

Chapter 6

Conclusion

Introduction

6.1 Australians can be justifiably proud of the achievements of the Australian aid program. As was noted during the committee's public hearing, 'we are not starting from a low point'. Australia's aid program is highly regarded internationally and has recently been positively reviewed by OECD DAC. The aid program has made a significant contribution to efforts to achieve the Millennium Development Goals (MDGs).

6.2 However, Australia can do more. Australia has a responsibility as a successful and wealthy nation to continue to provide leadership in promoting assistance to communities in developing countries. Assisting the world's poorest to break out of extreme poverty should be the primary objective of Australia's aid program. In the coming years, the committee hopes to see a more bipartisan approach taken to Australia's aid program. Overseas aid should not be viewed as a 'political football' and the aid budget should not be utilised for short-term financial or political reasons.

6.3 It is clear that Australia's aid program is in a period of transition. In accordance with Australia's broad international obligations to increase ODA to 0.7 per cent of GNI and to achieve the MDGs the aid program has had a long period of growth. However, deferrals of funding increases to reach the bipartisan target of reaching 0.5 per cent of ODA/GNI, recent cuts and the Australian Government's announced CPI indexation of the aid budget will significantly impact the profile of Australia's aid program. Administratively, the integration of AusAID into DFAT will also cause a level of disruption and uncertainty within the aid program.

6.4 The committee has attempted to take a realistic and pragmatic approach to the consideration of the funding cuts to Australia's aid program. In this time of change, it has not sought to recommend dramatic reforms or the complete reversal of announced policies. However, it has identified a number of specific matters which should be improved by the Australian Government. In particular, it has sought to preserve aspects of the aid program which are vital to its effectiveness and will be necessary to meet Australia's international obligations regarding development assistance in the future.

6.5 A summary of the committee's views and recommendations is below.

Summary of committee views and recommendations

6.6 A lack of strategic clarity in the Australian Government's approach to Australia's aid program was evident during the inquiry. Accordingly, the committee considers that the Australia Government should restate its policy objectives for the Australian aid program with poverty reduction as the primary consideration. Further, the Australian Government needs to more fully articulate its aid policy framework and outline how its policy objectives will link to programs and funding. Given the recent changes to the funding and profile of the Australian aid program and international

discussions concerning the post-2015 development agenda, the committee also recommends that a white paper process be undertaken to provide a long term strategic framework to guide the direction and delivery of Australia's overseas aid program over the next decade.

Recommendation 1

6.7 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

6.8 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.

6.9 Due to fiscal pressures, increases to the aid budget necessary to reach the 0.5 per cent of GNI have been deferred. 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.

6.10 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. Further, the Australian Government should ensure that the funding for aid does not fall over time. In the view of the committee, the 0.33 ODA/GNI ratio should be viewed as the base level of funding for the Australian aid program into the future.

6.11 Finally, the committee considers there is a need for a renewed bipartisan commitment to reach the 0.5 per cent of GNI target by a set date. The most effective mechanism to ensure this occurs would be an agreement between the Minister of Foreign Affairs and her counterpart to support and implement gradual increases in Australia's aid program for the next decade to reach the 0.5 per cent target.

Recommendation 3

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

Recommendation 4

6.13 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

6.14 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.

6.15 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. 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.

Recommendation 6

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

6.17 Given the Australian Government's stated intent to refocus the aid program 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. 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 in the Pacific.

6.18 It is also important for Australia to continue its development engagement with Africa. In this context, the committee considers that Australia should join the African Development Bank. Joining the African Development Bank would represent value-for-money and be a high-level indication of Australia's commitment to development in Africa.

Recommendation 7

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

Recommendation 8

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

6.21 The modest amount of the funding invested by the Australian Government in the Medical Research Strategy has delivered a high-level return through product development partnerships. In the view of the committee, additional funding should be made available to the Medical Research Strategy in the coming years. Further, there should be a broader remit to conduct research and a continued focus on product development partnerships. Better coordination across key agencies should also be provided by establishing an interdepartmental taskforce.

Recommendation 9

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

Recommendation 10

6.23 The committee recommends that the Medical Research Strategy should:

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

Recommendation 11

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

6.25 The committee welcomes the Australian Government's continued focus on gender inequality through the overseas aid program, in particular the appointment of Ambassador for Women and Girls, Ms Natasha Stott Despoja. However, the committee also recognises the concerns expressed during the inquiry regarding the difficulties of tracking support for gender issues within the aid program and considers this could be an area of reform.

Recommendation 12

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

6.27 The committee was disappointed that the funding cuts imposed in January affected aid programs focused on mitigating the effects of climate change on developing countries and for environmental protection. Given that countries in the Asia Pacific are some of the most vulnerable to climate change, continuing support to enable developing countries to tackle this issue is critical to Australia's and the region's future.

Recommendation 13

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

6.29 Many submissions and witnesses singled out humanitarian aid as a priority area where aid funding allocations should be protected. Given that the Asia Pacific is a region prone to natural disasters, the committee also considers this is a component of the aid program which should be appropriately resourced.

Recommendation 14

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

6.31 The committee considers that the channels for the delivery of overseas aid should be context specific. Australian aid should always be allocated to the most effective mechanism for delivery rather than preferentially. However, the committee wishes to address two issues to support the effective delivery of Australia's aid program: innovation in aid delivery and procurement for the aid program.

6.32 The committee considers that additional funding should be made available to re-establish the 'AusAID NGO Cooperation Program Innovation Fund' to promote innovative practices and to improve the effectiveness of aid delivery in the NGO sector.

6.33 Further, the committee notes that the US Agency for International Development and UK Department for International Development have established a Global Development Innovation Ventures (GDIV) initiative. The committee considers that this initiative to develop innovative solutions to 'intractable development challenges' should also be supported by Australia. The committee notes that Minister Bishop has recently undertaken to join GDIV.

6.34 The committee also was concerned to receive evidence during the inquiry that the market for the procurement of technical services for the aid program may be unbalanced or overly restricted. This matter should be independently reviewed.

Recommendation 15

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

Recommendation 16

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

Recommendation 17

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

6.38 There is a risk that DFAT, through the integration process, will lose the key skills, procedures and specialist staff needed to effectively administer Australia's aid program. The committee considers that an independent audit/review of DFAT's capabilities should be undertaken following the conclusion of the integration process to ensure the aid program continues to be delivered effectively.

Recommendation 18

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

6.40 The committee considers that changing the name of the Department of Foreign Affairs and Trade to reflect its additional responsibilities for overseas aid and development assistance would assist in preserving the distinct identity of the Australian aid program.

Recommendation 19

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

6.42 The committee considers that, as far as possible, information about Australia's aid program should be made publicly accessible in a timely manner. In this context, the committee considers that DFAT should recommit to the Transparency Charter and continue to work to increase the volume of information publicly available regarding Australia's aid program.

Recommendation 20

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

6.44 Appropriate performance benchmarks have the potential to improve the effectiveness of Australia's overseas aid. However, it is vital that any benchmarks for aid are applied consistently across all government agencies which provide overseas aid and are consistent with OECD DAC guidelines for ODA. The committee urges the Australian Government to continue its close consultation with the aid sector in the development of the proposed benchmarks.

Recommendation 21

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

Recommendation 22

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

6.47 A reduction of around \$650 million in the revised budget update from aid funding in the 2013-14 budget will clearly have a significant impact on aid outcomes in developing countries. The committee was concerned by the lack of detail from DFAT regarding the rationale for the funding cuts and any assessment of the impact of the cuts in developing countries. In the view of the committee, DFAT should expedite its discussions with developing countries and other partners regarding how these funding cuts will be implemented to provide all stakeholders with certainty.

6.48 The importance of predictable and reliable aid funding for the effective delivery of overseas aid was repeatedly and consistently raised during the inquiry. In this context, the committee is concerned that the uncertainty created by mid-year cuts to aid funding will have broader implications for international development outcomes beyond the immediate impact on the programs affected. In the view of the committee, the Australian Government should seek to minimise the uncertainty imposed on other development partners in aid funding reprioritisations.

Recommendation 23

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

Recommendation 24

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

**Senator the Hon Ursula Stephens
Chair**

