

# Chapter 2

## Policy objectives and international commitments

2.1 This chapter will address the policy objectives of the Australian aid program and the international commitments Australia has made in relation to overseas aid and development assistance. In particular, it will examine changes to the objectives of Australia's aid program, Australia's contribution to international development programs, including achievement of the MDGs, and the role of Australian aid in developing sustainable development goals post-2015. As an Organisation for Economic Cooperation and Development (OECD) donor, the Australian Government is committed to the MDGs as the agreed international development targets. Australia is also a signatory to both the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action, which focus on improving coordination of donor effort and aligning donor programs with recipient government priorities

### Policy objectives

2.2 The importance of having a clear statement of the policy objectives of a national aid program is well-recognised. Lesson 1 of the OECD report on effective aid management identified a need for 'a clear, top-level statement of the purpose of development co-operation, whether in legislation or another form, that has wide ownership and can remain relevant for a sufficient period'.<sup>1</sup> Statements of policy objectives provide clarity, certainty and predictability across all government agencies and for partners, the Australian public and overseas communities. They also support alignment with other areas of government policy that impact on aid and development efforts such as trade, migration and investment.

2.3 The objectives of Australia's aid program have been stated a number of times. In the 2006 white paper on Australian aid, the outlined strategic framework 'centred on the objective of Australia's aid program...[t]o assist developing countries to reduce poverty and achieve sustainable development, in line with Australia's national interest'.<sup>2</sup> The Independent Review noted that much of the debate regarding the objectives of Australia's aid program has focused on 'how appropriate it is to link the aid program to the national interest' but concluded it was 'simplistic to argue that there is an inherent incompatibility between national interest and poverty reduction'. It stated:

The Review Panel agrees, indeed urges, that the fundamental objective of the program should be to reduce poverty. But it is unrealistic to expect the aid program would not be used to pursue Australia's other interests. Australia, like every nation, has legitimate and specific interests it needs to advance by helping developing countries. This is not wrong provided that

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1 OECD, *Effective Aid Management: Twelve Lessons from DAC Peers Reviews*, 2008, p. 4.

2 AusAID, *Australian Aid: Promoting Growth and Stability*, 2006, p. 5.

the activities undertaken are directed to assisting the poor and that there is a credible pathway to this fundamental goal.<sup>3</sup>

2.4 Drawing on the Independent Review's views, the previous government's *Comprehensive Aid Policy Framework* outlined:

The fundamental purpose of Australian Aid is to help people overcome poverty. This also serves Australia's national interest by promoting stability in our region and beyond. We focus our efforts on areas where Australia can make a difference and where our resources can most efficiently and effectively be deployed.<sup>4</sup>

2.5 Six months in, the Australian Government has yet to clarify how these objectives have changed. It appears that the objectives of Australia's aid program are still in the process of being developed. DFAT outlined in its submission that the 'Government's strategic direction, policy framework and priorities for Australia's bilateral, regional and global aid programs will be fully developed in the 2014-15 budget process'. It stated that this work would be guided by:

- a strong focus on Australia's geographic region;
- consolidating the aid program, geographically and by sector, to reduce fragmentation and improve value for money for the Australian taxpayer; and
- supporting those multilateral programs and organisations that are most efficient and effective and which contribute to development outcomes in Australia's geographic region.<sup>5</sup>

2.6 At the public hearing, the Secretary of DFAT, Mr Peter Varghese, clarified that 'poverty reduction remains a central objective of our aid program'. He noted that budget papers state that the purpose of 'the government's aid program is to promote Australia's national interests by contributing to international economic growth and poverty reduction' and highlighted that the Foreign Minister 'on numerous occasions in public speeches has reaffirmed the commitment to poverty reduction'.<sup>6</sup> Mr Varghese also expanded on the role of the aid program in Australia's broader national interests:

The stability of our region is fundamental to our national security, and, to the extent that poverty creates instability and uncertainty, anything which gets economies on an economic growth path is in our strategic interests. I think we have also important economic interests in living in a region which is growing economically, which is trading strongly and which is connected to the global economy, and the whole aid-for-trade framework is intended to reinforce those objectives. So, from the points of view of both foreign

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3 Independent Review, p. 105.

4 AusAID, *Helping the World's Poor through Effective Aid: Australia's Comprehensive Aid Policy Framework to 2015-16*, 2012, p. 8.

5 *Submission 17*, pp 3-4.

6 *Committee Hansard*, 21 February 2014, p. 64.

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policy and economic interest, the aid program has an important role to play. Doing the right thing is also always important, of course.<sup>7</sup>

2.7 During the inquiry, a number of witnesses and submissions argued there was a need for further clarity in relation to what has changed in the policy objectives of Australia's overseas aid program and how these objectives fit within the framework of Australia's broader foreign policy. In particular, many wished for a clearer emphasis on poverty reduction. For example, World Vision sought a 'renewed policy framework with a clear purpose for the aid program grounded in poverty alleviation as a core objective and focused on achieving the [MDGs]'.<sup>8</sup>

2.8 Similarly, Mr Marc Purcell from ACFID emphasised the need for 'some sort of overarching policy framework' for aid that would 'put flesh on the bones of the policy directions of economic growth and poverty alleviation'. ACFID argued 'the thrust of Australia's aid program in the future should be targeted to the bottom 40 per cent of developing countries' as well as those people who live just above the threshold of the poverty line and are vulnerable to back-sliding into poverty.<sup>9</sup> It suggested that an 'aid policy statement should also articulate why it is in Australia's national – as well as ethical - interest to alleviate poverty'. It quoted the then Foreign Minister, Alexander Downer in 1997:

[I]n an increasingly globalised world, it is in our self-interest to help. Not to do so would harm our own economy. By promoting growth in developing countries, the aid program helps foster stability and expands trade and investment opportunities for Australia. Through aid, we are also addressing many threats to our own prosperity, such as HIV/AIDs, illegal migration, refugee flows, global environment problems and narcotics. Many of these problems need to be dealt with at a global level and Australia must pull its weight internationally.<sup>10</sup>

2.9 A range of views regarding the appropriate policy objectives of the Australian aid program were also expressed. For example, IDC Australia considered it was timely for the government to articulate in detail its proposed revised aid policies and strategies. It identified the crucial question as 'how to efficiently deliver effective aid in a reduced funding environment'.<sup>11</sup> Others perceived a need for clarity to assist effective implementation of the aid program. For example, Mr Paul Kelly from Care Australia commented:

During this transition period we encourage the government to quickly address uncertainty about budget and program objectives. Effective aid requires a long-term horizon and predictable, consistent support, and

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7 *Committee Hansard*, 21 February 2014, p. 66.

8 Mr Andrew Johnson, World Vision, *Committee Hansard*, 21 February 2014, p. 15.

9 *Committee Hansard*, 21 February 2014, p. 23; *Submission 35*, p. 8.

10 ACFID, *Benchmarks for an Effective and Accountable Australian Aid Program*, January 2014, p. 5, tabled at the public hearing on 21 February 2014.

11 *Submission 42*, p. 3.

frequent shifts disrupt program implementation. Providing a clear policy framework for the aid program will allow partners to undertake planning and implementation with clarity of priorities.<sup>12</sup>

2.10 The Development Policy Centre noted that there is 'a range of other policy measures requiring clarification from the new government'. It recommended that the government 'should address them in a standalone policy statement or in the May budget statement, both through its articulation of the overall objective of the aid program and through its articulation of specific priorities'.<sup>13</sup>

2.11 The appropriate weighting of national interest considerations in the objectives of the aid program was also a key consideration. For example, Dr Karl Claxton from the Australian Strategic Policy Institute noted that the size of the aid budget was no longer 'small change' and considered it was important 'that ODA both promotes poverty reduction and the national interest...'.<sup>14</sup> He recommended a new foreign affairs and aid white paper be prepared 'to help government think its way through and articulate the agenda it wants to promote'.<sup>15</sup>

#### *Economic growth and aid for trade*

2.12 DFAT noted that the aid program would be guided by the government's priorities, which included:

(a) a strong contribution to building economic growth as an integral part of the Government's economic diplomacy agenda, including

- an increased role and funding for 'Aid for Trade', including to foster open trading systems and support developing countries' connections to value chains<sup>16</sup>

2.13 DFAT stated that Australia's national interests are served by an effective aid program which 'helps shape and accelerate global and regional economic growth and poverty reduction, including through opening up trade, encouraging investment and creating jobs'. Further it noted that '[e]conomic growth in our region also creates new markets for Australian goods and services'.<sup>17</sup>

2.14 The increased emphasis on economic growth and 'aid for trade' in the approach of the Australian aid program was highlighted in a number of submissions. Some noted that significant gains in poverty reduction have been achieved in regions where there has been sustained economic growth. For example, the Business Council of Australia indicated its support for the 'current government's stated aim for the aid

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12 *Committee Hansard*, 21 February 2014, p. 7.

13 *Submission 67*, p. 24; *Committee Hansard*, 21 February 2014, p. 49.

14 *Committee Hansard*, 21 February 2014, p. 50.

15 *Submission 62*, p. 1.

16 *Submission 17*, p. 4.

17 *Submission 17*, p. 3.

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program to prioritise the promotion of economic development, with a focus on aid for trade'.<sup>18</sup>

2.15 The Centre for Independent Studies pointed out that it was recognised that overseas aid 'is much less important for economic development than a country's domestic policies'. Accordingly, it recommended that Australia's strategic goals in the aid program should include 'the goal of encouraging and facilitating the domestic policy reforms [in developing countries] needed to enable economic growth'.<sup>19</sup>

2.16 Ms Melissa Wells from Save the Children stated:

We are fully supportive of aid for trade in the sense of not only the macro architecture [of] developing countries having more access to export markets but also at the micro level of connecting people into markets, whether it is through transport linkages or the cooperatives that enable them to get their goods to market.<sup>20</sup>

2.17 However, other witnesses and submitters set out their concerns regarding this change—particularly the risk that an increased focus on economic growth in the Australian aid program could increase inequality in developing countries. For example, Care Australia stated:

Economic growth is a necessary factor in poverty reduction and development, but it is not sufficient to ensure these outcomes. Growth without sustainability or equity entrenches poverty and vulnerability which creates the foundations for instability and conflict.<sup>21</sup>

2.18 Further, Mr Paul Kelly from Care Australia stated:

Achieving growth with equity requires deliberate action to improve the lives of the poorest 40 per cent of the population. These are the people who are missing out on the benefits of economic growth because they are not easily reached. They are remote, they are disadvantaged, they are marginalised and often they are women of ethnic minority and/or they are disabled.<sup>22</sup>

2.19 The perceived limitations of the approach were also highlighted. Dr Karl Claxton from ASPI noted that '[a]s much as we would like to help countries trade their way out of poverty, both in terms of saving lives and creating the conditions for them to develop economically so they can escape poverty, aid will remain important'.<sup>23</sup> Similarly, the Burnet Institute stated that while 'improvements in Fair Trade, strategic investments in economic growth industries and strengthened financial governance

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18 *Submission 5*, p. 1.

19 *Submission 11*, p. 4.

20 *Committee Hansard*, 21 February 2014, p. 11.

21 *Submission 24*, p. 4.

22 *Committee Hansard*, 21 February 2014, p. 7.

23 *Committee Hansard*, 21 February 2014, p. 53.

may lead to improved macro-economic indicators, they will not necessarily benefit the very poor'.<sup>24</sup>

2.20 In relation to people with disability, CBM Australia argued that '[e]conomic development does not necessarily lead to a reduction of poverty on an equal basis for all'. It noted that there is 'growing research that unless targeted support is included, people with disability may not always benefit from economic development and that "*the disparity between people with disability and the general population appears to increase with overall economic development...*".<sup>25</sup>

2.21 Concerns were also expressed that short term diplomatic or trade imperatives could override longer term aid and development priorities. The Development Policy Centre commented that it 'would be desirable to clarify in any policy statement that aid for trade is essentially about building partner countries' international trading capacity, and not about subsidising Australian exports'.<sup>26</sup> In relation to 'aid for trade', at the public hearing, Mr Varghese, the Secretary of DFAT, clarified:

[W]hen I talk about aid for trade I am not talking about using the aid program to advance the commercial interests of Australian companies; I am talking about the use of the aid program to strengthen the capacity of developing countries to participate in the global trading system, because the more they participate in the global trading system the more their economy will grow. So it is really building up the infrastructure for engaging in the global trading system.<sup>27</sup>

### ***Geographic focus***

2.22 The Office of Aid Effectiveness recently noted that '[g]eography plays a defining role in Australia's aid priorities and allocation decisions—more than for any other OECD donor'.<sup>28</sup> This fact was reflected during the inquiry as many linked the geographic focus of Australia's aid program with its overall policy objectives.

2.23 Minister Bishop's announcement of the revised aid budget 2013-14 stated the Australian aid program would be 'refocused on reducing poverty in the Indo-Pacific region'. DFAT defined the geographic priority for the Australian aid program, as 'the Indo-Pacific region, especially the South Pacific and South East Asia'.<sup>29</sup>

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24 *Submission 4*, p. 2.

25 *Submission 16*, p. 4 [emphasis in original].

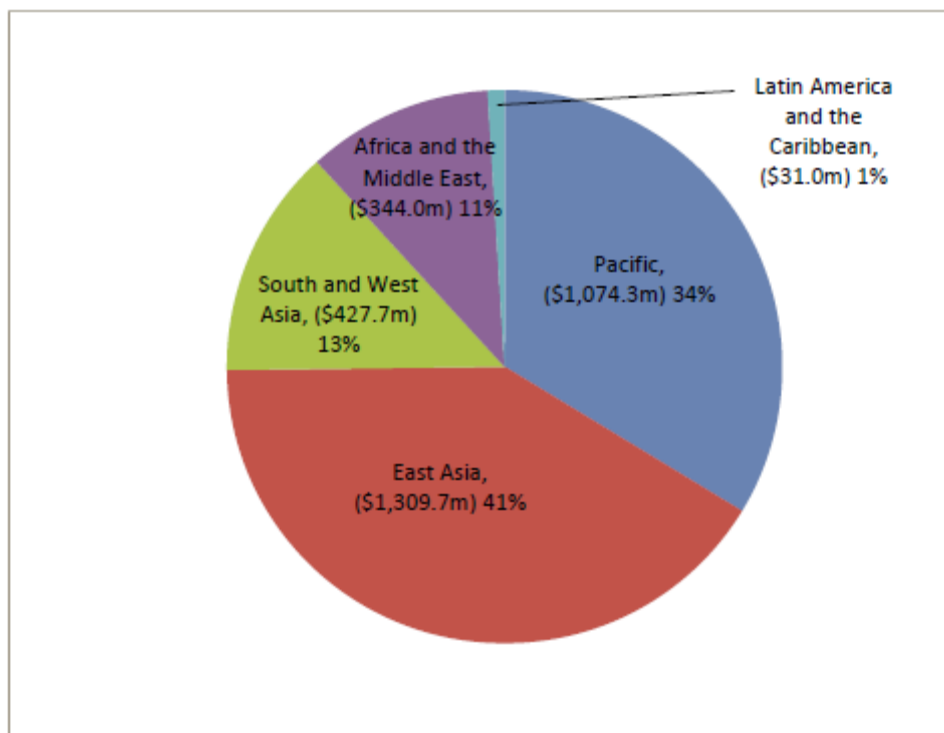
26 *Submission 67*, p. 21.

27 *Committee Hansard*, 21 February 2014, p. 66.

28 Office of Development Effectiveness, *Lessons from Australian Aid*, 2014, p. 3.

29 *Submission 17*, p. 1.

**Figure 1 - Region flows 2013-14**<sup>30</sup>



2.24 This was consistent with some of the recommendations of the Independent Review, but ignored the critical issues of continuing assistance to African countries. For example, Mr Paul O'Callaghan, representing the Church Agencies Network, characterised recent changes to the Australian aid program as moving from a global aid program approach to a 'New Zealand model' with a more limited aid program focusing on our immediate region. He urged the Australian Government 'to look at its forward plan for the next four years, starting with the May budget, to basically chart back into the territory that would be more reflective of Australia's historical position as a global player and a middle power'.<sup>31</sup>

2.25 Sir Richard Feachem, on the other hand, argued for 'a relentless focus on the Asia Pacific'.<sup>32</sup> Similarly, the Australia-PNG Business Council suggested it was a time for consolidation in the aid program. It stated 'there is no doubt that the extraordinary growth in the Australian development assistance expenditure in recent years, including its seemingly unrestrained expansion into parts of the globe far beyond the Asia Pacific, leaves considerable scope for adjustments'.<sup>33</sup>

<sup>30</sup> Extracted from DFAT, *Submission 17*, p. 16.

<sup>31</sup> *Committee Hansard*, 21 February 2014, p. 16.

<sup>32</sup> *Submission 2*, p. 3.

<sup>33</sup> *Submission 66*, p. 2.

2.26 Many expressed concern that despite the regional focus there was no rationale or explanation for the funding cuts made to the aid programs to many countries in the Pacific and Africa as well as fragile and conflict-affected countries.

### *Pacific*

2.27 The importance of Australian aid in the Pacific was highlighted in the ODE report *Lessons from Australian Aid*. It observed that '[r]oughly one-quarter of Australian aid goes to countries in the Pacific, providing around half of all aid received in the region. Australia is the largest bilateral donor in nine partner countries in the region and as the 'primary aid donor in many of these very poor countries, Australia is under pressure to deliver regardless of the partner government's performance'.<sup>34</sup> Australia has also agreed Partnerships for Development with a number of Pacific states which include mutually agreed targets, development priorities and measurable commitments.<sup>35</sup>

2.28 During the inquiry, the Pacific was recognised as one of the regions which had made the least progress toward the MDGs.<sup>36</sup> Despite this lack of progress, ACFID noted that the Pacific region had suffered a cut in the January reprioritisation. It noted that 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'.<sup>37</sup>

2.29 Sir Richard Feachem urged continued Australia support for the Pacific but also consideration of new approaches to aid. In the case of small Pacific Island nations, he argued special strategies and policies are needed:

For many of these countries, Australia is the only or predominant source of financial and technical assistance. They face unique challenges for which tailor-made solutions are required. [T]he guiding principle should be that if it hasn't worked well in the past, it should not be continued. The risk of trying bold new approaches is less than the risk of continuing with failed policies.<sup>38</sup>

### *Africa*

2.30 The Development Policy Centre noted that a large portion of the funding cuts announced on 18 January 2014 had been 'essentially achieved by cutting the allocation to Africa and the Middle East by almost 40 per cent relative to the 2012-13 allocation, from \$329 million to \$200 million'.<sup>39</sup>

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34 ODE, *Lessons from Australian Aid*, 2014, pp 3-4.

35 Australian Government, *Budget: Australia's International Development Assistance Program 2013-14*, p. 16.

36 *Submission 35*, p. 11.

37 *Submission 35*, p. 12.

38 *Submission 2*, p. 3.

39 *Submission 67*, p. 12.



2.31 A number of witnesses and submissions urged greater Australian aid spending in Africa. For example, Mr Ben Thurley from Micah Challenge noted that 'while the greatest number of poor people live in our immediate region, the absolutely poorest people on the planet live in sub-Saharan Africa'.<sup>40</sup> Similarly, the Church Agencies Network acknowledged the case for a geographic focus of Australian aid but nonetheless argued 'it is imperative to be engaged with the most poor and vulnerable and these people are mostly living in Africa'.<sup>41</sup> Mr Paul O'Callaghan, representing the Church Agencies Network, noted that other major aid donors were expanding their programs in that region and that Africa was an area where Australia had substantial interests:

We have 700 mining projects by Australian companies in Africa right now—220 companies...There is more than \$10 billion of two-way merchandise trade and the outlook is for six per cent growth on average for African countries in the next 10 years, according to the IMF. There are a billion people in Africa. We obviously have strong trade and investment interests there. Why would we be cutting that off completely?<sup>42</sup>

2.32 The Australian Trade and Development Group and the Institute for International Trade also highlighted Australia's economic interests in Africa. They pointed out there 'are other strategic reasons for maintaining close allies in Africa - on the trade front, on global security issues and most important of all, because of a long history of commitment to justice and poverty reduction on that continent for which Australia has a very strong reputation'.<sup>43</sup>

2.33 Mr Marc Purcell from ACFID considered that the eastern-seaboard Africa should be included in the 'Indo-Pacific' focus of Australia's aid program:

We believe that there is \$20 billion of Australian investment there, that there is a strong diaspora presence in Australia, and that there is significant poverty. And Australian money can be used effectively there in aid programs, whereas there is still a lot to do to achieve human development—that anglophone part of Africa from Kenya and downwards.<sup>44</sup>

#### *Fragile and conflicted affected regions*

2.34 Australia is 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.<sup>45</sup> The Australian Strategic Policy Institute noted the importance of Australian aid 'fostering development and

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40 *Committee Hansard*, 21 February 2014, p. 17.

41 *Submission 56*, p. 2.

42 *Committee Hansard*, 21 February 2014, pp 16-17.

43 *Submission 72*, p. 6.

44 *Committee Hansard*, 21 February 2014, p. 28.

45 ODE, *Lessons from Australian Aid*, 2014, pp 3-4.

mitigating deprivation in fragile states...' and providing niche contributions 'further afield'.<sup>46</sup> ACFID also commented:

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. 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.<sup>47</sup>

2.35 Afghanistan was a frequently mentioned fragile and conflict-affected region. As at the budget 2013-14 it was to receive \$151.5 million which was reduced to \$130.9 million in the revised budget. Concerns were expressed by witnesses about the scaling back of aid to Afghanistan and the impact of the cuts to post conflict development. Oxfam Australia noted:

Australia has made generous and strategic long-term funding and capacity building commitments to the Government of Afghanistan. As international forces complete their withdrawal from Afghanistan, meeting these commitments will be essential to sustain many of the development gains Australia has contributed to over the past decade, and to avoiding unintended negative consequences.<sup>48</sup>

2.36 Oxfam Australia made the point that if Australia did not meet its commitments under the Tokyo Mutual Accountability Framework it could undermine the international community's leverage with the Afghan Government to support key development outcomes.<sup>49</sup> TEAR Australia also noted that '\$20.6 million in cuts or deferrals to the aid budget for Afghanistan comes at a time when the country is in an extremely vulnerable position...'.<sup>50</sup> In contrast, the Centre for Independent Studies recommended that 'Australia's ODA in Afghanistan be scaled back dramatically in light of increasing instability and violence and the absence of a viable long-term international commitment to security'. It stated 'the particularly precarious and deteriorating security environment in Afghanistan suggests that Australia's ODA will be used neither efficiently nor effectively there'.<sup>51</sup>

### **International obligations**

2.37 Australia is a signatory to a number of significant international agreements. The commitment to these international obligations and Australia's role in supporting the rights upheld by these conventions are principles which underpin the aid program. This framework of international obligations includes:

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46 *Submission 62*, pp 6-7.

47 *Submission 35*, p. 13.

48 *Submission 65*, p. 64, p. 7.

49 *Submission 64*, p. 19.

50 *Submission 57*, p. 5.

51 *Submission 11*, p. 5.

- the Universal Declaration of Human Rights;
- the International Covenant on Civil and Political Rights;
- the Convention on the Elimination of All Forms of Discrimination Against Women;
- the Convention on the Rights of Persons with Disabilities;
- the United Nations Framework Convention on Climate Change; and
- the Convention of the Rights of the Child.

2.38 During the inquiry a number of these international obligations were highlighted by witnesses and submitters.<sup>52</sup> In particular, the Australian Lawyers for Human Rights emphasised Australia's broader 'obligation to assist' foreign countries in terms of human rights and development.<sup>53</sup> Others expressed concern about the impact of climate change, and that cuts to those programs and international commitments could be interpreted as an abrogation of Australia responsibilities under the United Nations Framework Convention on Climate Change.<sup>54</sup> The Law Council of Australia observed that Australia's international obligations arose from multiple sources including 'treaties; membership of international organisations; and bilateral and multilateral agreements for trade, aid and development, security and law enforcement'. It stated:

Critically none of the reviews of Australia's aid effectiveness or government policy statements since 2006 have considered the full gamut of these commitments and whether they impact on the delivery of Australia's ODA. The Law Council submits that a comprehensive review of Australia's aid and development obligations should be undertaken to inform future ODA policy development.<sup>55</sup>

2.39 However, in considering Australia's international obligations in relation to the overseas aid program most submitters and witnesses focused on two: the commitment to achieve the Millennium Development Goals by 2015; and the UN commitment for donor countries to reach 0.7 per cent of ODA/GNI.

### ***Millennium Development Goals***

2.40 The Millennium Development Goals (MDGs) are a set of development targets with the overall objective of reducing poverty and increasing living standards worldwide by 2015. In 2000, Australia was one of the 189 countries who committed to achieve the MDGs.<sup>56</sup> There are eight MDGs with a number of targets and

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52 For example, ActionAid, *Submission 45*, p. 5; Australian Lawyers for Human Rights, *Submission 63*, p. 1.

53 *Submission 63*, p. 2.

54 For example, United Nations Association of Australia, *Submission 23*, p. 3.

55 *Submission 73*, p. 2.

56 Independent Review, p. 5.

associated measurable health, social and economic indicators for each goal. The MDGs are:

- Goal 1 - Eradicating extreme poverty and hunger.
- Goal 2 - Achieving universal primary education.
- Goal 3 - Promoting gender equality and empowering women.
- Goal 4 - Reducing child mortality rates.
- Goal 5 - Improving maternal health.
- Goal 6 - Combating HIV/AIDS, malaria, and other diseases.
- Goal 7 - Ensuring environmental sustainability.
- Goal 8 - Developing a global partnership for development.

2.41 The United Nations report on the MDGs for 2013 highlighted that several MDGs have been reached or are close to being achieved. For example, the extreme poverty reduction target was considered to be met five years ahead of schedule. However, the UN report also identified that accelerated progress was needed in relation to a large number of MDGs. For example, the number of children out of school declined by almost half between 2000 and 2011, but progress has slowed meaning that the target of universal primary education is unlikely to be achieved by 2015.<sup>57</sup> Similarly, the mortality rate for children under five dropped 41 per cent between 1990 and 2011, but 'rapid progress is needed to meet the 2015 target of a two-thirds reduction'.<sup>58</sup>

2.42 Progress towards the MDGs is also frequently described as 'uneven' both among and within countries. While countries such as China, India and Brazil have made significant progress in achieving many of the MDGs, countries in regions such as Sub-Saharan Africa have not been as successful. For example, the percentage of people living on less than \$1.25 per day only fell from 56 per cent to 48 per cent between 1990 and 2010 in Sub-Saharan Africa.<sup>59</sup>

2.43 The MDG Gap Task Force report for 2012 noted that while each previous annual report had tracked additional progress toward the MDGs, its assessment of recent progress was 'sobering'. It stated that the 'Task Force has had difficulty identifying areas of significant new progress and for the first time there are signs of backsliding. With no apparent commitment by national governments to 'reverse' this change, the Task Force concluded that 'fewer MDGs will be reached in fewer countries as a result' by 2015.<sup>60</sup>

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57 United Nations, *The Millennium Development Goals report 2013*, p. 4.

58 United Nations, *The Millennium Development Goals report 2013*, p. 24.

59 United Nations, *The Millennium Development Goals report 2013*, p. 6.

60 MDG Gap Task Force, 'The Global Partnership for Development: Making Rhetoric a Reality', *Report 2012*, p. xi.

2.44 Progress towards the MDGs in Australia's region has also been described as 'uneven'. For example, the AusAID *Annual report 2012-13* noted:

Cook Islands, Niue, Samoa and Tonga have recorded impressive gains in improving maternal health, achieving universal primary education, promoting gender equality and eradicating extreme hunger and poverty. However progress has been uneven at best in Papua New Guinea, Solomon Islands, Vanuatu and Fiji, and Papua New Guinea is unlikely to achieve any of the Millennium Development Goals by 2015.<sup>61</sup>

2.45 Nonetheless, the *Annual Review of Aid Effectiveness 2011-12* concluded that Australia's aid program had made 'a major contribution towards the achievement of the Millennium Development Goals in our region and across the world'. It noted:

Education remains our flagship program, acknowledging the work still needed to meet MDG 2—achieve universal primary education. We have also invested heavily in health, gender and food security to address other lagging goals.<sup>62</sup>

### *Post-2015 Agenda*

2.46 In July 2012, the UN Secretary-General Ban Ki-moon convened a panel of eminent persons, including President Susilo Bambang Yudhoyono and Prime Minister David Cameron, to make recommendations on the vision and shape of the development agenda post-2015. The report of the High-Level Panel of Eminent Persons on the Post-2015 Development Agenda, released in May 2013, identified that the future development agenda to 2030 needed to be driven by 'five transformative shifts'. These were:

1. Leave no one behind.
2. Put sustainable development at the core.
3. Transform economies for jobs and incentives.
4. Build peace and effective, open and accountable institutions for all.
5. Forge a new global partnership.<sup>63</sup>

2.47 The Post-2015 Development Agenda report was responded to by Australia at a special event in 2013 to follow up efforts made towards achieving the MDGs. In a statement, the Foreign Minister, the Hon Julie Bishop MP, reaffirmed Australia's commitment to the MDGs and highlighted the positive contribution of the private sector and trade in reducing poverty. She commented that 'the new framework needs to take account of the barriers of development – poor governance, insecurity and

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61 AusAID, *Annual report 2012-13*, p. 36.

62 AusAID, *Annual Review of Aid Effectiveness 2011-12*, 2013, p. 17.

63 United Nations, 'A New Global Partnership: Eradicate Poverty and Transform Economies Through Sustainable Development', Report of the High-Level Panel of Eminent Persons on the Post-2015 Development Agenda, 2013, pp.7-12.

instability'. She emphasised that 'economic transformation and job creation, as well as sound institutions and peaceful societies, must be core to the post 2015 agenda'.<sup>64</sup>

2.48 A large number of submissions, many from aid-related NGOs, argued that Australia needed to do more to achieve the MDGs.<sup>65</sup> Some submissions noted that international discussions were in progress to resolve what policy agenda should follow the MDGs post-2015. ACFID stated:

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 sustainability, disaster risk reduction, disability, and indigenous peoples; and includes important new focus areas such as peace and security, and governance.<sup>66</sup>

2.49 The ACTU/APHEDA submission supported a continued focus on 'full employment and decent work for all'. It commented:

More generally, we believe the Australian government should be advocating for the development of strong and focused actionable global goals with clear and time-bound targets and adequate indicators. The focus of targets and indicators should be on outcomes – both quantitative and qualitative – rather than outputs.<sup>67</sup>

2.50 Vision 2020 observed that recent cuts to aid funding could reduce Australia's potential influence on post-2015 development agenda discussions. It noted:

To date, Australia has been a key player in discussions to ensure that the new agenda is broadened, but also practical for current and future challenges in Asia and the Pacific. Promoting the inclusion of action on non-communicable diseases and people with disability are two examples that demonstrate Australia's influence.<sup>68</sup>

## Official development assistance

2.51 The target of raising official development assistance (ODA) to 0.7 per cent of donor countries' gross national income (GNI) (originally gross domestic product), was first agreed at the UN General Assembly in 1970 and has been repeatedly endorsed at

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64 Statement by the Hon Julie Bishop MP, Minister for Foreign Affairs, Special Event to follow up efforts made towards achieving the Millennium Development Goals, 25 September 2013, available at [http://www.un.org/millenniumgoals/pdf/Australia\\_GA\\_Spec\\_Event\\_25Sept13.pdf](http://www.un.org/millenniumgoals/pdf/Australia_GA_Spec_Event_25Sept13.pdf) (accessed 3 February 2014).

65 For example, Oaktree, *Submission 8*, pp 2-3.

66 *Submission 35*, p. 12.

67 *Submission 38*, p. 11.

68 *Submission 15*, p. 6.

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subsequent high level international aid and development conferences.<sup>69</sup> While the 0.7 per cent of GNI target has been widely supported, the United States has stated that, while countries should make their best efforts to increase ODA, it did not subscribe to 'specific targets or dates'.<sup>70</sup>

2.52 In 2012, net ODA from developed countries stood at US\$125.6 billion, representing 0.29 per cent of donors' countries combined GNI.<sup>71</sup> This is a 4 per cent drop in real terms from 2011, which was 2 per cent below the 2010 level. The UN report on progress toward the MDG attributes this recent decline to 'the economic and financial crisis and euro zone turmoil, which have led many governments to implement austerity measures and reduce their aid budgets'.<sup>72</sup>

2.53 As previously noted, in 2012–13, it was estimated AusAID provided \$4.314 billion in ODA. Assistance delivered by more than 20 other government agencies brought total Australian ODA to an estimated \$5.149 billion, or an estimated 0.35 per cent of GNI.<sup>73</sup> The submission from the Treasury outlined how Australia's aid program has expanded significantly over the past three decades. It noted that 'Australia's ODA in real terms has increased every year since 2001-02, with an average real increase of 6.5 per cent over the 12 year period, compared to an average increase of 2.8 per cent over the last 30 years'.<sup>74</sup> However, it stated that 'Australia's ODA fell as a proportion of GNI over much of the past three decades as a result of a growing real economy'.

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69 Organisation for Cooperation Economic Development, 'The 0.7% ODA/GNUI target – a history', available at: <http://www.oecd.org/dac/stats/the07odagnitarget-ahistory.htm> (accessed 13 September 2013).

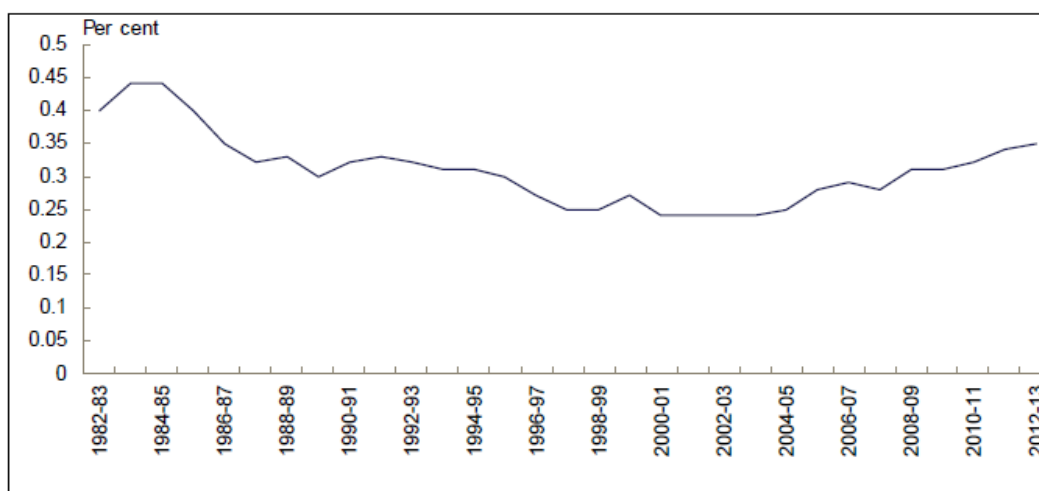
70 Organisation for Cooperation Economic Development 'History of the 0.7% ODA Target', *OECD Journal on Development*, 2002, 4(3), p. III-10.

71 United Nations, *The Millennium Development Goals report 2013*, p. 52.

72 United Nations, *The Millennium Development Goals report 2013*, p. 52.

73 AusAID, *Annual report 2012-13*, p. 217.

74 *Submission 21*, p. 5.

**Figure 2 – ODA/GNI ratio (per cent)**<sup>75</sup>

2.54 Further, Treasury indicated that the Mid-Year Economic and Fiscal Outlook showed 'a significant deterioration in the fiscal outlook across the forward estimates and the medium term' showing that the budget will remain in deficit for each year to 2023-24. It noted that:

The Government has committed to returning the budget to sustainable surpluses that build to at least 1 per cent of GDP by 2023-24. Given the sustained pressure on the budget over the forward estimates and beyond, the Government will be required to carefully evaluate expenditure priorities in order to meet this commitment.<sup>76</sup>

2.55 Treasury also suggested there were potential problems with the use of the ODA/GNI targets. It argued that 'determining the ODA budget by targeting a specific percentage of GNI also presents some difficulties with respect to budgeting'. Treasury pointed out that '[b]y targeting a specific percentage of GNI, governments must find sufficient proposals to meet the funding envelope in any given year, rather than funding proposals on their merits'.<sup>77</sup>

2.56 Mr Robin Davies from the Development Policy Centre also provided some analysis of the announced changes to aid funding:

Australia was the eighth-largest OECD donor in 2012 (the last year for which comparative data are available), rising toward sixth-largest with projected budget growth. Given an aid budget of \$5 billion this year and into the future, Australia is likely to sit at about ninth...At the time of the 2013-14 budget, Australia's aid-to-GNI ratio was expected to be 0.37 per cent. It will now fall to 0.33 per cent and probably stabilise at 0.32 per cent or so for the next several years. Australia's ODA/GNI ranking, thirteenth in

<sup>75</sup> Extracted from Treasury, *Submission 21*, p. 6.

<sup>76</sup> *Submission 21*, p. 11.

<sup>77</sup> *Submission 21*, p. 15.



2012, is fairly secure even after the recent cuts—but only because no country below us is close... Thus at present Australia's reduced aid effort is roughly commensurate with its standing among world economies, but not more than that.<sup>78</sup>

### *Appropriate level of ODA funding*

2.57 The majority of submissions highlighted that while there was bipartisan support for a commitment for Australia to reach 0.5 per cent of ODA/GNI, there did not appear to be a clear path to achieve this level of funding. ACFID, and many others, wished to see a 'clear timetable' for Australia to lift its aid levels to 0.5'.<sup>79</sup> For example, Save the Children recommended setting out a firm plan to increase foreign aid to 0.5 per cent of GNI 'to ensure that Australia is well positioned to benefit from the increased importance of the Asian region globally and to cost effectively mitigate the risks associated with instability in our region'.<sup>80</sup> Similarly, Childfund called on 'the Government and Opposition to establish concrete dates to honour the commitment to contribute 0.5% of GNI to overseas development assistance'.<sup>81</sup>

2.58 Several submissions reminded the committee that the UN target of 0.7 per cent of ODA/GNI has already been achieved by some other developed countries such as the United Kingdom. For example, the Australian Christian Lobby pointed out that despite the economic downturn in Europe, five European countries have reached and surpassed the 0.7 per cent target.<sup>82</sup>

2.59 In this context, Mr Paul Kelly from Care Australia stated:

[R]esetting the aid budget at \$5 billion sets the GNI-ODA ratio in the low 0.30s, amongst the middle of the pack. This profile we build does not match the ambition seen elsewhere in the Australian government's foreign policy. We feel that Australia can afford to be more generous and we have learnt elsewhere that reducing aid now risks paying more in the future and for longer.<sup>83</sup>

2.60 The Business Council of Australia highlighted that Australia's aid program represents a significant investment of federal revenue, noting that Australia is the 'eighth largest aid donor in the OECD in absolute dollar terms, and the 13th largest as a share of gross national income (GNI)'. It supported an aid program that was aligned with the government's commitment to fiscal restraint in the current budget context.<sup>84</sup>

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78 Robin Davies, 'Australia's overseas aid program: a post-surgical stocktake', *DevPolicyBlog*, 3 February 2014, available at: <http://devpolicy.org/australias-overseas-aid-program-a-post-surgical-stocktake-20140203/> (accessed 3 February 2014).

79 Mr Marc Purcell, ACFID, *Committee Hansard*, 21 February 2014, p. 29.

80 *Submission 36*, p. 3.

81 *Submission 7*, p. 3.

82 *Submission 69*, p. 2.

83 *Committee Hansard*, 21 February 2014, p. 7.

84 *Submission 5*, p. 2.

2.61 An alternative view was provided by the Development Policy Centre which recommended:

In line with its continued commitment to a 0.5 per cent ODA/GNI target, and to maintain Australia's generosity while recognizing the federal deficit reduction imperative, the Government should adopt the target of keeping constant the current ODA/GNI ratio of 0.33 per cent. This would require increasing aid volumes at an average amount of \$300 million per year over the next four years, rather than the \$100 million required to adjust aid only in line with inflation.<sup>85</sup>

## **Committee view**

### ***Setting the direction of the Australian aid program***

2.62 The Comprehensive Aid Policy Framework to 2015-16 (CAPF) sets out a four year strategy for aid policy commitments, including the methodology for assessing progress, clear benchmark expectations and progress thresholds to take Australia beyond the 2015 MDG program. This comprehensive framework has provided clarity and certainty for other countries, Australian government agencies, private sector partners and participating NGOs. The government has not identified any policy failures within this framework, which was developed in response to recommendation 24 of the Independent Review:

The government should develop and implement a Cabinet-endorsed Four-Year Strategy for the entire aid program for policy and funding clarity.

2.63 The Independent Review noted:

Having no comprehensive policy statement creates problems. It risks a scattered effort. And it makes assessing the overall effectiveness of Australia's aid program more difficult.<sup>86</sup>

2.64 The committee considers that the Australian Government needs to identify any failings in the Comprehensive Aid Policy Framework (CAPF) and clarify how its strategic policy framework will differ. This is a critical factor in providing clarity and certainty about the direction and rationale for the cuts to the aid budget, and how those cuts reflected a shift in Australia's aid policy. Like many submitters and witnesses to the inquiry, the committee was disappointed by the lack of a detailed rationale for the funding cuts imposed on the aid program in January 2014.

2.65 Submitters and witnesses also noted the previous government's CAFP as an example of a four-year plan for how, why and where Australian aid will be spent and the intended results that will be achieved with that investment. Witnesses also sought clarification on the status of the action plans outlined in the CAPF as well as shifts in priorities and focus. This underlined the current absence of strategic clarity in the Australian Government's approach to the aid program.

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85 *Submission 67*, p. 3.

86 *Independent Review*, p. 72.

2.66 It is clear that Australia's aid program is in a period of transition. Significant funding deferrals and recent cuts will change the profile and outlook of Australia as a major donor. In this context, the committee considers there is also merit in a white paper process to provide a long term strategic framework to guide the direction and delivery of Australia's overseas aid program over the next decade. The last white paper on overseas aid was released in 2006.<sup>87</sup>

### **Recommendation 1**

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

### **Recommendation 2**

**2.68 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.**

#### ***A pathway to 0.5 per cent ODA/GNI***

2.69 The quality of aid programs is critical, but the quantity of funding to support these programs is just as important to achieve outcomes. Underlying much of the evidence the committee received was frustration that the aid budget increases had been repeatedly deferred or reallocated. The importance of predictability and certainty in aid funding for stakeholders was consistently highlighted.<sup>88</sup> However, while there remains a bipartisan commitment to increase Australia's annual aid funding to 0.5 per cent of GNI, the Australian Government has not indicated a date it intends to reach this target.<sup>89</sup>

2.70 The committee urges the development of a clear pathway to reach the 0.5 per cent ODA/GNI level of aid funding, noting that other comparable developed countries have already reached the UN target of 0.7 per cent of GNI in their overseas aid programs. Any changes to achieve the 0.5 per cent overseas aid funding level should continue to be viewed as only a 'stepping stone' to reach the preferred target of 0.7 per cent.

2.71 The committee considers that returning a level of stability to overseas aid funding is vital. In this context, the Australian Government's commitment to annually increase aid funding by CPI is welcome. However, the Australian Government should ensure that the funding for overseas aid does not fall over time. Therefore it is the view of the committee that the 0.33 ODA/GNI ratio should be viewed as the base level of funding for the Australian aid program into the future.

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87 AusAID, 'Australian Aid: Promoting Growth and Stability', April 2006.

88 For example, Mr Paul O'Callaghan, Church Agencies Network, *Committee Hansard*, 21 February 2014, p. 21.

89 Mr Peter Varghese, Senate Foreign Affairs, Defence and Trade Legislation Committee, Additional Estimates, *Committee Hansard*, 27 February 2014, p. 76.

2.72 In the medium term, the committee considers that gradual increases to the aid budget should be made to reach the 0.5 per cent of GNI funding goal. The most effective mechanism to ensure this occurs would be a bipartisan agreement to support and implement gradual increases in Australia's aid program for the next decade to reach the 0.5 per cent target. Once the pathway is agreed, it should be incorporated into the Australian Government's strategic framework for aid.

2.73 As far as possible, future increases in the total funding for Australia's aid program should be depoliticised. While different aid and international development priorities may be supported by the different political parties, the preferred level of contribution by Australia is not in dispute. In the view of the committee, it is not unreasonable for a bipartisan public compact to be agreed for overseas aid funding to gradually increase to the target level within the next decade.

### **Recommendation 3**

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

### **Recommendation 4**

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

### **Recommendation 5**

**2.76 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.**

### ***Post-2015 development agenda engagement***

2.77 DFAT has stated that Australia is actively contributing to the setting of the post-2015 development agenda. As a non-permanent member of the UN Security Council and host of G20 2014, Australia is in a good position to make its voice heard on the priorities of the development agenda post-2015. In December 2012, Australia became co-chair of the G20 Development Working Group. Australia will also have a leadership opportunity in promoting food security issues as World Food Programme Executive Board Vice President and President in 2014 and 2015 respectively.<sup>90</sup>

2.78 DFAT has noted that the integration with AusAID will provide the opportunity to bring 'the full weight of Australia's diplomatic resources to support development objectives'.<sup>91</sup> The committee considers this is a key opportunity where the alignment of Australia's diplomatic resources and development priorities should be fully exploited. In particular, Australia, in consultation with its development partners, should be highlighting issues critical for developing countries in the Asia Pacific region in the post-2015 development agenda discussions.

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90 World Food Programme, *Submission 6*, p. 2.

91 *Submission 17*, p. 6.

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## **Recommendation 6**

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

### *Regionally focused and globally committed*

2.80 Throughout the inquiry there was a broad consensus that Australia's aid program should continue to focus geographically on the Asia Pacific. The vast majority of Australia's nearest neighbours are developing countries including several which have not achieved substantial progress towards the MDGs. Australia will continue to have a special responsibility and interest in supporting development and reducing poverty in its immediate region. However, the committee is concerned that recent aid funding cuts appear to be reducing engagement within the Pacific countries, as well as drawing back from providing international development assistance in Africa.

2.81 Given the Australian Government's stated intent to refocus on 'reducing poverty in the Indo-Pacific region', in the view of the committee, it was counterproductive for the revised aid budget for 2013-14 to include substantial cuts to many of the smaller countries of the Pacific. Due to its close proximity, the welfare and stability of the Pacific is clearly in the national interest of Australia. Australia is the leading donor across the Pacific region and accounts for more than half of overseas aid to the region. The committee considers that Australia's reputation as a responsible donor is closely linked to its capacity to encourage and support development in the Pacific. The committee urges the Australian Government to reverse these funding cuts in the 2014-15 aid budget and to renew its commitment to supporting development for all the nations of the Pacific.

2.82 It is also important for Australia to continue its development engagement with Africa. In 2011, the Independent Review recommended a 'high expansion' of Australian aid to Sub-Saharan Africa and proposed that Australia should commit to join the African Development Bank (AfDB). The committee agrees that '[j]oining the AfDB would represent value for money and be a high-level indication of Australia's commitment to development in Africa'.<sup>92</sup>

2.83 The overarching objective of the AfDB is to spur sustainable economic development and social progress in Africa, and thus contribute to poverty reduction. Legislation to enable Australia's membership of the AfDB lapsed at the dissolution of the last Parliament. In joining the AfDB, Australia would be making a clear statement regarding its commitment to development in Africa and would join other comparable donor countries which already have membership of the AfDB.

## **Recommendation 7**

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

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92 Independent Review, p. 12.

**Recommendation 8**

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