



Data visualisation created using  
ISF's research mapped to the  
Sustainable Development Goals.

Institute for  
Sustainable Futures

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# Parliamentary inquiry into the strategic effectiveness and outcomes of Australia's aid program in the Indo-Pacific and its role in supporting Australia's regional interests

June 2018

# International Development Research

## Summary of the submission recommendations

**Recommendation 1:** Our key recommendations to achieve greater effectiveness in the Australian aid program goals and priorities are to:

- Review the aid policy in light of the SDGs and promote greater alignment and attention to gaps, including strengthened focus on goals representing critical basic services (education, water and sanitation and health) and critical issues (climate change and urbanisation).
- Retain a focus on infrastructure development where it is focused on the needs of the poor and marginalised and consider metrics to ensure trade and competitiveness investments deliver returns in reducing inequalities in partner countries.
- Increase investment in water (basic services and resource management) to match OECD counterparts at 3.9%, and orient agriculture investments to high-nutrition crops and small-holder farmer innovations, drawing on ACIAR and other research evidence.
- Ensure investments in governance focus both on engagement with partner governments as well as civil society and knowledge sector organisations.
- Reverse cuts to education and health as critical pillars of human development and balance a focus on health security with a focus on health systems. Address climate change across all development programs, and adopt a holistic approach (including infrastructure, governance and institutions) in climate change programming.
- Continue to invest in and support gender equality and women's empowerment as a strategic priority and cross-cutting issue for all aid investments, increasing resourcing and gender expertise to ensure this focus is realised throughout design, implementation and evaluation.

**Recommendation 2:** Provide secure long-term investments (5-10 years) rather than shorter cycle investments, to provide time for trustful relations to be developed. Ensure that the aid program provides opportunity for diverse Australian actors, including Australian universities, to play roles in facilitating mutually beneficial engagement in our region.

**Recommendation 3:** Create incentives and program requirements that serve to strengthen the partnership skills of development organisations, including universities, towards building local capacities in partner countries.

**Recommendation 4:** The aid program should continue to prioritise gender equality, women's empowerment and support efforts for women to participate in entrepreneurship and the private sector, however with a strong focus on decent work conditions and with mandatory rigorous monitoring, evaluation and operational research to ensure 'do no harm' principles are upheld, typical barriers for female entrepreneurs are addressed and that the flow-on effects for women and for gender equality are positive.

**Recommendation 5:** Continued support is warranted to the Australian Centre of International Agricultural Research (ACIAR), combined with continued interrogation of effectiveness, impact and institutional transparency to enable ongoing improvements to capacity, knowledge, and agricultural productivity in partner countries. Greater connection and exchange between ACIAR's scientific knowledge and DFAT's agriculture, food security, and fisheries programming would be beneficial. ACIAR's history and experience in managing complex development research should be documented to support other sectors in the aid program taking research for development approaches.

## About ISF-UTS

The Institute for Sustainable Futures-University of Technology Sydney (ISF-UTS) is a university-based research institute that creates change towards sustainable futures through independent project-based research for Australian and international clients.

The Institute is recognised nationally and internationally for its research leadership in aid effectiveness and international development to address the global challenges of sustainable and equitable development. Through research, innovation and partnership we work with government, donors, non-governmental organisations and the private sector to facilitate change. Our services include research and analysis; process design and facilitation; policy and technical advice; monitoring and evaluation; training and organisational development.

We contribute to development practice, policy and theory across five key areas in Asia and the Pacific:

- Development effectiveness
- Water, sanitation and hygiene (WASH)
- Climate change adaptation and resilience
- Urban planning and city development
- Energy policy and planning
- Food systems

## Response to selected terms of reference

This submission responds to key aspects of the parliamentary inquiry Terms of Reference.

### Australia's aid program in terms of strategic and development goals

Australia's aid program in the Indo-Pacific region is an important mechanism to support foreign policy that benefits Australia directly and regionally in terms of promoting stability, economic growth, and innovation. For this reason, recent cuts to Australia's overseas aid budget serve to undermine Australia's economic, security or geopolitical interests. In cumulative terms, since 2013, 30% of Australia's aid budget has been cut and is projected to decline to a historic low of 0.22% of Gross National Income (GNI) in 2016/17.<sup>1</sup> These cuts put the achievement of the strategic and development goals of Australia's foreign aid program at risk. They also limit the innovation, creativity and mutual exchange the aid program supports between Australia and people in our neighbouring regions.

Our university is a signatory to the Sustainable Development Goals (SDGs), and we believe that the aid program makes a significant contribution towards achieving these goals in countries in our region, but that this contribution could be further enhanced. The aid policy framework could be usefully revised to ensure that goals representing critical basic services (education, water and sanitation and health) and critical issues (climate change and urbanisation) are given greater prominence, and that interlinkages between the goals are explicitly considered and used to inform programming.

Australia's current aid policy strategic priorities are reviewed below in terms of the effectiveness of current strategies and programming.

#### ***Infrastructure, trade facilitation and international competitiveness***

ISF-UTS supports prioritisation of infrastructure development, where it is focused on meeting gaps in basic services for people living in poverty, such as basic water and sanitation infrastructure in informal and low-income urban settlements, and roads in remote rural settings. The Indonesia program provides positive examples of such investments through the previous Indonesia Infrastructure Facility (current Kemitraan Indonesia Australia untuk Infrastruktur - KIAT) which has programs focused in both these areas. ISF-UTS' recent independent evaluation of this work<sup>2</sup> demonstrated valuable contributions made by the Australian aid program (both in increasing access to basic services as well as demonstrating innovative output-based financing mechanisms), and also pointed to areas where improvements could be made, including addressing socialisation and community engagement in relation to infrastructure development, particularly with respect to the inclusion of women and other marginalised groups towards greater empowerment and participation.

Investments in trade should be tested against their contribution to reducing inequalities within partner countries, since many countries in the region are at risk of increasing rather than reducing inequalities. Efforts to increase connectivity can be valuable but can also bring risks (for instance female trafficking) and therefore investments should be strongly scrutinised before implementation. The same principle holds for engagement with private sector, in that benefits to the poor should be clearly identified, risks and where they cannot be confirmed, alternative investments selected.

#### ***Agriculture, fisheries and water***

The agriculture, fisheries and water sectors provide important pathways out of poverty, improved livelihoods, access to basic services in the form of water, sanitation and hygiene (WASH) and in terms of improved water resource management (WRM).

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<sup>1</sup> OECD Development Cooperation Peer Review of Australia 2018

<sup>2</sup> See <http://dfat.gov.au/about-us/publications/Pages/independent-review-of-water-and-sanitation-hibah.aspx>

The aid programs focus on agriculture could usefully be guided to focus more strongly on high nutrition crops (providing synergies in terms of health and food security), promotion of equitable markets in which women have roles and voice, addressing environmental change and support to smallholder-led innovations to meet capacity building, gender and knowledge advancements. Greater use of ACIAR's research findings within the aid program's agriculture investments would also enhance effectiveness.

Given the importance of water as a basic service, and the potential for water scarcity to lead to conflict, investments in water (WASH and WRM) need greater prioritisation for investment. As Bob McMullan and Robin Davies have described in their analysis of WASH investments in the context of the Australian Aid budget, a *'serious and long-term financial commitment to water and sanitation as a core, binding investment priority for Australian aid is still needed'*.<sup>3</sup> Australia sits below its OECD counterparts with just 3.4% of bilateral aid allocated to water and sanitation, in comparison to an average of 3.9% for all OECD donors.

There is also a need for a coordinated and strategic approach to delivering on SDG6 and its inter-relations with other goals. This is particularly true as regards SDG5 on gender equality, since women have critical roles in relation to water, but often lack voice and decision-making power. Australia has potential to position itself as a global leader in this area, building on the recommendations made by the UN High-Level Panel for Water, which drew on ISF-UTS' research identifying the critical connections between empowering women and girls and driving gender equality (SDG 5) and ensuring the availability and sustainable management of water, sanitation and hygiene (WASH) and water resources management (SDG 6).<sup>4</sup>

Human development and private sector development gains can also be achieved through an increased focus on WRM. Australia is globally recognised for its WRM expertise and is able to outsource these skills, not only for development gains but economic and human resources gains at home as well. Investing in the international development water sector allows for Australian water sector experts to gain experience, skills and capacity, which is beneficial to the region but also promotes creativity and innovation at home due to learning gained overseas.

### ***Effective governance: policies, institutions and functioning economies***

Systemic challenges related to effective governance are critical for achieving and sustaining aid program outcomes in partner countries, and ISF-UTS strongly support investment in this domain. Efforts to support effective governance need to be balanced with a focus on both supply (governments) and demand (citizens). Civil society organisations have a key role in ensuring effective governance, and hence investment both through Australian non-governmental organisations as well as mechanisms to support civil society organisations in partner countries is needed.

Greater emphasis on, investment in, and involvement of knowledge sector organisations towards building an evidence base for informed pro-poor policy development in partner countries would be a beneficial area for further investment to improve governance and functioning economies. Building from experiences in the Indonesia Knowledge Sector Program<sup>5</sup> could usefully support this area.

Lastly, the Australian aid program should more strongly recognise decentralised structures and include focus on governance support to sub-national governments who are primarily responsible for delivery of basic services, rather than a typical dominant focus on national ministries. More information on this can be found in the Office of Development Effectiveness (ODE) evaluation led by ISF-UTS on working in decentralised service systems<sup>6</sup>.

<sup>3</sup> <http://www.devpolicy.org/water-sanitation-australias-aid-program-building-back-better-20170215/>

<sup>4</sup> Grant M Huggett C Willetts J (2016) Gender and SDG 6 the Critical Connection A Framing Paper for the High-Level Panel on Water Australian Water Partnership <http://waterpartnership.org.au/>

<sup>5</sup> See <http://dfat.gov.au/about-us/publications/Pages/australia-indonesia-for-pro-poor-policy-the-knowledge-sector-initiative-documents.aspx>

<sup>6</sup> Office of Development Effectiveness Working in decentralised service systems challenges and choices for the Australian aid programs, Department of Foreign Affairs and Trade Canberra 2014

### ***Education and health***

Both education and health have suffered significant cuts with the reduction in the aid program, and yet they represent critical investments to support human development, and without attention to these areas, broader development outcomes will be undermined. The recent shift to a focus on 'health security' has its place in protecting Australia's health as well as relevant countries in the region, however without greater concurrent investment in health systems in partner countries, it is unlikely that specific efforts to target specific diseases will be successful. For example, as reported in the ODE's evaluation of DFAT's investment in infectious disease programming, Australia's regional investments in health security are being undermined by inadequate water, sanitation and hygiene in health care facilities<sup>7</sup>. And yet the aid program is not addressing these basic issues. Equally, in the past maternal and neonatal health was a key aid priority, however this focus has been reduced despite the overarching policy prioritisation of women and girls.

### ***Building resilience: humanitarian assistance, disaster risk reduction and social protection***

It is in both global, regional and Australia's direct interests to support our region to address climate change. The Indo-Pacific region is prone not only to extreme weather events, but also to slow onset weather events including drought and sea level rise, along with storm surges.

Based on this, there is a need to strengthen local capacity for humanitarian response, drawing on national coordination structures and resources. A focus on localisation and participation of traditional leaders means that response and recovery will be better and in line with local development priorities.<sup>8</sup>

Equally, addressing climate change goes beyond humanitarian responses, and it should be a key component of all development programming. Climate change responses should incorporate all relevant aspects of infrastructure, governance, institutions and society, including attention to gender and inclusion. Australia is well-placed to support and needs to expand its investment in this area, at the same time as addressing obligations under international conventions and commitments to reduce global warming.

### ***Gender equality and empowering women and girls***

Gender equality and empowering women and girls remains a crucial building block of development and should remain a focus of Australia's aid policy. ISF-UTS are in support of DFAT's Gender equality and women's empowerment strategy. Women and girls are often the most marginalised and vulnerable and we need to ensure their human rights are fulfilled. A focus on women and girls' empowerment as part of any initiative means that development will be more effective and benefits longer lasting<sup>9</sup>. Therefore, ISF-UTS considers that there is a need to ensure gender equality is targeted and mainstreamed into all DFAT investments. Such mainstreaming requires that sufficient resources be allocated, and relevant gender expertise brought into design and implementation teams.

**Recommendation 1:** Our key recommendations to achieve greater effectiveness in the Australian aid program goals and priorities are to:

- Review the aid policy in light of the SDGs and promote greater alignment and attention to gaps, including strengthened focus on goals representing critical basic services (education, water and sanitation and health) and critical issues (climate change and urbanisation)
- Retain a focus on infrastructure development where it is focused on the needs of the poor and marginalised and consider metrics to ensure trade and competitiveness investments deliver returns in reducing inequalities in partner countries.

<sup>7</sup> Office of Development Effectiveness *Evaluating a decade of Australia's efforts to combat pandemics and emerging infectious diseases in Asia and the Pacific 2006–2015: are health systems stronger?* Department of Foreign Affairs and Trade Canberra 2017

<sup>8</sup> See [https://www.nccarf.edu.au/sites/default/files/attached\\_files\\_publications/Gero\\_2013\\_Disaster\\_response\\_climate\\_change\\_Pacific.pdf](https://www.nccarf.edu.au/sites/default/files/attached_files_publications/Gero_2013_Disaster_response_climate_change_Pacific.pdf) and see <https://opus.lib.uts.edu.au/handle/10453/40980> for information on child-centred approaches to climate change

<sup>9</sup> Commonwealth of Australia DFAT Australian aid promoting prosperity reducing poverty enhancing stability June 2014



- Increase investment in water (basic services and resource management) to match OECD counterparts at 3.9%, and orient agriculture investments to high-nutrition crops and small-holder farmer innovations, drawing on ACIAR and other research evidence.
- Ensure investments in governance focus both on engagement with partner governments as well as civil society and knowledge sector organisations.
- Reverse cuts to education and health as critical pillars of human development and balance a focus on health security with a focus on health systems. Address climate change across all development programs, and adopt a holistic approach (including infrastructure, governance and institutions) in climate change programming.
- Continue to invest in and support gender equality and women's empowerment as a strategic priority and cross-cutting issue for all aid investments, increasing resourcing and gender expertise to ensure this focus is realised throughout design, implementation and evaluation.

## **The role Australia's aid program plays in building influence as a trusted development partner**

Australia's aid program works with national governments across many of the countries in our neighbouring region. The relationships generated through these engagements are valuable for public diplomacy and mutual engagement benefit. In countries such as Indonesia, where national government is tasked with an enormous challenge in meeting the needs of a large and growing population, national government partners draw on the expertise and commitment of Australian government counterparts, Australian aid implementation agencies and Australian knowledge sector organisations, to help. For example, ISF-UTS has partnered a number of times with Bappenas, the National Planning Agency, in applied research projects conducted in partnership.<sup>10</sup> This work has built mutual trust, informed policy and program development.

The aid program also facilitates a wide range of other interactions that build influence and trust in Australia across different parts of societies in the countries in our region. Besides interactions with partner national governments, multiple other types of relationships are also generated. For instance, ISF-UTS has partnered with Vietnam National University, Universitas Gadjah Mada and National University of Timor-Leste in multiple change-creating applied research projects in which Australian and partner country researchers have engaged for mutual benefit and learning. Equally, we have worked closely with a large range of international non-governmental organisations (Plan International, WaterAid, East Meets West Foundation and SNV Development organisation) with counterpart organisations and offices across the region (Indonesia, Nepal, Laos, Cambodia, Vietnam Timor-Leste etc.) with whom we have engaged closely on mutual endeavour.

To be a trusted partner, longer term engagement is critical. Sudden changes to the aid budget serve to undermine commitments and reduce trust. Long-term engagement relies on sufficiently long funding cycles to permit development of positive relationships and ways of working. Hence programs of 5 to 10 years are highly preferable to shorter cycles of 2-3 years. In support of Australia's regional interest, investing in 'human development' through knowledge and capacity development can promote regional economic, social and political stability.

**Recommendation 2:** Provide secure long-term investments (5-10 years) rather than shorter cycle investments, to provide time for trustful relations to be developed. Ensure that the aid program provides opportunity for diverse Australian actors, including Australian universities, to play roles in facilitating mutually beneficial engagement in our region.

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<sup>10</sup> See Australian-funded research conducted in partnership with Bappenas <http://communitysanitationgovernance.info/>

## **Australia's aid program in fostering confidence, stability, sustainability, capacity, community-determined goals and best outcomes, particularly by utilising local procurement and smaller/local entities**

Building local capacity, strengthening existing resources and organisations is important. Development researchers at Australian universities and broader development organisations have a long history of partnering and working in ways that support local organisations in their development. Partnering effectively is a significant skill-set that should not be overlooked. Recent guidance produced by the Research for Development Impact Network (RDI Network), authored by ISF-UTS<sup>11</sup>, contributes to improving such practice across the sector. A key tenet as regards partnership is the need to work within local systems, not to create parallel, separate structures. This aligns with the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action, both of which Australia has endorsed.<sup>12</sup>

ISF-UTS' work directly fosters sustainability, capacity and community-determined goals. This is particularly true of our applied research partnerships with Australian and international non-governmental organisations. We work in close partnerships to improve the quality and effectiveness of the work they do, as well as the contributions we make through the Australian Council for International Development (ACFID) and the RDI Network. Greater investment is needed in applied research partnerships to foster these objectives of sustainability, capacity and community-determined goals, as well as inform broader development programming and effectiveness.

Using local procurement and smaller/local entities is indeed important for some development outcomes and can be achieved through collaboration and partnership with local and international NGOs- which may be needed to ensure quality and accountability. However, when working to influence partner governments etc. there are particular levels of expertise required, and this may require international or Australian expertise to act as intermediaries.

**Recommendation 3:** Create incentives and program requirements that serve to strengthen the partnership skills of development organisations, including universities, towards building local capacities in partner countries.

## **Increasing the participation and engagement of women in private sector development opportunities**

Involving women in private sector development is an obvious and important opportunity for the aid program. However, it should also be approached with caution, avoiding assumptions that women will automatically benefit. The importance of meeting the characteristics of decent work, (including work that is productive and delivers a fair income, provides security and social protection, better prospects for personal development and social integration, as well as freedom for people to express their concerns<sup>13</sup>) and ensuring that economic empowerment does not also result in backlash or violence against women is critical, otherwise 'do no harm' may be contravened.

In addition, ISF-UTS' recent research demonstrates a range of barriers that must be addressed to support women to beneficially engage in private sector roles. Our literature review across Cambodia, Indonesia and Laos shows the key barriers experienced by female entrepreneurs include regulatory barriers, limited access to finance, limited access to business development services, socio-cultural and religious norms which limit women's educational and economic independence, limited access to networks and networking which support business development, lack of education and training and

<sup>11</sup> Winterford K (2017) *How to Partner for Development Research* Research For Development Impact Network Canberra Australia

<sup>12</sup> <http://www.oecd.org/dac/effectiveness/34428351.pdf>

<sup>13</sup> LO 2018 *Decent work* viewed 12 June 2018 <<http://www.ilo.org/global/topics/decent-work/lang-en/index.htm>>



informal fees and taxes.<sup>14</sup> Aid programs seeking to involve and benefit women need to develop strategies that address these issues. Potential strategies that should be considered include supporting women's social networks in relation to entrepreneurship work, socialisation processes with husbands and family towards engendering a supportive environment for women to engage, technical training and education programs that are gender sensitive and account for child care duties, financial barriers and limited mobility issues, as well as provision of financial support in the form of low-interest loans and financial management training.

**Recommendation 4:** The aid program should continue to support efforts for women to participate in entrepreneurship and the private sector, however with a strong focus on decent work conditions and with mandatory rigorous monitoring, evaluation and operational research to ensure 'do no harm' principles are upheld, typical barriers for female entrepreneurs are addressed and that the flow-on effects for women and for gender equality are positive.

### **The Australian Centre for International Agricultural Research (ACIAR) in delivering development outcomes, particularly with regard to the linkages between food security, biosecurity and national security issues**

ISF-UTS confirms that ACIAR is a respected international partner and knowledge broker. As a Statutory Agency, they address needs in a collaborative way between developing countries and Australian expertise.

There are documented impact assessment examples of ACIAR's work, focusing on return on investments, capacity, and knowledge. We propose that the independence and scope of impact assessment is sustained and expanded to inform improved effectiveness and impact. Assessing ACIAR's impact on development outcomes should also be informed by nutritional and gender equality expertise. For broader ACIAR research projects, it is also important that the mechanisms to select and fund initiatives and partnerships through ACIAR are strategic, open and transparent. ACIAR's transparent reporting of funded projects through its website is an important element of communicating how ACIAR's funds deliver research outputs.

ACIAR's 10-year vision articulates an ambitious strategy – it will be important for the relevant research funds to be geared towards supporting researchers with transdisciplinary research skills required for integrating disciplinary expertise in complex development contexts, rather than narrower disciplinary focused research. It would be beneficial for ACIAR to consider the Planetary Health framework as a means to ensure linkages to advance human wellbeing in light of environmental change. Finally, given considerable experience over 35 years in conducting development research, partnership between the Research for Development Impact Network and ACIAR could beneficially document and transfer that experience to development research practice in other sectors.

**Recommendation 5:** Continued support is warranted to the Australian Centre of International Agricultural Research (ACIAR), combined with continued interrogation of effectiveness, impact and institutional transparency to enable ongoing improvements to capacity, knowledge, and agricultural productivity in partner countries. Greater connection and exchange between ACIAR's scientific knowledge and DFATs agriculture, food security, and fisheries programming would be beneficial. ACIAR's history and experience in managing complex development research should be documented to support other sectors in the aid program taking research for development approaches.

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<sup>14</sup> Enterprises: Learning from female entrepreneurship in Cambodia, Indonesia and Lao PDR', Enterprise in WASH - Working Paper 6, Institute for Sustainable Futures, University of Technology Sydney