Senate Foreign Affairs, Defence and Trade Committee – Inquiry into Australia’s overseas aid and development assistance program

February 2014
1. Background

1.1 ACFID has developed this submission in response to the Terms of Reference for the Senate’s Foreign Affairs, Defence and Trade Committee inquiry into Australia’s overseas aid and development assistance program, in light of the Government’s $4.5 billion cut to international development assistance.

About ACFID

1.2 The Australian Council for International Development (ACFID) unites Australia’s non-government aid and international development organisations to strengthen their collective impact against poverty. Our vision is of a world where gross inequality within societies and between nations is reversed and extreme poverty is eradicated. ACFID’s purpose is to provide leadership to the not-for-profit aid and development sector in Australia in achieving this vision, and to fairly represent and promote the collective views and interests of our membership.

1.3 Founded in 1965, ACFID currently has 130 members and 8 affiliates operating in more than 100 developing countries. In 2011/12, ACFID’s membership raised $871 million from over 1.9 million Australians for aid and development activities. ACFID’s members range between large Australian multi-sectoral organisations that are linked to international federations of NGOs, to agencies with specialised thematic expertise, and smaller community based groups, with a mix of secular and faith based organisations. A list of ACFID member organisations is at Attachment 1.

1.4 The ACFID Code of Conduct is a voluntary, self-regulatory sector code of good practice that aims to improve international development outcomes and increase stakeholder trust by enhancing the transparency and accountability of signatory organisations. Covering over 50 principles and 150 obligations, the Code sets good standards for program effectiveness, fundraising, governance and financial reporting. Compliance includes annual reporting and checks. The Code has an independent complaints handling process.

Submission outline

1.5 The information available to date on the funding cuts to Official Development Assistance (ODA) is high-level, making it difficult to assess exactly how particular programs and communities will be affected on the ground. This submission has therefore been written from the perspective of essential elements that must be invested in, to ensure an Australian aid program that is effective and focused on critical issues for our region and globally. It is based on the premise that while an adequate volume of aid is crucial for growth and development, just as important is how such aid
is targeted and delivered. The submission reflects both the commitments and policy objectives of the Government, and internationally agreed standards for aid effectiveness, and takes the approach of building on the existing strengths of Australia’s aid program.¹

1.6 Following an overview of Australia’s levels of ODA, this submission addresses the Terms of Reference, namely Australia’s ability to deliver against stated policy objectives and international commitments (TOR 1) and to maintain its international development priorities including sectoral, regional, bilateral and multilateral international relationships (TOR 2), focusing on key Government commitments to date:

- Poverty alleviation, sustainable economic growth and the national interest;
- Millennium Development Goals and Post 2015 Development Agenda;
- Focus on the Indian Ocean Asia-Pacific region
- Sustainable development;
- Humanitarian response; and
- Reprioritising foreign aid allocations towards NGOs.

1.7 This submission then discusses the integration of AusAID into the Department of Foreign Affairs and Trade (DFAT) (TOR 3) with regards to:

- An effective and accountable aid program;
- Maintaining professional development expertise; and
- Coordinating ODA and policy across Government for development outcomes.

Summary of recommendations

ACFID recommends that the Government:

1. Implement its commitment to increase ODA annually by the Consumer Price Index (CPI).
2. Work towards achieving 0.5 per cent of Gross National Income (GNI) towards ODA, as committed by the Prime Minister and Treasurer.
3. Implement its pre-election commitment to re-prioritise foreign aid allocations to Australian NGOs that deliver on the ground support for those most in need.

¹The overall conclusion of the 2013 peer review of the OECD Development Assistance Committee (DAC), an established international benchmarking process, was that recent policy and organisational reforms to the Australian aid program have been effective. OCED Development Cooperation, 2013, Peer Review – Australia, Available: http://www.oecd.org/dac/peer-reviews/40720533.pdf
4. Develop an aid policy statement to guide the allocation of ODA to best meet the goals of poverty alleviation and sustainable development while further articulating the thematic and geographic focus of Australia’s aid.

5. Continue to invest in important enablers for growth, with strong thematic programs in the areas of health, education, water and sanitation, women’s leadership, disaster risk reduction, environmental sustainability, governance and peace and security.

6. Target the Australian aid program at promoting opportunities and income growth for the poorest 40 per cent of people, as well as those who live just above the threshold and are vulnerable to back-sliding into poverty, whether in middle or lower income countries.

7. Integrate and fund programs targeting women and girls across the Australian aid program, including fully resourcing the role of the Ambassador for Women and Girls.

8. Embed disability inclusion practices across all programmatic areas of the Australian aid program.

9. Continue to include a modest component on education within Australian schools and universities in the Australian aid program, through the Global Education Project.

10. Continue to integrate Australia’s existing commitments to the Millennium Development Goals (MDGs) across all programs and to resource this accordingly.

11. Play a leadership role the development of the post 2015 global development framework, and integrate the goals into the Australian aid program.

12. Take a strategic approach to the geographic allocation of aid, reflecting the priorities set out in the Independent Review of Aid Effectiveness - poverty, national interest, capacity to make a difference, and current scale and effectiveness.


15. Continue to invest in community-based resilience building, including through the Community-based Climate Change Action Grants Program.

16. Allocate 10 per cent or more of ODA to humanitarian aid.

17. Increase support for international volunteer programs to broaden and deepen people-to-people links and understanding, and to deliver capacity development outcomes in international partner organisations.

18. Integrate AusAID and DFAT based on harnessing the organisational and workforce strengths of both former agencies.

19. Retain a pool of development professionals and technical experts within DFAT to ensure the effective management of the aid program.

20. Continue to invest in initiatives to ensure a focus on results and an evidence-based approach to Australian aid including the Office of Development Effectiveness (ODE) and the Australian Development Research Awards Scheme (ADRAS).

21. Continue to undertake an annual review of aid effectiveness.

22. Support innovation through the initiation of a “Grand Challenges” fund.
23. Maintain a separate annual budget statement covering each department’s ODA allocation as well as the country, regional, thematic and global programs that form part of Australia’s ODA.

24. Establish formal coordination mechanisms to ensure relevant non-aid policies (migration, investment, the environment) take development into account.

25. Increase the transparency of the Australian aid program, committing to the principles and actions of Australia’s Transparency Charter and the International Aid Transparency Initiative.

**Australia’s Overseas Development Assistance (ODA)**

1.8 ACFID expressed its shock and distress at the Government’s announcement in September 2013 that Australia’s aid budget would be cut by $4.5 billion over four years.\(^2\) The Government subsequently confirmed on 18 January 2014 that around $640 million was being cut from the aid budget this financial year, with the release of the high-level, broad-stroke details taking almost five months to be made public.\(^3\) These cuts included cuts to the work of Australian NGOs, despite a pre-election commitment to "re-prioritise aid funding to Australian NGOs delivering on the ground support to those most in need."\(^4\)

1.9 Cuts of $4.5 billion over four years represents over 10 per cent of the current $42 billion in budget savings announced by the Government to date, despite Australia’s ODA comprising only around 1.4 per cent of total Government spending.

1.10 The cut of around $640 million this financial year means that Australia will spend $107 million less on aid this year than last year. This will inevitably result in the delay, scaling-back or abolishment of programs that would have delivered critical services to poor people and communities including in the areas of water and sanitation, agriculture, and livelihoods.

1.11 Further, these cuts have been announced more than halfway through the financial year, when funding and program commitments were already in place. This is highly disruptive and reduces aid effectiveness by adding to the unpredictability of Australian aid (in addition to ODA being redirected to fund offshore processing and detention of

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\(^2\) ACFID media release on 5 September 2013: [http://www.acfid.asn.au/media/media-releases/the-cruellest-cut-foreign-aid](http://www.acfid.asn.au/media/media-releases/the-cruellest-cut-foreign-aid)

\(^3\) ACFID media release in response to these announcements on 18 January 2014: [http://www.acfid.asn.au/media/media-releases](http://www.acfid.asn.au/media/media-releases)

asylum seekers in recent years). The OECD noted in the 2013 Peer Review of Australia's aid program that “significant in-year budget re-allocations put at risk Australia's commitments to its partners as well as achieving the expected results of its development cooperation programs.” Recent studies indicate that the value of aid is reduced by 15 to 20 per cent when it is unpredictable and volatile.5

1.12 Such cuts will also negatively impact on Australia’s international standing and bilateral relations. Australia’s ODA will reduce from 0.36 per cent of Gross National Income (GNI) last year to 0.33 per cent this year, reversing the recent trend of real growth designed to move Australia closer to the target of spending 0.5 per cent of GNI on aid, which has had the support of Australia’s major political parties. This is occurring at a time when the OECD has recommended Australia continue to increase its development assistance, given the comparative strength of the Australian economy and public finances, and when Australia’s ODA already lags behind the average effort of other OECD donor countries as a percentage of GNI, with Australia ranking thirteenth out of the 24 member economies in 2012.

1.13 Looking forward, there is concern with what the 2014/15 and future federal budgets may hold for Australia’s aid program. While there are a range of opportunities to make the program more effective, and these should be explored, ACFID also believes that the aid program and budget should build on the strengths of the existing aid program. Such a view is particularly important, given that independent assessments have previously highlighted Australia’s ability to deliver effective, well-targeted aid.6

1.14 ACFID has welcomed the Government’s recent commitments to ensuring our aid is working for poverty reduction and sustainable development and to increasing aid annually by the Consumer Price Index (CPI) over the forward estimates.7 We also note and welcome the commitments of the Prime Minister and Treasurer to increase aid at a faster rate when the Australian budget is in surplus, with the aim of reaching 0.5 per cent of Australia’s GNI towards ODA in the future.8 In the upcoming budget, ACFID calls for the funding cut from Australian NGOs in the 2013/14 financial year to be reversed, and for funding to be re-prioritised to NGOs, in line with the Government’s pre-election commitment.

7 Minister for Foreign Affairs, “Five billion dollar aid budget to focus on the region” – media release, 18 January 2014.
8 The Hon. Tony Abbott MP, Transcript of Joint Doorstop Interview with the Hon. Tony Smith MP, Federal Member for Casey, Silvan, Victoria, 5 September 2013; and the Hon Joe. Hockey MP, Transcript of Joint Press Conference with Andrew Robb on Coalition Costings, 5 September 2013.
Recommendations:

That the Government:

1. **Implement its commitment to increase ODA annually by the Consumer Price Index (CPI).**
2. **Work towards achieving 0.5 per cent of Gross National Income (GNI) towards ODA, as committed by the Prime Minister and Treasurer.**
3. **Implement its pre-election commitment to re-prioritise foreign aid allocations to Australian NGOs delivering on-the-ground support to those most in need.**

2. **Australia’s ability to deliver aid against stated policy objectives and international commitments, and to maintain its international development priorities**

**Poverty alleviation, sustainable economic growth and the national interest**

2.1 In its Policy for Foreign Affairs, and subsequent speeches and press releases, the Government has outlined the primary focuses of Australia’s aid program as alleviating poverty and sustainable development, both of which are seen to be in Australia’s national interest, as well as investing in the thematic areas of empowering women and girls, better education and health outcomes, governance, private sector engagement and aid for trade.9

2.2 The OECD’s Effective Aid Management report has, as a first priority, a clear, top-level statement on the purpose of development cooperation “that has wide ownership and can remain sufficient for a sufficient period.”10 In line with this, ACFID believes there is a need for the Government to elaborate and contextualise its commitments to date, and to develop a clear, overarching statement on the purpose of Australian aid.11 Such an approach would provide an unambiguous rationale and sound basis for allocating Australia’s aid. It would also provide a framework for the development of performance benchmarks for the aid program, a current Government priority.

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11 Ibid.
2.3  Within such a statement, there is a need for a clear articulation and understanding of how the national interest figures in the aid program. This should be focused on a longer term perspective, with the view that while poverty alleviation and sustainable development are the ultimate priorities of the aid program, such outcomes are also in Australia’s national interest. As emphasised by the former Foreign Minister, Alexander Downer, in the 2006 White Paper on the Australian Government’s overseas aid program (*Promoting Growth and Stability*), development outcomes are in Australia’s national interest by ensuring regional stability, addressing threats to global prosperity (HIV/AIDS, narcotics, global environmental challenges), and fostering trade and investment opportunities.12

2.4  A majority of participants in the ANU Development Policy Centre’s 2013 *Australian aid stakeholder survey* said that while they recognise that the national interest will always carry significant weight in the aid program, poverty reduction or development objectives should be accorded more weight than the national interest.13

**Recommendation:**

That the Government:

4.  *Develop an aid policy statement to guide the allocation of ODA to best meet the goals of poverty alleviation and sustainable development while further articulating the thematic and geographic focus of Australia’s aid.*

2.5  To meet the dual focuses of poverty alleviation and economic growth, ACFID believes the Australian aid program must focus on investing in the necessary pre-conditions for sustainable *and* inclusive growth.

2.6  Despite massive improvements in health across the Asia Pacific region, for instance, there are still significant health and hygiene needs not being met largely because of a shortage of funds. In 2011, an estimated 134,000 children under the age of five died in Indonesia and 57,000 in the Philippines.14

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14 UNICEF State of the World’s Children 2013 Annex Table 1
2.7 Aid can play an important role in helping create an enabling environment for growth by promoting peace and security, a functioning state and civil society, and effective health and education systems – many of the factors holding back least developed countries and fragile states. The recent budget cuts to the aid program included a $21.2 million cut to health, water and sanitation programs, a $17.2 million cut to education programs, and $15.3 million cut to governance. Going forward, the Government must invest in such important thematic areas, and in supporting strong civil societies and institutions in developing countries, to meet the dual focuses of poverty alleviation and economic growth.

2.8 Programs for health and water, sanitation and hygiene, for instance, are proven high impact aid investments – transforming communities, reducing caring and domestic burdens (especially on women and children), lifting education access and performance, and building a healthy population, all of which are key foundations for economic development.

**Recommendation:**

That the Government:

5. **Continue to invest in important enablers for growth, with strong thematic programs in the areas of health, education, water and sanitation, women’s leadership, disaster risk reduction, environmental sustainability, governance and peace and security.**

2.9 The Australian aid program must be resourced to respond to the changing nature of poverty, recognising that most people living in poverty are now located in middle income countries, rather than lower income countries. To this end, Australia should adopt the World Bank’s approach of targeting all aid investments at the poorest 40 per cent of people, as well as those who live just above the threshold and are vulnerable to back-sliding into poverty, whether in middle or lower income countries.15

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Recommendation:

That the Government:

6. Target the Australian aid program at promoting opportunities and income growth for the poorest 40 per cent of people, as well as those who live just above this threshold and are vulnerable to backsliding into poverty, whether in middle or lower income countries.

2.10 Responding to the focuses on poverty alleviation and sustainable development also requires a strategic approach to redressing inequality - providing opportunities for poor and marginalised groups including women, people with a disability, indigenous peoples, and ethnic and sexual minorities to participate in, and benefit from, growth.

2.11 Asia is home to some of the world’s fastest growing economies. This growth, however, continues to leave large swathes of people living in poverty. For example, while Indonesia’s GNI per capita has steadily risen from US$2,200 in the year 2000 to $3,563 in 2012, more than half the population still live on less than $2 per day, particularly in rural areas.  

2.12 ACFID welcomes the Government’s focus on empowering women and girls, including the recent announcement of an Ambassador for Women and Girls, and its ongoing commitment to disability inclusion, including developing a new strategy for disability-inclusive development. The recent budget cuts however included a cut of $3.7 million under the area of “gender and disability” despite this already being a small percentage of the overall aid budget.

2.13 ACFID calls for women and girls and people with a disability to remain key priorities for Australian aid, and for this to be resourced accordingly. Investment in women’s and girls’ education and health, for example, yield some of the highest returns of all development investments including increased household incomes, reduce rates of maternal mortality, and better educated and healthier children. Each additional year of female education reduces child mortality by 18 per every thousand children.

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2.14 Globally, about 80 per cent of those with disabilities live in developing countries, where they make up more than 20 per cent of the poorest of the poor. Disability and impairment in the Asia Pacific are expected to increase over the coming decades due to population growth, ageing, non-communicable diseases (e.g. diabetes and heart disease) and malnutrition.

**Recommendations:**

That the Government:

7. Integrate and fund programs targeting women and girls across the Australian aid program, including fully resourcing the role of the Ambassador for Women and Girls.

8. Embed disability inclusion practices across all programmatic areas of the Australian aid program.

2.14 The Government has made clear their commitment to the power of education and learning about Australia’s broader region through the development of the New Colombo Plan. As noted by the Foreign Minister at the New Colombo Plan launch, education about our region not only extends and broadens Australians’ networks and horizons, it allows for "our understanding of each other, and the way we do business, and the way we live [to] increases dramatically."20

2.15 While a very modest part of the broader aid program, ACFID believes the Government should continue to support the Global Education Project as a way to help prepare primary and secondary age students for their entry to university and working in the global economy. The Program also provides for training of teachers at university level on global education and our region. The Program has recently been independently reviewed by Dr Robert Gilbert, Emeritus Professor of Education at the University of Queensland, who found it to be excellent value for money. Dr Gilbert said of the program: "the initiative and energy so evident in the various projects at present suggests that the GEP [Global Education Program] is quite capable of extraordinary things."21

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Recommendation:
That the Government:

9. **Continue to include a modest component on education within Australian schools and universities in the Australian aid program, through the Global Education Project.**

**Millennium Development Goals (MDGs)/Post 2015 Development Agenda**

2.16 There has been strong commitment by successive Australian Governments to the United Nations Millennium Development Goals (MDGs) over the previous decade. Australia’s ODA has been underpinned by a focus on the achievement of the MDGs, with the strategic goals and objectives of the aid program consistent with the MDGs. The Foreign Minister, the Hon. Julie Bishop MP, has committed Australia to working towards achieving the MDGs by 2015 and to the creation of the post 2015 development agenda that will “leave no one behind.”

2.17 Incredible progress has been made on the MDGs, with the first goal of halving the number of people living in extreme poverty by 2015 being achieved four years early. However, other goals are not on-track to be met by 2015 including maternal mortality, hunger, and gender equality. In addition, progress has been uneven within and between countries, with Australia’s nearest region, the Pacific, making the least progress towards with MDGs, along with sub-Saharan Africa.

2.18 Making further progress on the MDGs will require a consolidated international effort leading up to 2015. For Australia to play its role – as a member of the Group of 20 (G20) Development Working Group, the OECD and the United Nations - the MDGs must continue to underpin the Australian aid program leading up to 2015, and funding and resources must be allocated accordingly. This should be reflected in the 2014/15 aid program budget, the last before the 2015 end-date for the MDGs.

2.19 The Australian Government must also continue to be active in negotiations and agreements to ensure a new development framework that is practical yet ambitious is agreed by September 2015, and that such a framework reflects the changing nature of poverty; incorporates cross-cutting priorities including gender, environmental

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sustainability, disaster risk reduction, disability, and indigenous peoples; and includes important new focus areas such as peace and security, and governance.23

**Recommendations:**

That the Government:

10. Continue to integrate Australia’s existing commitments to the MDG across all programs and to resource this accordingly.

11. Play a leadership role the development of the post 2015 global development framework, and integrate the goals into the Australian aid program.

**Focus on Indian Ocean-Asia Pacific**

2.20 The Government’s commitment to target aid primarily in Australia’s region (defined as the Indian Ocean-Asia Pacific) aligns with the existing focus of the aid program, with more than 80 per cent of Australia’s ODA going to the Asia Pacific region24, and recommendations of the Independent Review of Aid Effectiveness to consolidate Australia’s geographic approach to aid.

2.21 However, while the burden of the recent cuts has fallen on programs in Africa, the Middle East and global institutions, no region has been spared. The 2013/14 budget for the Pacific Islands region has been cut from $943.7 million to $882.2 million, with the smaller Pacific Island countries being collectively cut by 22 per cent. The only two countries largely exempt from the cuts are PNG and Nauru, the two countries that host Australia’s offshore detention centres for asylum seekers and refugees.

2.22 Aid to Sub-Saharan Africa has been cut by $78 million (37 per cent) below last year’s level, or by $92 million (12 per cent) below the amount budgeted for this year. There is good cause for a continuing a strategic and modest focus on aid and development assistance for Africa. In 2012, over 50 per cent of the world’s poor lived in Africa and this is expected to increase.25 Across Africa, Australia has an annual FDI of around $20 billion. Moreover, the donations received by ACFID member organisations for projects

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in Africa show that the Australian community strongly supports development in this region, with approximately one third of the public donations to the 130 ACFID member agencies going to poverty alleviation in Africa.\textsuperscript{26}

2.23 A positive way to continue engagement in Africa would be through funding to NGOs (e.g. through the Australia Africa Community Engagement Scheme – a partnership between Australian NGOs and their Africa-based partners to implement community-based interventions) and through funding for effective global programs and agencies, as recommended by the Independent Review of Aid Effectiveness.

2.24 More broadly, the Australian aid program should continue its strong and internationally-recognised focus on ODA to fragile or conflict-affected states. A growing share of the world’s poor live in fragile states, with some projections indicating this will exceed 50 per cent within the next five years.\textsuperscript{27} Poverty rates are 20 per cent higher in countries affected by violence and the World Bank’s 2011 report on Conflict, Security and Development found that a civil conflict costs the average developing country roughly 30 years of GDP growth.\textsuperscript{28}

2.25 Australia has been recognised as one of only six donor countries to devote more than half of its country-specific aid to fragile and conflict-affected states. In 2012/13, more than 55 per cent of Australia’s bilateral and regional development assistance – approximately $1.77 billion – went to fragile or conflict-affected states.\textsuperscript{29}

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\textbf{Recommendations:} \\
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That the Government: \\
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\textbf{12.} \hspace{1cm} \textit{Take a strategic approach to the geographic allocation of aid, reflecting the priorities set out in the Independent Review of Aid Effectiveness - poverty, national interest, capacity to make a difference, and current scale and effectiveness.} \\
\textbf{13.} \hspace{1cm} \textit{Prevent misallocation of aid for domestic purposes.} \\
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\textsuperscript{27} Office of Development Effectiveness, \textit{Effective Aid in Fragile States}, 2011. \\
Sustainable development

2.26 The Government has committed to “investing aid in the sustainable development of our close neighbours.” ACFID welcomes such a commitment; however, it seems at odds with the recently announced aid funding cuts to climate change and sustainability programs, in particular, programs that help vulnerable communities build resilience to natural disasters. These include:

- cuts from the budgeted $4.5 million for this financial year to $500,000 (noting the budget for such programs was $17m in 2012/13) for Climate Change and Environmental Sustainability under Cross Regional Programs;
- the elimination of funding to Global Environment Programs for this financial year when $1.5m had been budgeted (and $74.6m was provided in 2012/13); and
- reductions in the overall volume of aid to several ‘climate vulnerable’ Pacific nations.

2.27 Policies to promote environmental sustainability are integral to reducing poverty and ensuring hard-won development gains are not eroded, given the poor are most often at risk to natural disasters and climate change, and depend heavily on natural resources for their food, water, livelihoods and shelter.

2.28 Australia’s region is highly vulnerable to the predicted effects of climate change, including higher sea levels, intense storm surges and cyclones, erratic rainfall patterns, and major temperature fluctuations. In 2011, disasters cost the Asia Pacific region a staggering $294 billion in economic losses. Furthermore, a recent study by the Asian Development Bank on the Economics of Climate Change estimates that economic loss in the Pacific as a result of climate change (including adverse impacts on crop yield, fisheries, human health and tourism) could trigger a loss of up to 15.2 per cent of PNG’s GDP by 2100, a loss of up to 10 per cent of Timor Leste’s GDP by 2100, followed by Vanuatu at 6.2 per cent, Solomon Islands at 4.7 per cent and Fiji at 4 per cent.

2.29 Environmental sustainability, climate change adaptation and disaster risk reduction (DRR) have been key priorities of the Australian aid program over the years, working at both the bilateral and multilateral level. Previous Federal Coalition Ministers,

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30 Minister for Foreign Affairs, "Five billion dollar aid budget to focus on the region" – media release, 18 January 2014.
32 Ibid
Downer and Turnbull, and Parliamentary Secretary Hunt, were all strong supporters of using the aid budget for climate change action and mitigation, as was the previous Labor Government. In recognition of this, the 2013 OECD Peer Review of Australia’s aid program recognised Australia as a leading donor in disaster risk reduction, and as having the policies and tools to protect hard won-development investments and at-risk communities.33

2.30 The importance of environmental sustainability and disaster risk reduction to ensure disasters do not derail development gains also has significant buy-in at the international level. The 2012 G20 Leaders Declaration stated:

“We recognise the value of disaster risk management tools and strategies to better prevent disasters, protect populations and assets and financially manage their economic impacts.”34

2.31 At the Copenhagen Summit in 2009, developed countries, led by the U.S, agreed to find $100 billion a year to support climate change action in developing countries by 2012, and $100 billion by 2020. Moreover, as a member of the Open Working Group on Sustainable Development Goals, Australia, along with the Netherlands and United Kingdom, has this year released a statement emphasising that:

“Climate and disaster risk reduction are [therefore] essential elements of achieving the post-2015 development agenda, and must be fully reflected in the framework. We should take into account the challenges posed by disasters and slow-onset climate risks…”35

2.32 To fulfil its commitment to investing in the sustainable development of our nearest neighbours, the Government must invest in environmental sustainability, climate change adaptation and disaster risk reduction so as to protect hard won development investments, particularly given the Pacific is the most disaster prone region in the world.36

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33 The Review also highlighted areas for improvement including the need to ensure that environmental concerns are integrated at all levels – bringing together environment, climate change and DRR considerations. OECD Development Cooperation, Peer Review – Australia, 2013.
34 G20 Leaders Declaration, 19 June 2012, Available: http://www.whitehouse.gov/the-press-office/2012/06/19/g20-leaders-declaration
35 Open Working Group, Australia, the Netherlands, United Kingdom Consistency Statement – Climate Change and Disaster Risk Reduction, January 2014.
To this end, the Australian aid program must continue to support communities in Asia and the Pacific to build their resilience to disasters and changes to their environment. Australian NGOs have a strong track record in this area. This includes through the Community-based Climate Change Action Grants Program, which supports NGOs to work with local partners in the Pacific and South-East Asia to address climate change and development needs at the community-level. After only 1.5 years of implementation, the current phase of this program is demonstrating results in food, water and income security, empowering women, and strengthening government capacity to manage shocks and change at sub-national level. The program was established with the intention that funding would continue beyond the current 2.5 year phase which ends in December 2014. The Australian aid program should continue its investment in this area, to maximise the impact of the pilot and draw lessons to inform on broader resilience building.

Australia should also continue to contribute to multilateral funds (such as the Global Environment Facility, Adaptation Fund, Least Development Countries Fund) which provide stability of support, reduce transactional costs, and ensure resources are allocated in accordance with the needs of vulnerable countries and communities.

**Recommendation:**

That the Government:

14. *Integrate disaster risk reduction and climate change adaptation across the Australian aid program.*
15. *Continue to invest in community-based resilience building, including through the Community-based Climate Change Action Grants Program.*

**Humanitarian and emergency assistance**

ACFID welcomes the commitment by the Government to respond to humanitarian crises on the basis of need. As stated by the Foreign Minister, “Australia will continue to be an effective and principled humanitarian donor. We will continue to give quickly and generously when help is needed. And we will continue to work with our partners to reduce the human and economic costs of conflict and displacement.”

Australia’s response to the recent Typhoon Haiyan in the Philippines was a good example of this.

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37 The Hon Julie Bishop MP, op. cit., speech 11 November 2013
commitment in action, with the Government providing over $40 million in support, and 20 per cent of this being channelled through NGOs on the ground.

2.36 Nevertheless, the aid budget for “humanitarian, emergencies and refugees” has been cut from $339.6 million to $264.2 million this financial year including reduced allocations to the Red Cross and United Nations agencies.

2.37 The Independent Review of Aid Effectiveness recommended a large increase in humanitarian and emergency assistance, both in absolute amounts and as a share of the aid program. Such a focus is appropriate for Australia, given the Asia Pacific region accounted for 85 per cent of the world’s deaths and 38 per cent of global economic losses due to natural disasters over the last three decades. Globally, the number of people forced to flee from violence, human rights violations, and armed conflict was also recorded at its highest levels at the end of 2012, reaching 28.8 million, up 2.4 million from the previous year.38

2.38 As the Government is committed to the Good Humanitarian Donorship principles, it is essential to plan and budget for greater allocations to humanitarian assistance and programming as a proportion of ODA. ACFID calls upon the Government to return the proportion of ODA dedicated to humanitarian assistance in 2014/15 to a minimum of 10 per cent, in keeping with previous year’s commitments and in line with the OCED average.39

2.39 While we welcome that Australia continues to focus the aid program regionally, we also call for the Government to allocate funding on the basis of greatest need in the case of humanitarian response. This would include increasing support for global crises such as the Syrian regional response.

**Recommendation:**

That the Government:

16. **Allocate 10 per cent or more of ODA to humanitarian aid.**

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38 Internal Displacement Monitoring Centre, Global Overview 2012: People internally displaced by conflict and violence, 29 April 2013.
**Commitment to Australian NGOs**

2.40 Prior to the election, the Government committed to reprioritising aid funding to Australian NGOs, in recognition of their experience and track record of effectively working to assist many of the world’s poorest communities to tackle extreme poverty head on.

2.41 Australian NGOs operate in every country in which the Australian official aid program operates. As a sector, Australian NGOs independently generate over $1 billion annually for international aid and development work through public donations, corporate partnerships and other non-government sources. Through the ACFID Code of Conduct, Australian NGOs commit to accountability, transparency and effectiveness in their work.

2.42 Australian NGOs were subject to budget cuts in the recent announcement. NGOs such as Care, Save the Children, Caritas, ChildFund, Plan International and the Fred Hollows Foundation – who have partnership agreements with the Government – had their current year funding cut by around 8 per cent. This has meant losing funding already allocated to programs related to water and sanitation, elimination of violence against women, disaster reduction work and small-scale agriculture, among others.

2.43 Australian NGOs partner with the Government to deliver around 5 per cent of Australia’s official aid program. In contrast, around 20 per cent of the UK’s Department of International Development (DFID) bilateral programs were delivered by civil society in 2012/13.

2.44 ACFID calls on the Government to fulfil its pre-election commitment and to reprioritise funding to Australian NGOs (as per Recommendation 3) including through the Australian NGO Cooperation Program (ANCP) and other funding windows such as cooperation agreements.

2.45 The ANCP is an exemplary program internationally in terms of government and NGO partnerships in aid and development. Through the ANCP, the Government supports the development activities of ANGOs which complement the Australian aid program and directly alleviate poverty for vulnerable communities. This allows the Government to effectively leverage the work, resources, skills and connections of Australian NGOs, including the $1 billion that was mobilised by ANGOs in 2011/12 from public and private donations.

2.46 Moreover, the ANCP is based on a rigorous accreditation process which provides the Government and Australian public with the confidence they are funding professional,
well-managed, community-based organisations capable of delivering good development outcomes. Accreditation is linked to ACFID’s Code of Conduct for the wider Australian NGO sector.

2.47 Cooperation agreements, initiated under the leadership of Alexander Downer in the former Coalition Government, are a further example of effective partnership working, as demonstrated through the Australia Africa Community Engagement Scheme (AACES) and the Solomon Islands NGO Partnership Agreement (SINPA). Cooperation Agreements achieve set outcomes in developing countries based on Australian country priorities and the strengths, capacity and on-the-ground knowledge of Australian NGOs.

2.48 Civil society and public engagement in the aid program also occurs through volunteering – around 60,000 Australians have volunteered in developing countries over six decades including 1,800 last year. In a recent speech marking International Volunteer Day, Senator the Hon. Brett Mason, emphasised the importance of volunteering within the Australian aid program:

“(It is) out volunteers that are the public face of Australian diplomacy in so many communities particularly across Asia and the Indo-Pacific...building capacity that will gradually have the same effect as infrastructure investment – structural, long-term changes and unbreakable ties with our region.”

2.49 Combined with the Government’s new Colombo Plan, the Australian Volunteers for International Development (AVID) program ensures strong people to people links and cooperation across our region and beyond.

2.50 The value of international volunteer programs has been endorsed by the recently released report from DFAT’s Office of Development Effectiveness on its evaluation of the Australian Volunteers for International Development (AVID) program:

“The evaluation confirmed that AVID is making an effective contribution to Australian and partner government development objectives. It is also an effective public diplomacy mechanism. Volunteers benefit from their experience and bring expertise and professionalism that host organisations value highly; they are often compared favourably to volunteers from other countries or paid technical advisers. Volunteers contribute to the capacity of host organisations, develop people-to-people links and generate goodwill for domestic and foreign diplomacy.”

Recommendation:

That the Government:

17. Increase support for international volunteer programs to broaden and deep people-to-people links and understanding, and to deliver capacity development outcomes in international partner organisations.

3. Integration of AusAID into the Department of Foreign Affairs and Trade

3.1 Donor countries have adopted various models to manage their aid programs, including establishing specific ministries for aid, or agencies located within a foreign affairs ministry, with varying degrees of autonomy. When it comes to effective aid, the fundamental question is not so much where the aid program is situated, but how the aid program is structured and managed, with development expertise, transparency and accountability, and coordination essential for effective development outcomes.

3.2 At the time the merger of AusAID into DFAT was announced, the extent and nature of the integration was not clear, although high level “principles” were developed within the stated aim of better aligning Australia’s foreign, trade and development policies.41

3.3 It has since become clear that the model being adopted is one of “deep integration”, i.e. the merger of foreign policy and aid “country desks” rather than maintaining the aid program as a separate identity within DFAT. This differs to the recent experience of other donor countries, including New Zealand, where an International Development Group has been maintained as a cohesive unit within the Ministry of Foreign Affairs. It also differs from the Australian experience prior to the establishment of AusAID as an Executive Agency, with the Australian aid program consistently having a separate identity and direct reporting relationship to its Minister since the mid-1970s.42

3.4 To ensure effective aid and development outcomes within this new structure, there is a need to ensure a clear purpose for Australian aid within the wider foreign policy context, strong coordination measures, clear lines of accountability, and organisational expertise, evidence and innovation.

3.5 Overall, ACFID recommends the integration be undertaken based on harnessing the organisational and workforce strengths of the former DFAT and AusAID, as the best approach to building an effective and cohesive department. Such an approach could be enabled by taking into account the findings of recent organisational reviews of the former DFAT and AusAID, namely, the Australian Public Service Commission’s DFAT Capability Review;\(^{43}\) the Australia - DAC Peer Review of Development Cooperation\(^ {44}\) and the Lessons from Australian Aid report.\(^ {45}\) These reports highlight that both agencies have particular organisational strengths and weaknesses to build upon through the integration.

**Recommendation:**

That the Government:

18. **Integrate AusAID and DFAT based on harnessing the organisational and workforce strengths of both former agencies.**

3.6 Overtime, the Australian aid program has developed country and thematic expertise, as well as expertise in the management of aid at the bilateral and multilateral level, including conducting large scale procurement, meeting obligations under complex contracts and agreements, and undertaking review and evaluation. This has resulted in positive independent assessments of Australia’s ability to deliver effective aid.\(^ {46}\)

3.7 The delivery and assessment of a large aid program is obviously not the traditional activity of a foreign ministry. Related to this, the recent 2013 Capability Review of DFAT highlighted that DFAT has talented generalists but strains on specialisation and policy development.\(^ {47}\) Within the current merger, the Government must maintain the pool of development professionals and technical experts within the Australian aid program to ensure aid specialisation and policy development. ACFID was pleased to see this incorporated in the “principles” for the merger, and is keen to see this reflected in the final organisational structure.\(^ {48}\)

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\(^{44}\) OCED Development Cooperation, *Peer Review – Australia*, 2013.


\(^{46}\) OCED Development Cooperation, *Peer Review – Australia*, 2013.


\(^{48}\) The principles include having “a development career stream/structure, with some positions in Canberra and overseas designated as requirement international development skills.”
3.8 Such an approach is important for ensuring the appropriate skills within the Australian aid program, but also for limiting the ongoing turnover of staff. The 2012 Australian Aid Stakeholder Survey by ANU's Development Policy Centre identified high staff turnover as the most serious weakness in the effectiveness of Australia's aid program. It was found to undermine the consistency of effort, and the accumulation of expertise, required to deliver effective aid.

**Recommendation:**

That the Government:

19. *Retain a pool of development professionals and technical experts within DFAT to ensure the effective management of the aid program.*

3.9 The Government must also continue to invest in building the research and evaluation arm of Australian aid. Research and evaluation is crucial to a better, more accountable and innovative aid program. Ongoing research investment leads to evidence-informed policy and practice by establishing a robust and relevant knowledge base for accountable decisions. It can also ensure Australia's aid program generates knowledge that responds to a rapidly changing global environment and increases opportunities for innovation where Australia can play a lead role in identifying solutions.

3.10 Australia has a demonstrated research expertise that could be utilised to support innovation and enhance development outcomes through the aid program. Given the strength of the Australian research community, the 2011 Independent Aid Effectiveness Review identified increased funding for research, particularly medical research, as a potential “flagship” of Australia’s aid program. Further, the recently released McKeon Review into Australian health and medical research lists global health research as one of the priority areas requiring increased focus by Australia over the next decade. Despite this recognition, global health research has yet to be adequately resourced or articulated through a broader Research and Development Strategy.49

3.11 The recent budget cuts include a cut of $2.2 million on investment in research and development effectiveness within NGO, volunteer and community programs. Going forward, continued investment in development research and evidence must be

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49 This priority has been developed in coordination with the Australia-based Global Health Research Alliance, which includes ACFID, the Burnet and Nossal Institutes, Policy Cures, Médecins sans Frontières Australia, CSIRO, World Vision, and University of Sydney.
maintained if the aid program is to establish itself as a leader in finding lasting solutions that address global poverty. This should include ongoing support for the Australian Development Research Awards Scheme (ADRAS) - a competitive grant process to support applied research and assist the Government in meeting the priority areas for the aid program. Since the introduction of the scheme in 2007, this scheme has supported 129 primary research projects and 17 systematic reviews of development research.

3.12 The role of the Office of Development Effectiveness (ODE) should also be maintained. ODE plays an important role in informing and advising the Australian aid program through in-depth evaluations and reviews of Australia’s aid, analysis of aid performance systems, and collaborations with leading international think-tanks and research organisations. Greater independence and credibility could be achieved by making the ODE fully independent, reporting to Parliament.

**Recommendations:**

That the Government:

20. **Continue to invest in initiatives to ensure a focus on results and an evidence-based approach to Australian aid including through the Office of Development Effectiveness (ODE) and the Australian Development Research Awards Scheme (ADRAS).**

21. **Continue to undertake an annual review of aid effectiveness.**

3.13 The Government has made reference to an increasing focus on innovation within the Australian aid program. This aligns with international momentum and recognition about the potential for aid programs to facilitate innovative solutions to global challenges. The USA and UK have recently joined forces to support research and innovation to amplify their “impact through the discovery of breakthrough technologies and approaches to help end extreme poverty”. Similarly, Grand Challenges Canada, a public-private partnership between various departments of the Government of Canada (including the International Development Research Centre, Department of Foreign Affairs, Trade, and Development) and the Gates Foundation could be a useful model that leverages the impact of Australian aid efforts across the private sector and civil society.
Recommendation:

That the Government:

22. **Support innovation through the initiation of a “Grand Challenges” fund.**

3.14 Accounting for the merger, Australia’s ODA is not all delivered by DFAT. Rather, a range of government departments manage components of Australia’s ODA spend. The Independent Review of Aid Effectiveness recommended more emphasis on whole-of-government coordination and performance management, recognising that there is little publicly available assessment and evaluation of the expenditure of ODA by other Government departments. Such a recommendation was also reflected in the recent Lessons from Australian Aid report, which found that performance reporting by the aid program needs to be extended to other government bodies undertaking aid-eligible activities.

3.15 Maintaining a separate budget statement covering each department’s ODA allocation as well as the country, regional, thematic and global programs that form part of Australia’s annual ODA will allow the aid program to continue to be independently scrutinised. In conjunction with a comprehensive statement on ODA, such a budget statement is necessary to allow the Government to show how the aid program is meeting its overall objectives.

3.16 Moreover, there are opportunities for greater policy coordination across departments working in particular aid thematic and country areas. The ODE’s Lessons from Aid report provides the example of the Law and Justice Development Assistance Steering Group, chaired by DFAT, which brings together the work of DFAT, the Attorney-General’s Department and the Australian Federal Police, among others, on strategic direction setting and the delivery of law and justice aid.

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52 Ibid
**Recommendation:**

That the Government:

23. *Maintain a separate budget statement covering each department’s ODA allocation as well as the country, regional, thematic and global programs that form part of Australia’s annual ODA.*

3.17 A whole of government approach to aid should also encompass a greater focus on ensuring coherent policy across areas that impact on development outcomes including migration, investment and environment, in addition to that of foreign policy and trade within DFAT.

**Recommendation:**

That the Government:

24. *Establish formal coordination mechanisms to ensure relevant non-aid policies (migration, investment, the environment) take development into account.*

3.18 Under international aid effectiveness agreements, Australia is a signatory to the International Aid Transparency Initiative (IATI)\(^{53}\) and has developed a Transparency Charter which includes commitments to regularly update information and data about Australian Aid activities. While the Australian aid program has made considerable progress on improving transparency in recent years, a weakness has been the slow and incomplete provision of activity level data to IATI. This is reflected in Australia’s relatively low score in the 2013 Aid Transparency Index.

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\(^{53}\) Launched in 2008, the International Aid Transparency Initiative (IATI) improves the transparency of aid by bringing together 188 countries and organisations and providing comparable classifications and definitions on aid funding.
Recommendation:

That the Government:

25. *Increase the transparency of the Australian aid program, committing to the principles and actions of Australia’s Transparency Charter and the International Aid Transparency Initiative.*

4. Conclusion

4.1 ACFID appreciates the opportunity to put forward our views on how the aid program is meeting the stated commitments of Government and where there is further room for alignment in the program to meet those aims. As an independent sector, we remain committed to working with all sides of Government to ensure the development and delivery of an effective and accountable aid program.
## List of ACFID Members:

### Full Members:

- 40K Foundation Australia
- ACC International Relief
- Act for Peace - NCCA
- ActionAid Australia
- ADRA Australia
- Afghan Australian Development Organisation
- Anglican Board of Mission - Australia Limited
- Anglican Overseas Aid
- Anglican Aid
- Assisi Aid Projects
- Australasian Society for HIV Medicine
- Australian Cranio-Maxillo Facial Foundation
- Australia for UNHCR
- Access Aid International
- Asia Pacific Journalism Centre
- Asian Aid Organisation
- Australia Hope International Inc.
- Australian Business Volunteers
- Australian Conservation Foundation
- Australian Doctors International
- Australian Doctors for Africa
- Australian Federation of AIDS Organisations
- Australian Foundation for the Peoples of Asia and the Pacific
- Australian Himalayan Foundation
- Australian Injecting and Illicit Drug Users League
- Australian Lutheran World Service
- Australian Marist Solidarity Ltd
- Australian Medical Aid Foundation
- Australian Red Cross
- Australian Mercy
- Australian Respiratory Council
- Australian Volunteers International
- Baptist World Aid (now part of Transform Aid International)
- Beyond the Orphanage
- Birthing Kit Foundation (Australia)
- Brien Holden Vision Institute Foundation
- Burnet Institute
- Business for Millennium Development
- CARE Australia
- Caritas Australia
- CBM Australia
- Charities Aid Foundation
- ChildFund Australia
- CLAN (Caring and Living as Neighbours)
- Credit Union Foundation Australia
- Daughters of Our Lady of the Sacred Heart Overseas Aid Fund
- Diplomacy Training Program
- Door of Hope Australia Inc.
- EDO NSW
- Engineers without Borders
- Every Home Global Concern
- Family Planning New South Wales
- Foresight (Overseas Aid and Prevention of Blindness)
- FreeSchools World Literacy
- Fred Hollows Foundation
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**Affiliate Members:**

- Refugee Council of Australia
- Vision 2020 (Also signatories to the ACFID Code of Conduct)
- La Trobe University – Institute for Human Security
- University of Melbourne – School of Social and Political Sciences
- Australian National University – School of Archaeology and Anthropology, College of Arts and Social Sciences
- Deakin University – Alfred Deakin Research Institute