and identify measures to achieve these objectives.

Not agreed.

The Government has established the strategic long term objectives for Australia's aid program in a new development policy, *Australian aid: promoting prosperity, reducing poverty, enhancing stability*, which was released on 18 June 2014.

The Government's new performance framework, *Making Performance Count: enhancing the accountability and effectiveness of Australian aid*, was released with the new development policy on 18 June 2014 and provides assurance that the aid program is effective, achieving results and value-for-money. A key principle underlying the framework is that funding at all levels of the aid program will be informed by progress against a rigorous set of targets and performance benchmarks.

Recommendation 3

The committee recommends the Australian Government maintain its commitment to increase the funding by the Consumer Price Index in 2014-15.

Not agreed.

The Government has stabilised the Official Development Assistance (ODA) budget at around \$5 billion (\$5.032 billion in 2014-15), with projected growth from 2016-17 in line with the Consumer Price Index (CPI).

Recommendation 4

The committee recommends that, in future years, the Australian Government ensures that Australia's ODA/GNI ratio does not fall below 0.33.

Not agreed.

As stated prior to the election, the Government will not commit to a prescriptive, time-bound target for ODA as a percentage of GNI. The Government has stabilised the ODA budget at around \$5 billion, with projected growth from 2016-17 in line with the Consumer Price Index (CPI).

Recommendation 5

The committee recommends the Minister for Foreign Affairs and the Shadow Minister for Foreign Affairs develop a bipartisan agreement for the long term funding of Australia's overseas aid and development assistance program to achieve the ODA/GNI target of 0.5 per cent by 2024-25.

Not agreed.

As stated prior to the election, the Government will not commit to a prescriptive, time-bound target for ODA as a percentage of GNI. The Treasury's Submission to the Inquiry examined the problems for budgeting caused by targeting a specific ODA percentage of GNI. The Government is committed to deliver an aid program that is predictable, affordable and effective. Setting an ODA/GNI target to be achieved by a specific date is neither predictable nor necessarily affordable, given significant fluctuations in projected GNI.

Recommendation 6

The committee recommends that the Australian Government promote the interests of developing countries in the Asia Pacific in the post-2015 development agenda discussions.

Agreed.

The geographic focus of Australia's aid program is the Indo-Pacific region. We have many shared interests with the developing countries of that region. We will promote those shared interests in the post-2015 development agenda discussions in accordance with the recently released new development policy, *Australian aid: promoting prosperity, reducing poverty, enhancing stability*.

Recommendation 7

The committee recommends that the Australian Government reverse funding cuts made to Pacific nations in the 2014-15 budget.

Not agreed.

The Government will maintain flexibility in its budget decisions.

The 2014-15 Budget estimate for total ODA for the Pacific is \$1,152.7 million, compared with the estimated outcome for 2013-14 of \$1,062.6 million.

Recommendation 8

The committee recommends that the Australian Government reintroduce and support legislation to enable Australia to become a member of the African Development Bank Group.

Not agreed.

The Government has advised the President of the African Development Bank Group that it will not pursue Australian membership of the African Development Bank and the African Development Fund. This decision was taken in the context of a tight fiscal environment and contributes to savings from the aid budget. The geographic focus of the Australia's aid program is the Indo-Pacific region. However, Australia will continue to help sub-Saharan Africa achieve its development priorities, focusing on support for productive sectors which can contribute to economic growth and poverty reduction.

Recommendations 9 and 10

The committee recommends that the Australian Government renew the Medical Research Strategy and expand funding for the program to \$50 million per annum.

The committee recommends that the Medical Research Strategy should:

- **have a broader remit to include all research relevant to the major health challenges in developing countries, including early and product development and operational/field research; and**
- **continue to have priority focus on product development partnerships.**

Not agreed.

The Government's new development policy, *Australian aid: promoting prosperity, reducing poverty, enhancing stability*, provides strategic direction for medical research in the context of the aid program.

In 2014-15, the Government has committed \$30 million of the aid program to health and medical research. This is the most we have ever invested in this area in a single year.

Recommendation 11

The committee recommends that the Australian Government establish an interdepartmental taskforce, chaired by the Department of Foreign Affairs and Trade, to develop a global health research and development strategy.

Not agreed.

The Government's new development policy, *Australian aid: promoting prosperity, reducing poverty, enhancing stability*, provides strategic direction for medical research in the context of the aid program. The Department will continue to consult with other

interested agencies, both within and outside the public sector, in relation to global health development issues, including research.

Recommendation 12

The committee recommends that the Department of Foreign Affairs and Trade investigate creating a mechanism to track gender issues across the Australian aid program and budget.

Agreed.

Mechanisms are already in place to track gender issues across the Australian aid program. This includes tracking gender equality expenditure and program performance on gender equality. The Government's new performance framework, *Making Performance Count: enhancing the accountability and effectiveness of Australian aid*, was issued on 18 June 2014. The new performance framework contains a target to track the effectiveness of all investments in addressing gender issues.

Recommendation 13

The committee recommends that the Australian Government restore an appropriate level of funding for climate change mitigation and environmental protection programs within the aid budget.

Not agreed.

Programs encompassing climate change mitigation and environmental protection will continue to be part of the delivery of Australia's aid programs.

Recommendation 14

The committee recommends that the Australian Government commit to allocating 10 per cent of the aid budget for emergency and humanitarian response.

Not agreed.

Australia will continue to uphold its global responsibilities, including by maintaining a strong humanitarian program. Of the total development assistance budget, \$338.6 million will be allocated for humanitarian, emergencies and refugee expenditure in 2014-15, an increase of almost 30% from 2013-14, with further funding allocated to assist communities to reduce disaster risk. This includes an increase of the Emergency Fund by 30%, from \$90 million to \$120 million, to enable Australia to respond swiftly and effectively to global emergencies and emerging priorities.

Recommendation 15

The committee recommends that the Australian Government re-establish the AusAID NGO Cooperation Program Innovation Fund.

Noted.

The Government will spend \$140 million over the next four years on an innovation fund.

Australia will become a founding partner in the Global Development Innovation Ventures program, an international program supported by the US and the UK aid agencies, to identify, test and scale up successful new approaches to development.

DFAT will establish an Innovation Hub to use partnerships, personnel exchanges and secondments to promote creative, innovative and new solutions to development challenges.

Recommendation 16

The committee recommends that the Australian Government join the Global Development Innovation Venture.

Agreed.

The Minister for Foreign Affairs announced on 18 June 2014 that Australia intends to become a founding partner in the Global Development Innovation Ventures program.

Recommendation 17

The committee recommends that the Australian National Audit Office consider the procurement of aid-related technical services by the Department of Foreign Affairs and Trade.

Noted.

The Auditor-General is an independent officer of the Parliament. In determining the forward Audit Work Program for the Australian National Audit Office, the Auditor-General makes an independent assessment of his audit priorities, taking into account the priorities of the Parliament, and available resources.

Recommendation 18

The committee recommends that the Australian National Audit Office undertake a review of the Department of the Foreign Affairs and Trade to ensure it has retained and maintained the key skills, processes and specialist staff necessary to effectively administer Australia's aid program.

Noted.

The Auditor-General is an independent officer of the Parliament. In determining the forward Audit Work Program for the Australian National Audit Office, the Auditor-General makes an independent assessment of his audit priorities, taking into account the priorities of the Parliament, and available resources.

Recommendation 19

The committee recommends the Australian Government consider changing the title of the Department of Foreign Affairs and Trade to reflect the importance of its overseas aid and development assistance responsibilities.

Noted.

Recommendation 20

The committee recommends that the Department of Foreign Affairs and Trade recommit to the Transparency Charter and continue to increase the amount of publicly available information regarding Australia's aid program.

Noted.

The Government is committed to high standards of transparency and accountability in the management of the Australian aid program. The Government's new development policy, *Australian aid: promoting prosperity, reducing poverty, enhancing stability*, outlines this commitment and replaces the previous Transparency Charter.

Recommendation 21

The committee recommends that the Australian Government develop aid benchmarks which can be applied consistently to all agencies which provide official development assistance.

Agreed.

The Government's new performance framework for the Australian aid program, *Making Performance Count: enhancing the accountability and effectiveness of Australian aid*, provides additional assurance that the aid program is effective, achieving results and value-for-money. The new performance framework operates across all levels of the aid program. The performance of Australian aid delivered by Australian Government departments with significant official development assistance expenditure will be assessed and reported on annually.

Recommendation 22

The committee recommends the Australian Government continue to consult closely with aid sector stakeholders in the development and implementation of aid benchmarks.

Agreed.

Stakeholders were consulted in the development of the new performance framework for the Australian aid program, *Making Performance Count: enhancing the accountability and effectiveness of Australian aid*, issued on 18 June 2014. This included more than 40 consultations with over 70 stakeholders and experts in Australia and overseas, and 48

written submissions. The Government will continue to consult with stakeholders on the implementation of the new performance framework.

Recommendation 23

The committee recommends the Department of Foreign Affairs and Trade expedite the provision of detailed information to stakeholders regarding which programs and areas will be impacted by the aid budget funding changes announced on 18 January 2014.

Agreed.

Information on the implementation of the revised budget for 2013-14 is available on the Department of Foreign Affairs and Trade (DFAT) website.

Recommendation 24

The committee recommends that the Australian Government should refrain from mid-year changes to aid funding allocations in the future unless they increase available funding.

Not agreed.

We are committed to administering a responsible, affordable and sustainable aid program and recognise that certainty of aid funding is important to aid effectiveness.

Dissenting report by Coalition Senators

Recommendation 1

The Coalition Government deliver aid against its stated priority objectives, including to promote Australia's national interests through contributing to economic growth and poverty reduction.

Agreed.

The Government's new development policy, *Australian aid: promoting prosperity, reducing poverty, enhancing stability*, was released on 18 June 2014. The purpose of the aid program is to promote Australia's national interests by contributing to international economic growth and poverty reduction.

Recommendation 2

The Coalition Government implements Recommendation 39 of the Independent Review of Aid Effectiveness by implementing rigorous benchmarks.

Agreed.

The Government's new performance framework, *Making Performance Count: enhancing the accountability and effectiveness of Australian aid*, released on 18 June 2014, in effect implements Recommendation 39 of the Independent Review of Aid Effectiveness, by putting in place a rigorous set of targets and performance benchmarks at all levels of the Australian aid program.

Recommendation 3

The Government further strengthen the aid program's fraud management controls and systems.

Agreed.

The Government has committed to ensuring that the aid program is effective, achieving results and value-for-money, including through robust internal and external evaluation, audit, risk management and fraud prevention systems. Under the Government's new performance framework, *Making Performance Count: enhancing the accountability and effectiveness of Australian aid*, released on 18 June 2014, major country and regional programs will be required to develop and implement new fraud and anti-corruption strategies.

Dissenting report by the Australian Greens

Recommendation 1

Tied aid programs should not be considered as Official Development Assistance. Overseas development should contribute to poverty alleviation and should not be used as corporate welfare for Australian companies.

Noted.

Australia's aid program was untied in 2006. The Government's objective for the aid program is to promote Australia's national interests through contributing to economic growth and poverty reduction. The promotion of economic growth is not a corporate welfare mechanism.

Recommendation 2

Aid should not be linked to Australia's punitive refugee policy either through spending in Australia or overseas, and aid should not be used as a means of leverage deals with neighbouring countries.

Noted.

Australia does not have a punitive refugee policy. Australia is one of the top three resettlement countries in the world. Resettlement is offered to people found to be refugees through its Humanitarian Programme. Australia also actively contributes to international refugee protection, by working with UNHCR and the international community to ensure comprehensive, integrated responses to refugee situations.

Assistance to refugees in developing countries is reportable as ODA, as is expenditure for the sustenance of refugees in donor countries during the first twelve months of their stay. Australia's bilateral development programs are agreed in consultation with developing country partners.

Recommendation 3

The Government should maintain its commitment to the MDGs by ensuring all aid policy meets MDG guidelines.

Noted.

Australia remains committed to the Millennium Development Goals.

Recommendation 4

The Government should end programs and policies that do not meet the objectives of the MDGs such as the Mining for Development Initiative.

Not agreed.

The Government has established the strategic objectives for Australia's aid program in a new development policy, *Australian aid: promoting prosperity, reducing poverty, enhancing stability*, which was released on 18 June 2014.

Recommendation 5

Environmental aid, including climate change adaptation funds should be added to the aid program as priority areas.

Not agreed.

The priority areas for the Australian aid program are set out in the Government's new development policy, *Australian aid: promoting prosperity, reducing poverty, enhancing stability*, which was released on 18 June 2014.

Recommendation 6

The Government should reassess the aid for trade policy and cease the use of aid as a bargaining chip to further these negotiations.

Not agreed.

The Government's new development policy, *Australian aid: promoting prosperity, reducing poverty, enhancing stability*, released on 18 June 2014, provides strategic direction for Australia's approach to aid for trade.

Australia provides aid for trade to help developing countries increase their economic growth. Aid for trade addresses developing countries' internal constraints to trade, such as cumbersome regulations, poor infrastructure and lack of workforce skills.

Recommendation 7

A significantly increased level of scrutiny and accountability needs to be applied to where the Government partners with the private sector.

Not agreed.

All partners involved in the delivery of Australia's aid program, including the private sector, are held accountable for their performance. The Australian Government will work with the most effective and innovative delivery partners to achieve its international objectives with a particular focus on value-for-money and achieving results against each

investment. As part of the aid program's new performance framework, *Making Performance Count: enhancing the accountability and effectiveness of Australian aid*, released on 18 June 2014, the systems used to assess the performance of the aid program's key delivery partners will be strengthened to better link performance and funding.

Recommendation 8

The Government to more regularly release information about the aid program and increase the transparency about decision making processes.

Noted.

The Government is committed to high standards of transparency and accountability in the management of the Australian aid program. The Government's new development policy, *Australian aid: promoting prosperity, reducing poverty, enhancing stability*, outlines this commitment.