

Dissenting report by Coalition Senators

1.1 Coalition Senators welcome the steps taken by the Australian Government to stabilise the aid budget at approximately \$5 billion, increasing by the consumer price index.

1.2 At approximately \$5 billion per annum, Australia is one of the ten largest bilateral donors in the OECD.

1.3 The Coalition went to the 2013 election with a mandate to stabilise the budget. We note the decision to reduce the rate of growth in aid spending is a consequence of the deteriorating budgetary situation caused by the former Labor Government.

1.4 As described in the Mid-Year Economic and Fiscal Outlook 2013-14:

The budget position has deteriorated significantly since the 2013 Pre-Election Economic and Fiscal Outlook (PEFO).

Budget deficits totalling \$123 billion are now expected across the forward estimates, with a \$47 billion deficit expected in 2013-14 — 3.0 per cent of Gross Domestic Product (GDP).

Without policy change and taking no remedial action, budget deficits would be projected in each and every year to 2023-24.¹

1.5 The Australian Government's commitment to deliver an aid program that is both predictable and affordable stands in contrast to the approach taken by the former Labor Government.

1.6 In its submission to the inquiry, Treasury stated that:

In the 2012-13 Budget... the former Government deferred its growth target by one year, pushing the 0.5 per cent target back to 2016-17. The interim targets were also deferred, delivering \$2.9 billion in savings over the four years from 2012-13 to 2015-16.

In the 2013-14 Budget... the former Government deferred the 0.5 per cent target by an additional year to 2017-18. This measure delivered \$1.9 billion in savings over three years from 2014-15 to 2016-17.

In the subsequent Budget update... the 0.5 per cent target was retained for 2017-18, but the rate of growth was slowed in the lead-up to this year. This measure delivered \$0.9 billion in savings over the two years from 2015-16 to 2016-17.

The cumulative savings delivered to the budget from the deferrals of the aid target and slowing growth in the aid program from the former Government totalled \$5.7 billion.

1 Australian Government, *Mid-Year Economic and Fiscal Outlook*, Part 2, Economic Outlook, http://www.budget.gov.au/2013-14/content/myefo/html/02_part_2-01.htm

The previous Labor Government also reprioritised \$375.1 million of Official Development Assistance (ODA) in 2012-13, towards funding some of the costs of supporting refugees in Australia.²

1.7 The decision to divert aid funding for the on-shore processing of asylum seekers made Australia the third largest country recipient of its own aid program.

1.8 A consistent message of aid practitioners is that reliability of funding is crucial to the development program. As stated by the Australian Council for International Development (ACFID) at the public hearing for the inquiry:

Mr Purcell: ...predictability is everything in effectiveness of expenditure of taxpayers' money in overseas aid and development, and sudden changes in the middle of the financial year do not lead to predictability or effectiveness.³

1.9 Coalition Senators welcome the Government's efforts to be a more predictable and reliable partner, and to honour agreements with international partners.

1.10 Leading commentators on development assistance have noted the benefits of the Government's responsible and predictable approach to the aid budget. This approach has strengthened Australia's ability to maintain international development priorities. As stated by the Australian National University's Development Policy Centre at the public hearing for the inquiry:

Mr Davies: ... there are some substantial benefits that flow from predictability and stability in the aid budget and we very much welcome the strong affirmation from the foreign minister when she spoke at the ANU last week that the budget will be maintained in real terms at just over \$5 billion for the next several years.⁴

1.11 Coalition Senators welcome the Government's focus on international economic development as the best way to reduce poverty. This has been clearly and repeatedly stated by key Government Ministers as the purpose of the aid program.

1.12 Australia has received international support for its revised focus on economic growth and poverty reduction. As Erik Solheim, the Chairman of the Organisation for Economic Cooperation and Development's Development Assistance Committee wrote in *The Australian* on 17 January 2014:

Mr Solheim: Julie Bishop should be applauded for focusing on the importance of economic development. Development assistance is good, economic growth is even better.⁵

2 *Submission 21*, p. 7.

3 *Committee Hansard*, 21 February 2014, p. 30.

4 *Committee Hansard*, 21 February 2014, p. 49.

5 'Foreign aid more than a moral crusade', *The Australian*, 17 January 2014.

1.13 Further, key members of Australia's non-government organisations have welcomed the Government's ongoing commitment to poverty reduction. During the public hearing for the inquiry, the Executive Director of ACFID stated at the public hearing for the inquiry:

Mr Purcell: We have welcomed the minister's commitment to focusing on poverty alleviation.⁶

1.14 The Business Community have also welcome Australia's revised approach, as the Business Council of Australia noted in their submission to the inquiry:

Mr Tarrant: The Business Council of Australia agrees with the current government's stated aim for the aid program to prioritise the promotion of economic development, with a focus on aid for trade.

Sustained economic growth will have the greatest impact on eliminating poverty and improving living standards in developing countries. An important element of sustainable economic growth is the promotion of open markets that attract investment and enable people to grow their businesses, to increase their employment levels, to innovate and to compete.⁷

1.15 Coalition Senators applaud the Government's efforts to improve the performance culture of the aid program. In April 2011, the Independent Review of Aid Effectiveness (April 2011) Recommendation 39 stated that the program must achieve minimum standards before the budget increased further – the former Labor Government did not adopt this recommendation.

1.16 Coalition Senators recommend that the Government implement Recommendation 39 of the Independent Review of Aid Effectiveness, and further strengthen the aid program's fraud management controls and systems.

1.17 A strict performance culture should be applied to all development partners who should be selected on the basis of their ability to deliver value for money and their capacity to contribute to the achievement of the Government's aid objectives.

1.18 The Australian Government's commitment to aid effectiveness has been widely lauded by the development community. In their submission to the inquiry the Australian Council of Trade Unions and Union Aid Abroad noted that:

A focus on measurable outcomes, integrity and rigorous benchmarks will ensure greater value for money and effectiveness in the aid program. Scrutiny and accountability should be demanded and applied across the whole sector, including NGO, bilateral and business sector partners.⁸

6 *Committee Hansard*, 21 February 2014, p. 25.

7 *Submission 5*, p. 1.

8 *Submission 38*, p. 2.

Recommendation 1:

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

Recommendation 2:

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

Recommendation 3:

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

**Senator Alan Eggleston
Deputy Chair**

Senator David Fawcett