

The Senate

Foreign Affairs, Defence and Trade
References Committee

Australia's overseas aid and development
assistance program

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Table of Contents

Members of the committee	iii
Abbreviations	xiii
Chapter 1	1
Introduction	1
Referral of inquiry and terms of reference	1
Conduct of inquiry.....	1
Structure of the report.....	2
Background.....	2
Acknowledgements	9
Note on references.....	9
Chapter 2	11
Policy objectives and international commitments	11
Policy objectives.....	11
International obligations.....	20
Official development assistance.....	24
Committee view.....	28
Chapter 3	33
Development priorities and the delivery of aid	33
Development priorities	33
Other priority areas.....	50
Delivery of aid.....	52
Committee view.....	59
Chapter 4	65
Integration of AusAID, effectiveness and benchmarks	65
Integration.....	65
Effectiveness measures.....	71
Performance benchmarks	74
Committee view.....	77

Chapter 5	81
Funding cuts and consequences	81
Aid funding.....	81
Indexation to CPI.....	82
Reprioritisation	83
Funding predictability	88
Appropriate ODA	89
Committee view.....	91
Chapter 6	93
Conclusion	93
Introduction	93
Summary of committee views and recommendations.....	93
Dissenting report by Coalition Senators	101
Dissenting report by the Australian Greens	105
Introduction	105
Greens vision for overseas aid.....	105
Response to Committee recommendations	106
Dissenting report recommendations	107
Appendix 1	109
Public submissions	109
Appendix 2	113
Tabled documents, answers to questions on notice and additional information	113
Additional information and tabled documents	113
Answers to questions on notice	113
Appendix 3	115
Public hearing witnesses	115
Appendix 4	117
Revised 2013-14 Aid Budget: program allocations	117

Abbreviations

ACIAR	Australian Centre for International Agricultural Research
ACFID	Australian Council for International Development
ANCP	AusAID NGO Cooperation Program
ADF	Australian Defence Force
AFP	Australian Federal Police
ANU	Australia National University
AusAID	Australian Agency for International Development
CEO	Chief Executive Officer
CPI	Consumer Price Index
DAC	Development Assistance Committee
DFAT	Department of Foreign Affairs and Trade
GNI	Gross National Income
IWDA	International Women's Development Agency
MDG	Millennium Development Goal
NGO	Non-Government Organisation
ODA	Official Development Assistance
ODE	Office of Development Effectiveness
OECD	Organisation for Economic Co-operation and Development
PNG	Papua New Guinea
UK	United Kingdom
UN	United Nations
US	United States of America
USAID	United States Agency for International Development
WASH	Water, Sanitation and Hygiene

Chapter 1

Introduction

Referral of inquiry and terms of reference

1.1 On 9 December 2013, the Senate referred matters relating to Australia's overseas aid and development assistance program to the Foreign Affairs, Defence and Trade References Committee for inquiry and report by 20 March 2014.¹ The reporting date for the inquiry was subsequently extended by the Senate to 27 March 2014.²

1.2 The terms of reference for the inquiry are as follows:

Australia's overseas aid and development assistance program in light of the Government's \$4.5 billion cut to international development assistance, with particular reference to:

- (a) Australia's ability to deliver aid against stated policy objectives and international commitments;
- (b) Australia's ability to maintain its international development priorities, including sectoral, regional, bilateral and multilateral international relationships;
- (c) the integration of AusAID into the Department of Foreign Affairs and Trade and the freeze in international development assistance funding;
- (d) any unintended consequences of these changes; and
- (e) any other related matters.

Conduct of inquiry

1.3 The committee advertised its inquiry on its website, and in *The Australian*, calling for submissions to be lodged by 7 February 2014. The committee also wrote directly to a range of people and organisations likely to have an interest in matters covered by the terms of reference, drawing their attention to the inquiry and inviting them to make written submissions.

1.4 The committee received 73 submissions to the inquiry, one of which was accepted as a confidential submission. Submissions are listed at [Appendix 1](#) and public submissions are available on the committee's website at: www.aph.gov.au/senate_fadt.

1.5 On 21 February 2014, the committee held a public hearing for the inquiry at the State Library of New South Wales in Sydney. A list of the witnesses who appeared

1 *Journals of the Senate*, 9 December 2013, p. 287.

2 *Journals of the Senate*, 18 March 2014, p. 635.

at the hearing is at [Appendix 2](#), and the *Hansard* transcript is also available through the committee's website. Additional information and answers to questions on notice received during the inquiry are listed in [Appendix 3](#).

Structure of the report

1.6 The committee's report is structured as follows:

- Chapter 1 provides a background to the inquiry and summarises key features of Australia's overseas aid and development assistance program and recent events;
- Chapter 2 deals with the policy objectives of Australia's overseas aid program and international commitments in relation to aid;
- Chapter 3 addresses the issue of the development priorities and delivery of Australia's overseas aid program;
- Chapter 4 deals with the integration of the Australian Agency for International Development (AusAID) into the Department of Foreign Affairs and Trade (DFAT) as well as the effectiveness of aid and benchmarking;
- Chapter 5 includes consideration of the cuts to funding for overseas aid and the consequences of recently announced cuts; and
- Chapter 6 summarises the committee's views and recommendations.

Background

1.7 The origins of Australia's aid program can be traced to Australia's membership of the Organisation for Economic Co-operation and Development's (OECD's) Development Assistance Committee (DAC) in 1966.³ The predecessor to AusAID, the Office of the Australian Development Assistance Agency, was originally established within DFAT by the Whitlam government in 1974. In 2010, the agency, now known as the AusAID, was an administratively autonomous executive agency within the foreign affairs and trade portfolio. While the agency has usually reported to the Minister for Foreign Affairs, a Minister for International Development was appointed.

1.8 AusAID previously managed about 84 per cent of Australia's aid program with the remainder delivered through other Australian Government departments and agencies.⁴ In 2012-13 the Australian Government provided an estimated \$5,149 million in total overseas development assistance (ODA) of which \$4,314 million was managed by AusAID, including an estimated \$195 million delivered by other

3 Treasury, *Submission 21*, p. 3.

4 *Report of the Independent Review of Aid Effectiveness*, April 2011, p. 5 (Independent Review).

government agencies on behalf of AusAID. This ODA was estimated to be equal to around 0.35 per cent of gross national income (GNI).⁵

1.9 Australia's overseas aid program supports progress in developing countries multilaterally, regionally, bilaterally and in a range of specific sectors, with a geographic focus on the Asia Pacific. More than 80 per cent of Australia's ODA is directed to its nearest neighbours in the Asia Pacific region. In particular, as the two largest beneficiaries of Australian support, Indonesia received \$448.5 million and Papua New Guinea (PNG) received \$484.7 million in bilateral aid from Australia in 2012-13.⁶

1.10 In 2005, then Foreign Minister, the Hon Alexander Downer MP, commissioned a white paper on Australian aid to provide a strategic framework to guide the direction and delivery of Australia's overseas aid program over the next decade.⁷ Following from the white paper, an Office of Development Effectiveness (ODE) was established in 2006. The ODE is an operationally independent unit that evaluates the quality and effectiveness of the Australian aid program and contributes to international evidence and debate about aid and development effectiveness.⁸

1.11 The key feature of Australia's aid program in recent years has been its rapid growth. In September 2005, the former Howard Government announced plans to double the aid program by 2010 to \$4 billion. By 2010-11, the Australian aid budget was approximately \$4.3 billion, or 0.33 per cent of GNI. Before the 2007 election, the Australian Labor Party committed to increase Australia's overseas aid to 0.5 per cent of GNI by 2015. The commitment gained bipartisan support.⁹

1.12 The Rudd Government commissioned the first independent review of Australia's aid program since 1996 in 2010. In April 2011, the Independent Review of Aid Effectiveness (Independent Review) delivered its report to the Australian Government. The Independent Review described Australia's aid program as 'improvable but good' and noted that the rapid growth of Australia's aid program in the previous five years had created 'administrative stress'.¹⁰ It also made a number of findings regarding areas where there could be improved practice. These included that Australia's aid program was fragmented, lacked a clear and comprehensive overall strategy and that development ineffectiveness was a key risk.¹¹ The Independent

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

6 DFAT, *Submission 17*, p. 14.

7 AusAID, *Australian Aid: Promoting Growth and Stability*, 2006.

8 AusAID, *Annual report 2012-13*, p. 219.

9 Independent Review, p. 56.

10 Independent Review, p. 5.

11 Independent Review, pp 5-6.

Review made 39 recommendations to further improve the program, almost all of which were agreed or agreed in principle by the Australian Government.¹²

1.13 Key recommendations of the Independent Review included:

Recommendation 2 - Decisions about country allocations should be based on poverty, national interest, capacity to make a difference and current scale and effectiveness. Decisions about country programs should also reflect the need to consolidate the aid program.

Recommendation 5 - Australia should join the African Development Bank.

Recommendation 11 - Promoting gender equality should be a critical cross-cutting objective for the aid program. Australia should be a firm and persistent advocate and practical supporter of gender equality, especially in the Pacific.

Recommendation 12 - Humanitarian and emergency assistance should be increased as a share of the program.

Recommendation 15 - Core funding to multilateral organisations and NGOs should be significantly increased as a share of total spending. Core funding increases should be made on a case-by-case basis, linked to effectiveness, capacity and relevance.

Recommendation 16 - AusAID should devote greater senior management resources to developing and managing relationships with key partners. Predictable, multi-year funding of partners should be provided and micromanagement avoided.

Recommendation 23 - There should be more aid funding for research by Australian and international institutions, particularly in agriculture and medicine.

Recommendation 24 - The government should develop and implement a Cabinet-endorsed Four-Year Strategy for the entire aid program for policy and funding clarity.

Recommendation 26 - The budget process should be reformed to provide greater funding certainty, including allocating funds on the basis of the Four-Year Strategy and its annual updates, not through [new policy proposals], as at present.

Recommendation 37 - A Transparency Charter should be developed, committing the aid program to publishing documents and data in a way that is comprehensive, accessible and timely.

Recommendation 39 - The scale-up of the aid program to 0.5 per cent of GNI should be subject to the progressive achievement of predetermined hurdles.¹³

12 AusAID, *An Effective Aid Program for Australia, Making a real difference – Delivering real results*, 2012, pp 59-65.

13 AusAID, *An Effective Aid Program for Australia, Making a real difference – Delivering real results*, 2012, pp 59-65.

1.14 In particular, the Australian Government agreed in principle that in scaling up the aid program, 'country allocations and programs should be adjusted in line with the Review Panel's specific recommendations':

Geographic allocations will be based on an assessment of poverty, national interest, capacity to make a difference, and current scale and effectiveness.

In line with the Government's commitment to deliver 0.5 of GNI on overseas aid by 2015–16, agree in principle that:

- aid to Pacific island countries, South East Asia, Afghanistan and Pakistan, and Africa and the Middle East be increased
- bilateral aid to China and India be phased out with future assistance to be delivered through regional and global programs
- any future increase in aid to Latin America and the Caribbean be modest, with any increases to be delivered through regional and global programs.¹⁴

1.15 In May 2012, a new policy framework was established: *Helping the World's Poor through Effective Aid: Australia's Comprehensive Aid Policy Framework 2015-2016* (CAPF). This provided a four year pathway to establishing where and how Australia's aid would be spent, the expected results and the measures being taken to ensure effective delivery. It included a commitment to review results annually and address areas needing improvement. The ODE was charged with responsibility for developing benchmarks for measuring the effectiveness of Australian efforts. The first *Annual Report on Aid Effectiveness 2011-12* found that Australian aid was enhancing regional prosperity, reducing poverty rates and delivering cost-effective services for those in need.¹⁵ It also outlined processes to detect and prevent fraud to ensure that aid funds were not misused.

1.16 The CAPF also established the Independent Evaluation Committee (IEC) as an advisory body to strengthen the independence and credibility of the work of the ODE. The terms of reference for the IEC state that it 'will oversee the work program of ODE in planning, commissioning, managing and disseminating a high quality independent evaluation program which produces technically sound and policy relevant evaluations that contribute to improved aid effectiveness'.¹⁶

Recent events

1.17 The global financial crisis (as well as the euro zone crisis) has had an ongoing impact on the levels of overseas aid provided by developed countries, including

14 AusAID, *An Effective Aid Program for Australia, Making a real difference – Delivering real results*, 2012, p. 60.

15 AusAID, *2011-12 Annual Review of Aid Effectiveness*, 2012, p. 2.

16 AusAID, *Independent Evaluation Committee—Terms of Reference*, 2012, p. 1, available at <http://www.ode.usaid.gov.au/publications/pdf/iec-tor.pdf> (accessed 16 September 2013).

Australia.¹⁷ In the previous government's 2008-09 budget, ODA was to increase to 0.5 per cent of GNI by 2015-16. This was deferred in the 2012-13 budget to 2016-17 and deferred again in the 2013-14 budget to 2017-18. The savings from the deferrals of the 0.5 per cent target and slower growth of the aid program under the former government totalled \$5.7 billion.¹⁸

1.18 Prior to the 2013 federal election, the Coalition announced that it supported the increase of Australia's aid program to 0.5 per cent of GNI, but could not 'commit to a date given the current state of the federal budget'.¹⁹ The Coalition stated it would reduce aid by \$4.5 billion in relation to Labor's 2013-14 budget and Labor's forward estimates for the next three years. This reduction was to begin with a within-year budget cut of \$656 million in 2013-14. Further, it would index future increases to the Consumer Price Index (CPI) and would 're-prioritise foreign aid allocations towards Non-Government Organisations that deliver on-the-ground support for those most in need'.²⁰

1.19 Following the federal election, the new Prime Minister, the Hon Tony Abbott MP, announced that AusAID would be integrated into DFAT 'enabling the aid and diplomatic arms of Australia's international policy agenda to be more closely aligned'.²¹ This machinery of government change had not been flagged prior to the election and created confusion about the short- and long-term direction of Australia ODA program.²²

1.20 On 18 January 2014, the Foreign Minister, the Hon Julie Bishop MP, announced that the 'Australian Government's annual aid budget for 2013/14 will be \$5.042 billion, refocused on reducing poverty in the Indo-Pacific region and tied to rigorous benchmarks'.²³ This represents a reduction of \$650 million on 2013-14 budget allocations.²⁴ Minister Bishop acknowledged that this was \$107 million less than last year's budget, but stated that 'the rapid growth in Australia's aid budget was

17 United Nations, *The Millennium Development Goals Report 2013*, p. 52.

18 DFAT, *Submission 17*, p. 2.

19 The Hon Joe Hockey MP and the Hon Andrew Robb MP, *Final Update on Federal Coalition Election Policy Commitments*, 5 September 2013, p. 4.

20 The Hon Joe Hockey MP and the Hon Andrew Robb MP, *Final Update on Federal Coalition Election Policy Commitments*, 5 September 2013, p. 4.

21 The Hon Tony Abbott MP, Prime Minister, 'The Coalition will restore strong, stable and accountable government', *Media release*, 18 September 2013.

22 Coalition, *The Coalition's Policy for Foreign Affairs*, September 2013, p. 2; Carlos Santamaria, 'After CIDA, AusAID: Australia integrate aid into foreign affairs', *DevEx*, 18 September 2013, available at: <https://www.devex.com/news/after-cida-ausaid-australia-integrates-aid-into-foreign-affairs-81826> (accessed 21 March 2014).

23 The Hon Julie Bishop MP, Minister for Foreign Affairs, 'Five billion dollar aid budget to focus on the region', *Media Release*, 18 January 2014.

24 DFAT, *Submission 17*, p. 2.

neither targeted nor sustainable'. She also noted that from 2014-15 Australia's aid budget would grow each year in line with the CPI. Minister Bishop stated this change would provide 'stability and future certainty to partner governments, international organisations and non-government organisations'.²⁵

1.21 The revised 2013-14 aid budget, released with the announcement, indicated that these funding changes affected a range of countries, regions and global programs. For example in the Pacific, while funding to PNG was the same as 2012-13, aid funding to most other Pacific countries was cut. The total for the Pacific region was reduced from \$920.8 million in 2012-13 to \$882 million in 2013-14. In particular, the total for Africa and the Middle East was cut from \$329.2 million in 2012-13 to \$199.8 million in 2013-14, with Bangladesh receiving the most significant cut – from \$84.8 million in 2012-13 to \$61.6 million in 2013-14.²⁶

1.22 While the total for cross regional programs grew from \$292.9 million in 2012-13 to \$309.1 million in the 2013-14 revised budget, specific programs received reductions in funding. The Infrastructure & Rural Development cross regional program was cut from \$55.2 million in 2012-13 to \$46.1 million. Governance was cut from \$27.2 million to \$16.7 million. Climate Change & Environmental Sustainability was cut from \$17 million to \$0.5 million. Disability & Gender was cut from \$29.0 million to \$25.0 million.²⁷

1.23 Some global programs also received substantial cuts in the revised 2013-14 aid budget compared to 2012-13. In particular, the Humanitarian and Emergency Response program was cut from \$163.3 million to \$137.4 million. The contribution to global environment programs was reduced from \$74.6 million to zero. Funding for Development Effectiveness and Research was also reduced from \$11.5 million to \$10.3 million.²⁸

1.24 However, the cuts announced by Minister Bishop were only placed in the context of funding provided in 2012-13. Compared to the funding allocated for 2013-14 as at Budget most of these cuts were significantly larger and affected almost every program in the aid budget. A more detailed comparison is extracted at [Appendix 4](#).

1.25 Following the announcement of the revised aid budget for 2013-14, a number of Australian non-government organisations expressed their concerns regarding the

25 The Hon Julie Bishop MP, Minister for Foreign Affairs, 'Five billion dollar aid budget to focus on the region', *Media Release*, 18 January 2014.

26 DFAT, *Submission 17*, p. 14.

27 DFAT, *Submission 17*, p. 14.

28 DFAT, *Submission 17*, p. 15.

impact of the cuts on Australia's aid program and the lack of detail regarding which programs will be affected.²⁹

1.26 The cuts applied almost entirely to the part of the aid program that had formerly been managed by AusAID, which in 2012-13 totalled approximately \$3.9 billion and at the time of the 2013-14 budget were set to increase to \$4.6 billion.³⁰ By allocating the cuts almost entirely to DFAT's appropriation the government increased the required percentage reduction in 2013-14 from 12 per cent to 15 per cent. The refusal to apply cuts of about 12 percent to the balance of other government departments' expenditure forced additional savings of around \$40 million onto the core aid program.³¹

1.27 Significant shortcomings with the current budget process, which lacks a whole-of-ODA approach, have led to fragmentation, inadequate overall scrutiny and an imbalance between the crucial spine of predictability that is needed for multi-year aid projects, on the one hand, and the need for flexibility to respond to unpredictable events on the other. Although the Coalition in opposition had criticized the use of aid for onshore asylum seeker costs, the Government removed the \$375 million for these costs from the baseline, adding to confusion about the new aid priorities. On 25 March 2014, the Prime Minister Tony Abbott created additional funding uncertainty when he described overseas aid funding from 2017-18 detailed in the Mid-Year Economic and Fiscal Outlook as an 'aspiration of this government'.³²

1.28 The Foreign Affairs and Trade portfolio overview for 2013-14 notes 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'.³³ This emphasis on economic growth in the new government's approach to overseas aid and development assistance was further outlined by Minister Bishop at the Australasian Aid and International Development Policy workshop in February 2014. She stated:

We are going to be promoting economic growth. Aid is not a panacea to poverty. Millions of people have been lifted out of poverty by economic growth which creates jobs and which improves standards of living...

29 For example, Lean Alfred Santos, 'Disappointed NGO's slam Australia's aid cut details', *DevEx*, 20 January 2014, available at: <https://www.devex.com/news/disappointed-ngos-slam-australias-aid-cut-details-82684> (accessed 21 March 2014).

30 *Budget Paper No. 1 2013-14*, p. 6-14.

31 Development Policy Centre, 'A technical note on the revised allocation of Australian aid as at 18 January 2014', available at: www.devpolicy.org/pdf/2014-aid-cuts-technical-note.pdf (accessed 2 February 2014).

32 The Hon Tony Abbott MP, Prime Minister, *House of Representatives Hansard*, 25 March 2014, p. 30.

33 Portfolio Additional Estimates Statement 2013-14 – Foreign Affairs and Trade Portfolio, p. 3.

Aid for Trade will be fundamental to our policy approach. For every single dollar invested in Aid for Trade, an estimated \$8 in additional exports will be created in developing countries...

Prioritising economic growth doesn't mean a lesser focus on human development or poverty reduction – they are two sides of the same coin.³⁴

1.29 Recommendation 39 of the Independent Review proposed that the scale-up of the aid program should be subject to 'the progressive achievement of predetermined hurdles'. A new phase in the implementation of this recommendation was evident when, on 21 January 2014, DFAT released a consultation paper on the development of 'Performance Benchmarks for Australian Aid' as part of a process of engaging with key aid sector stakeholders. The paper stated that 'introduction of performance benchmarks is intended to improve the accountability of the aid program, link performance with funding, and integrate the aid program with Australia's broader foreign and trade policies'. It proposed that performance benchmarks for the aid program will be introduced as part of the 2014-15 budget.³⁵

Acknowledgements

1.30 The committee thanks all those who contributed to the inquiry by making submissions, providing additional information or appearing at the public hearing to give evidence.

Note on references

1.31 References to the committee *Hansard* are to the proof *Hansard*. Page numbers may vary between the proof and the official *Hansard* transcript.

34 The Hon Julie Bishop MP, Minister for Foreign Affairs, 'Opening Address – 2014 Australasian Aid and International Development Policy workshop', 14 February 2014, available at http://www.foreignminister.gov.au/speeches/2014/jb_sp_140213.html (accessed 17 February 2014).

35 DFAT, 'Performance Benchmarks for Australian Aid', *Consultation Paper*, January 2014, pp 1-3, available at: <http://aid.dfat.gov.au/Publications/Documents/external-consultation-paper.pdf> (accessed 4 February 2014).

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'.¹ 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'.² 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

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.³

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.⁴

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.⁵

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'.⁶ 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

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.

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

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]'.⁸

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.⁹ 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.¹⁰

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'.¹¹ 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

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.¹²

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'.¹³

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...'.¹⁴ 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'.¹⁵

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 chains¹⁶

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'.¹⁷

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

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.

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

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'.¹⁹

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.²⁰

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.²¹

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.²²

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'.²³ Similarly, the Burnet Institute stated that while 'improvements in Fair Trade, strategic investments in economic growth industries and strengthened financial governance

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'.²⁴

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...*".²⁵

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'.²⁶ 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.²⁷

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'.²⁸ 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'.²⁹

24 *Submission 4*, p. 2.

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

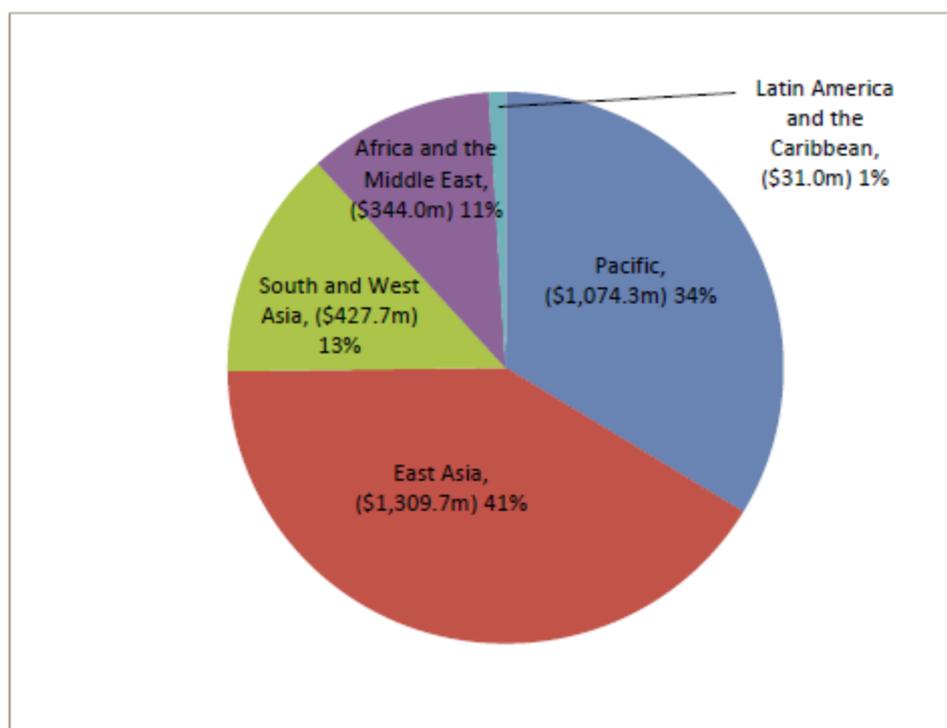
26 *Submission 67*, p. 21.

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 2013-14³⁰



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'.³¹

2.25 Sir Richard Feachem, on the other hand, argued for 'a relentless focus on the Asia Pacific'.³² 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'.³³

30 Extracted from DFAT, *Submission 17*, p. 16.

31 *Committee Hansard*, 21 February 2014, p. 16.

32 *Submission 2*, p. 3.

33 *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'.³⁴ Australia has also agreed Partnerships for Development with a number of Pacific states which include mutually agreed targets, development priorities and measurable commitments.³⁵

2.28 During the inquiry, the Pacific was recognised as one of the regions which had made the least progress toward the MDGs.³⁶ 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'.³⁷

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.³⁸

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'.³⁹

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'.⁴⁰ 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'.⁴¹ 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?⁴²

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'.⁴³

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.⁴⁴

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.⁴⁵ The Australian Strategic Policy Institute noted the importance of Australian aid 'fostering development and

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'.⁴⁶ 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.⁴⁷

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.⁴⁸

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.⁴⁹ 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...'.⁵⁰ 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'.⁵¹

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:

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.⁵² In particular, the Australian Lawyers for Human Rights emphasised Australia's broader 'obligation to assist' foreign countries in terms of human rights and development.⁵³ 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.⁵⁴ 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.⁵⁵

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.⁵⁶ There are eight MDGs with a number of targets and

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 2015.⁵⁷ 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'.⁵⁸

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.⁵⁹

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 2015.⁶⁰

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 2015.⁶¹

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.⁶²

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.⁶³

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

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'.⁶⁴

2.48 A large number of submissions, many from aid-related NGOs, argued that Australia needed to do more to achieve the MDGs.⁶⁵ 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.⁶⁶

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.⁶⁷

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.⁶⁸

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

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 (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.

subsequent high level international aid and development conferences.⁶⁹ 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'.⁷⁰

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.⁷¹ 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'.⁷²

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.⁷³ 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'.⁷⁴ 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'.

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).

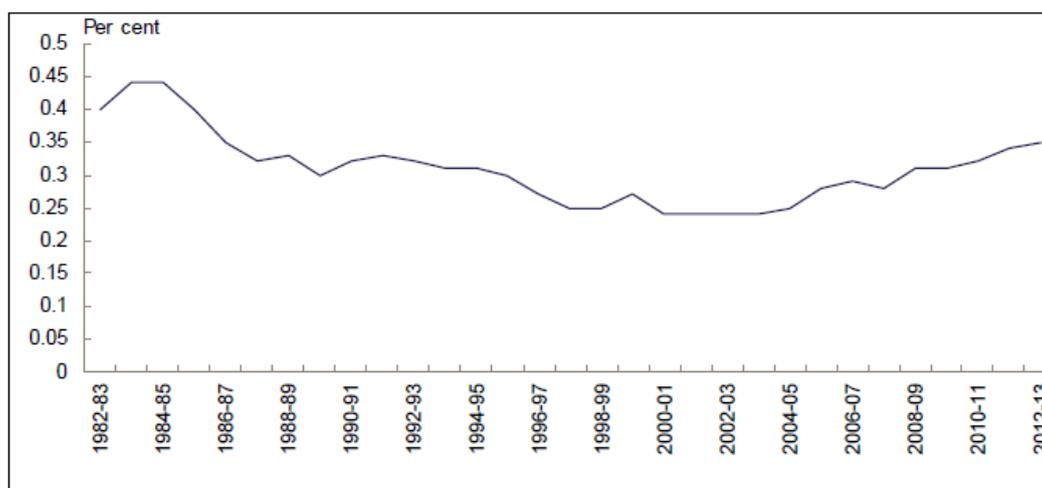
70 Organisation for Cooperation Economic Development 'History of the 0.7% ODA Target', *OECD Journal on Development*, 2002, 4(3), p. III-10.

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)⁷⁵

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.⁷⁶

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'.⁷⁷

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 2012, is fairly secure even after the recent cuts—but only because no

⁷⁵ Extracted from Treasury, *Submission 21*, p. 6.

⁷⁶ *Submission 21*, p. 11.

⁷⁷ *Submission 21*, p. 15.

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.⁷⁸

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'.⁷⁹ 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'.⁸⁰ 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'.⁸¹

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.⁸²

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.⁸³

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.⁸⁴

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.⁸⁵

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.⁸⁶

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.

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 2006.⁸⁷

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.⁸⁸ 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.⁸⁹

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.

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.⁹⁰

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'.⁹¹ 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.

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

91 *Submission 17*, p. 6.

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'.⁹²

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.

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.

Chapter 3

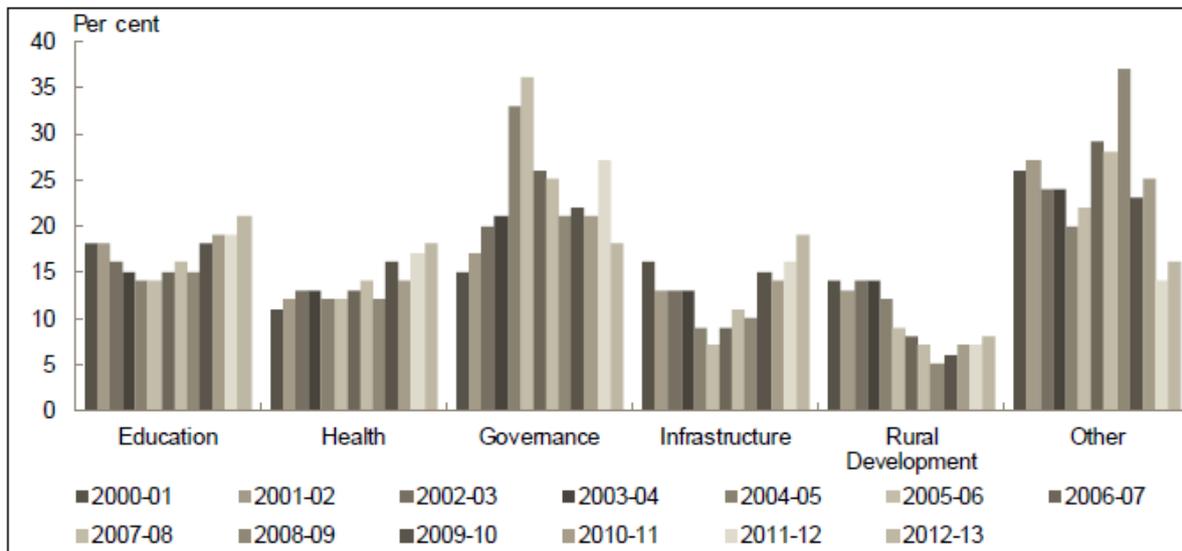
Development priorities and the delivery of aid

3.1 This chapter considers the development priorities of the Australian aid program as well as the approaches to its delivery. Appropriate mechanisms for the delivery of the Australian aid program are also considered including: aid delivered by non-government organisations; multilateral organisations; the private sector, partner governments and Australia civil society.

Development priorities

3.2 The development priorities of the Australian aid program have changed over time. In 2011, the Independent Review noted that there has been reduction in the proportion of the program spent on governance while there have 'been significant increases in the proportion of the program spent on health, education, infrastructure, rural development and the environment'.¹ The Treasury noted that 'education and governance have been key focuses for the aid program' since 2000-01, 'rural development has seen a drop-off over the period, while health and infrastructure have exhibited varying degrees of upward trends'.²

Figure 3 – Australian ODA by sector – 2000-01 to 2012-13³



3.3 DFAT's submission outlined that the allocation of development priorities in the Australian aid program for 2013-14 was: education (22 per cent); economic

1 Independent Review, p. 61.

2 *Submission 21*, p. 13.

3 Extracted from Treasury, *Submission 21*, p. 14.

development (20 per cent); health (19 per cent); humanitarian (16 per cent); governance (16 per cent); and general development support (7 per cent).⁴

3.4 A range of specific aid priority areas were discussed during the inquiry, particularly those perceived as subject to reduced funding or attention. These development priorities included:

- emergency and humanitarian relief;
- disaster preparedness;
- education;
- gender;
- disability;
- food security;
- health and medical research;
- climate change and environment; and
- private sector engagement.

Emergency and humanitarian aid

3.5 In 2011, the Independent Review recommended a substantial increase in humanitarian and emergency assistance as a part of Australia's aid program. It pointed out that this was an area of growing importance, was globally underfunded and was an aid area in which Australia performed well.⁵

3.6 One of the key components of the funding cuts announced on 18 January 2014 was a reduction for the global program for humanitarian and emergency response from \$163.3 million in 2012-13 to \$137.4 million in 2013-14. Submissions and witnesses were almost uniformly critical of this funding change. For example, the Development Policy Centre noted that the recent cuts 'could constrain Australia's ability to respond appropriately to crises'.⁶

3.7 ACFID, and a number of other NGO contributors to the inquiry, called for at least 10 per cent of Australia's aid program to be allocated to humanitarian response.⁷ ACFID considered this focus 'was 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'. Ms Melissa Wells from Save the Children told the committee:

4 *Submission 17*, p. 16.

5 Independent Review, p. 15.

6 *Submission 67*, p. 12.

7 For example: ACFID, *Submission 35*, p. 17; Ms Jo Pride, Oxfam Australia, *Committee Hansard*, 21 February 2014, p. 6; Save the Children, *Submission 36*, p. 8.

The humanitarian budget has been cut this year. It is currently at about 5.2 per cent of total aid as a proportion, and we would like to see it recover in the coming years to be around 10 per cent. That is consistent with our OECD peers; it is also consistent with the independent review of aid effectiveness.⁸

3.8 On 16 January 2014, the Australian Government pledged \$10 million in aid for Syria, with an additional \$2 million for efforts toward destroying Syria's chemical weapons.⁹ However, witnesses at the hearing expressed concern that Australia was not providing appropriate support for humanitarian aid to Syria.¹⁰ Mr Andrew Johnson from World Vision suggested that the cuts in funding were reducing the ability of Australia to respond to new or emerging needs. In relation to Australia's contribution, he stated 'our estimate is that Australia's fair share to the recent pledging conference was about \$100 million; the commitment made was about \$10 million'.¹¹

3.9 World Vision argued that it is important to ensure that humanitarian funding decisions continue to be made in accordance with Good Humanitarian Donorship (GHD) Principles which were endorsed by Australia in 2003:

Although the Australian Government has stated that it will prioritise funding for development assistance in the Indo-Pacific region, funding for humanitarian assistance should be the exception to this. In line with the GHD Principles, humanitarian funding should not be subject to pre-determined geographic priorities, but should be allocated on the basis of need – wherever that need arises. Humanitarian funding should also be allocated and used in a neutral and impartial manner, independent of political, economic, military or other objectives.¹²

3.10 At the public hearing, DFAT officers indicated that '[a]s part of the budget reprioritisation process and the budget allocation process that we are going through now, one of the areas that we will need to actively consider is whether the humanitarian bucket is sufficient for what the government wants to do'. However, in terms of Australia's present capacity to respond to humanitarian crises, DFAT argued that aid funding has not changed significantly:

The mandate of flexibility budget has been at about \$120 million in the past. At the end of 2012, that budget was reduced as part of the reprioritisation that occurred. It was then set for the 2013-14 budget at

8 *Committee Hansard*, 21 February 2014, p. 8.

9 The Hon Julie Bishop MP, Minister for Foreign Affairs, 'Australia pledges \$12 million to help the Syria people', *Media Release*, 16 January 2014.

10 For example, Ms Melissa Wells, Save the Children, *Committee Hansard*, 21 February 2014, p. 7; Mr Andrew Johnson, World Vision, *Committee Hansard*, 21 February 2014, p. 19; Professor Michael Toole, Burnet Institute, *Committee Hansard*, 21 February 2014, p. 33.

11 Mr Andrew Johnson, World Vision, *Committee Hansard*, 21 February 2014, p. 19.

12 *Submission 41*, p. 6.

\$90 million rather than \$120 million. When this was revisited by the government in January this year, they maintained that at \$90 million.¹³

Disaster preparedness

3.11 In 2012-13, disaster preparedness was one of the five strategic goals of the previous government's aid policy.¹⁴ The OECD Peer Review highlighted that Australia is a leading donor in disaster risk reduction and recommended that it 'expand its disaster risk reduction programmes to all partner countries; and share its tools and good practices with other donors'.¹⁵

3.12 Investment in disaster risk reduction was also recognised as a significant part of the Australian aid program. Oxfam Australia noted that 'disasters have a devastating impact on development, taking the deepest toll on poor countries, and can reverse progress on poverty reduction'. It commented:

Studies have proven that disaster risk reduction measures are both highly effective and a highly cost-effective way of protecting long-term development gains, minimising economic losses and damage to infrastructure...Continued Australian investment in disaster risk reduction can help further strengthen these countries' resilience, in turn increasing chances to attract investment, improve competitiveness and sustainability.

Australian investment in disaster risk reduction has almost doubled since 2009, making Australia one of only a few countries to meet the commitment made by governments in 2011 to allocate at least 1 per cent of all development funding to disaster risk reduction.¹⁶

3.13 Save the Children also highlighted that 'in addition to saving lives, disaster risk reduction saves money':

It is not yet clear whether the government will meet commitments made in June 2012 to allocate \$100 million to Disaster Risk Reduction over five years. We strongly recommend this commitment is retained. Investment in disaster risk reduction saves lives, safeguards development investments and protects economic growth.¹⁷

Education

3.14 Education was repeatedly listed as a vital part of the Australia's aid to developing countries. For example Oaktree stated:

13 Mr Ewen McDonald, DFAT, *Committee Hansard*, 21 February 2014, p. 68.

14 AusAID, *Annual Review of Aid Effectiveness 2012-13*, p. 15.

15 OECD, *Development Co-operation Peer Review: Australia 2013*, p. 22.

16 *Submission 64*, p. 14.

17 *Submission 36*, p. 9.

We believe that education is a key way in which we can end extreme poverty. In line with this, most of our projects are focused on education and practical skills training for those living in extreme poverty in the Asia-Pacific region.¹⁸

3.15 Education has been a key development priority for the Australian aid program which also aligns with the MDG target of achieving universal primary education by 2015. Out of the approximately 61 million children of primary school age who are out of school, around 20 million live in the Asia Pacific.¹⁹ AusAID's *Annual report 2012-13* stated:

Australia is committed to promoting opportunities for all children to receive a quality education. Education helps people escape poverty by improving incomes, employment and enterprise opportunities. Australia has bilateral education programs in 21 countries across Asia and the Pacific including in Indonesia, Papua New Guinea, the Philippines, Afghanistan and Pacific Island countries. Australia's investment in education in 2012–13 was an estimated \$841 million, or 17 per cent of [ODA].²⁰

3.16 The Global Partnership for Education (GPE) is another key plank in Australia's support for education in developing countries. The GPE is a partnership of donors and developing countries dedicated to improving education in the world's poorest countries. GPE maintains a strong focus on gender parity, and almost half of GPE's funds are allocated to fragile or conflict-affected states.²¹

3.17 Support was also expressed for the New Colombo Plan, an Australian undergraduate study and internship program aimed at lifting knowledge of Asia and the Pacific in Australia and strengthening our people-to-people and institutional relationships in the region. The key elements of the plan are the delivery of scholarships and student mobility grants, facilitated internship options and, where appropriate, support to universities.

Gender

3.18 The cross regional program for gender and disability in the aid program was cut from \$29 million in 2012-13 to \$25 million in 2013-14.²² The important role of Australian aid in empowering women in developing countries was frequently mentioned in submissions. ActionAid noted that '[n]ot only are women disproportionately affected by poverty, but progress in addressing women's poverty is

18 *Submission 8*, p. 1.

19 Australian Government, *Budget: Australia's International Development Assistance Program 2013-14*, 14 May 2013, p. 9.

20 AusAID, *Annual report 2012-13*, p. 27.

21 Australian Government, *Budget: Australia's International Development Assistance Program 2013-14*, 14 May 2013, p. 96.

22 *Submission 17*, p. 14.

lagging'.²³ Women were also perceived as critical to development success, for example, Oxfam Australia stated that 'over the past 30 years no other indicator has had a greater impact on development outcomes than gender equality'.²⁴ ACFID also noted that:

Investment in women's and girls' education and health...yield some of the highest returns of all development investments including increased household incomes, reduced 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.²⁵

3.19 The International Women's Development Agency (IWDA) also highlighted that gender equality results in better development outcomes, but outlined its concern that 'there is a very real danger that consistent work to support gender equality won't happen unless it is explicitly prioritised and funded'.²⁶ The IWDA called for a 'gender lens' to be able to be applied across all decisions in regard to aid.²⁷

3.20 At the hearing, Ms Jo Hayter, CEO of IWDA emphasised the risk of 'policy evaporation' or, in other words, gender equality being 'everywhere but nowhere' in the aid program. She stated:

In the [PNG] report you can see that in a country program budget totalling \$448.5 million, as estimated expenditure for 2012-13, \$2.9 million or one per cent of Australia's bilateral program with PNG is directly earmarked for gender equality and women's empowerment...There is no doubt that gender equality and women's empowerment is being progressed through other dimensions of the program, it is just that none of us can see where or how or how significant this spending is.²⁸

3.21 IWDA also drew the committee's attention to the legislative progress of the International Development Gender Equality Bill 2013-14 in the United Kingdom. This bill establishes a statutory obligation to promote gender equality by the government in development assistance and humanitarian assistance.²⁹ The IWDA also highlighted a number of specific initiatives and investments which would assist to address gender inequality and assist the Australian Government 'give effect to its broad policy commitments to women's leadership, economic empowerment and ending violence against women' including the Pacific Women Shaping Pacific Development (PWSPD)

23 For example, Action Aid, *Submission 45*, pp 4-5.

24 Ms Jo Pride, Oxfam Australia, *Committee Hansard*, 21 February 2014, p. 6.

25 *Submission 35*, p. 9.

26 *Submission 9*, p. 2.

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

28 *Committee Hansard*, 21 February 2014, pp 1-2.

29 *Submission 9*, p. 6.

program.³⁰ Additionally, several organisations in the NGO sector expressed their support for the appointment of a Global Ambassador for Women and Girls.³¹ Ms Hayter noted that it would be 'an important role in terms of bringing...multisectoral voices together'.³²

3.22 The IWDA noted that pregnancy and childbirth remain some of the greatest killers of women worldwide. Accordingly, it was 'crucial that sexual and reproductive health and rights remains a priority in the aid program and in Australia's diplomatic and international engagements where relevant, especially in discussions concerning the post-2015 development framework'.³³

3.23 DFAT noted that one of the government's priorities for the aid program was 'investing more in women and girls' with a focus on:

- increasing access to education;
- building women's leadership skills and opportunities, especially in our region;
- promoting women's economic empowerment and participation in the workforce;
- tackling gender violence and preventing sexual violence in conflict; and
- supporting women's role in peace-building and conflict resolution.³⁴

Disability

3.24 The recent OECD DAC peer review of Australia highlighted Australia's 'exceptional emphasis on disability which makes it a leader in this area internationally'.³⁵ It noted that 'Australia's strategy *Development for All: Towards a disability-inclusive Australian aid programme 2009-14* was developed through a participatory process and is the most detailed of any donor'.³⁶

30 *Submission 9*, p. 5. The PWSPD is a ten-year \$320 million initiative to help improve the political, economic and social opportunities of Pacific women. The PWSPD focuses on increasing women's participation in leadership and decision making roles, economic opportunities for women through improved access to financial services and markets and safety for women through better services for survivors of violence, access to justice and preventing violence. DFAT, 'Pacific Women Shaping Pacific Development', available at: <http://aid.dfat.gov.au/Publications/Pages/brochure-pacific-women-development.aspx> (accessed 6 March 2014).

31 For example, YWCA Australia, *Submission 68*, p. 3.

32 *Committee Hansard*, 21 February 2014, p. 5.

33 *Submission 9*, p. 5.

34 *Submission 17*, pp 4-5.

35 OECD DAC, *OECD Development Cooperation Peer Review: Australia 2013*, p. 17.

36 OECD DAC, *OECD Development Cooperation Peer Review: Australia 2013*, p. 47.

3.25 In 2012-13 targeted AusAID funding for disability was an estimated \$16.3 million.³⁷ On 3 December 2013, the Parliamentary Secretary to the Minister for Foreign Affairs, Senator the Hon Brett Mason, announced the Australian Government 'will develop a new strategy to ensure that people with disability play an active and central role in Australia's aid program beyond 2015'.³⁸

3.26 CBM Australia welcomed the announcement of a second disability strategy but considered it was 'essential that the Australian Government's renewed commitment to leading the field in disability inclusive development is supported by a predictable, long-term funding commitment'. It also highlighted the need for persons with disability to be included in the design of the new strategy and improved systems to track and monitor budgetary allocations towards disability inclusion.³⁹ CBM Australia proposed that the appointment of an Ambassador for Disability Inclusive Development 'would provide a focal point for promoting effective strategies to mainstream disability as a cross-cutting issue across Australia's aid program and partnerships'.⁴⁰

3.27 Vision 2020 described people with disability in developing countries as 'the world's largest minority group estimated at 15 per cent of the global population, or one billion people':

As 80 per cent of people with disability live in developing countries, some of the world's poorest people are often excluded from communities, public health services and development programs. This exclusion increases their vulnerability to poverty and creates a vicious cycle of poverty and disability. To end this cycle, all aid and development programs must be equipped to include people with disability. Disability inclusive aid and development policy and practice ensures that people with disability have equal access opportunities in education, rehabilitation, livelihoods and social inclusion, to lift them out of poverty.⁴¹

3.28 In particular, Vision 2020 outlined the links between vision impairment and lack of access to opportunities such as education, employment, and social inclusion, and to basic needs such as health services, good nutrition, safe housing and clean water and sanitation. Further, it stated that research indicated eye health and vision care programs were cost effective interventions.⁴²

37 AusAID, *Annual report 2012-13*, p. 194.

38 Parliamentary Secretary to the Minister for Foreign Affairs, Senator the Hon Brett Mason, 'International Day of people with Disability', *Media Release*, 3 December 2013.

39 *Submission 16*, p. 7.

40 *Submission 16*, p. 7.

41 *Submission 15*, p. 5.

42 *Submission 15*, pp 1-2.

Food and nutrition

3.29 The *Annual Review of Aid Effectiveness* in 2011-12 identified under-nutrition, in particular childhood under-nutrition, as a challenge in many of the regions and developing countries where Australia delivers aid, and as an emerging issue for the aid program.⁴³ In June 2013, Australia joined the Global Nutrition for Growth Compact and signed on to the Scaling Up Nutrition (SUN) movement, a collective global movement to scale up evidence-based nutrition interventions.⁴⁴

3.30 An important component of Australia's support for providing access to adequate nutrition to those in developing countries is through contributions to the World Food Programme, the lead UN agency for humanitarian food assistance in emergencies. Australia's contribution to the World Food Programme remained at \$46 million in the January aid budget changes.⁴⁵

3.31 Continued support for measures to alleviate hunger was expressed in many submissions. For example, Ms Ertharin Cousin, Executive Director of the World Food Programme stated:

The devastating impact of hunger, food insecurity and malnutrition on people and economies is clear and evidence-based. Hunger stunts physical and mental growth potential. Affected economies lose an estimated 6 to 16 percent of GDP in productivity each year. Children who suffer early growth failure will as adults, experience and suffer from lower earning potential and more chronic illnesses, and often fail to realize their educational promise.⁴⁶

3.32 Ms Cousin also noted that Australia has been instrumental in advancing resilience-based approaches to food security. The 2012-13 *AusAID Annual report* lists as one of the achievement of the aid program 'helping more than 700,000 poor women and men gain access to and use agricultural technologies to improve their food security, and increasing the value of additional agricultural production by more than \$131 million'.⁴⁷ Further, the Australian Centre for International Agricultural Research encourages research for the purpose of solving agricultural problems of developing countries.⁴⁸

3.33 Oxfam Australia also highlighted the large number of people affected by hunger in the Indian Ocean Asia-Pacific region and argued that Australia's aid

43 AusAID, *2011-12 Annual Review of Aid Effectiveness*, 2012, p. 22.

44 DFAT, *Annual Review of Aid Effectiveness 2012-13*, February 2014, p. 29.

45 *Submission 17*, p. 15.

46 *Submission 6*, p. 1.

47 AusAID, *Annual report 2012-13*, p. 16.

48 Australian Government, *Budget: Australia's International Development Assistance Program 2013-14*, 14 May 2013, p. 130.

program should focus on food security'.⁴⁹ Ms Jo Pride from Oxfam Australia observed that 'Australia's investment in food security initiatives through the aid program has declined over the last decade and it is vital that this trend is reversed'.⁵⁰

3.34 Save the Children noted that Australia, as part of joining the SUN movement, had committed to contribute \$40 million over four years to nutrition measures in the Asia-Pacific region:

Save the Children recommends delivering on Australia's commitment to tackle under-nutrition, with priority given to boosting investment in life-saving interventions for mothers and children in the crucial 1,000-day window (from the start of a woman's pregnancy until her child's second birthday) – such as distribution of vitamin A, iodised salt and zinc supplements, and the promotion of healthy behaviour, including hand washing, exclusive breastfeeding and complementary feeding practices.⁵¹

Health and medical research

3.35 As outlined above, investment in 'health' forms about 19 per cent of Australia's aid program.⁵² Several submissions called for health to continue and be expanded as a development priority. The School of Population Health, at University of Queensland, considered that there is a 'clear evidence based health development agenda for the Asia Pacific region' and noted Asian Development Bank research which identified health priorities for Asia and the Pacific.⁵³ World Vision recommended that at least 20 per cent of the overall aid budget should be allocated to the health sector. It particularly focused on the health impacts for children:

Despite significant improvements in global health indicators over the last two decades, there are still very significant health needs in our region and across the globe. Child mortality rates in the Pacific remain approximately nine times higher than in Australia; in Southeast Asia, six times higher; in South Asia, 12 times higher; and in Africa, 20 times higher...It is estimated that at least four million of the almost seven million deaths of children each year are preventable with simple, cost-effective responses.⁵⁴

3.36 Providing access to health services was frequently cited as a value-for-money development intervention and critical for the success of overseas aid programs overall. For example, Professor Graham Brown from the Nossal Institute of Global Health (Nossal Institute) noted:

49 *Submission 64*, p. 14.

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

51 *Submission 36*, p. 11.

52 *Submission 17*, p. 16.

53 *Submission 47*, p. 3.

54 *Submission 41*, p. 7.

[P]oor health is a barrier to development: no development without health, no health without development—they all go together, with many contributing to it. A common reason that families just managing above the poverty line drop below it is a catastrophic health event, so we think it is a very important priority.⁵⁵

3.37 Similarly, the Burnet Institute noted that the 'top five value-for-money investments are fighting malnutrition; malaria medicines; expanded childhood immunisation coverage; deworming treatments for children; and expanded TB treatment'.⁵⁶ It believed that a focus on efficiently delivering some of the highly ranked health interventions would have a major impact on the health and well-being of populations in partner countries, and contribute to poverty reduction. However, the Burnet Institute also cautioned that health interventions were unlikely to be effective without strengthened health systems in developing countries and continued medical research.⁵⁷

Medical Research Strategy

3.38 AusAID's Annual report 2012-13 noted that a key achievement was the launch of the Medical Research Strategy providing funding of around \$40 million over five years from 2012-13 to 2016-17.⁵⁸ However, Aeras noted it has received advice that DFAT was 'unable to continue to fund medical research at this time' due to the cuts to the aid program budget for 2013-14'.⁵⁹ At the public hearing DFAT confirmed:

The last payment in relation to medical research that was \$10 million in June 2013. There was no further funding in the budget for 2013-14, so that will be considered as part of the priorities that are currently underway.⁶⁰

3.39 In June 2013, AusAID awarded \$10 million as part of the Medical Research Strategy to four organisations to advance new medical technologies targeting diseases that disproportionately affect poor people in the Asia Pacific region:

- Global Alliance for TB Drug Development (TB Alliance)—to develop TB drugs.
- Aeras—to develop new TB vaccines.
- Medicines for Malaria Venture (MMV)—to develop drugs to treat malaria.

55 *Committee Hansard*, 21 February 2014, p. 32.

56 *Submission 4*, p. 3.

57 *Submission 4*, p. 3.

58 AusAID, *Annual report 2012-13*, p. 207.

59 *Submission 46*, p. 1.

60 Mr Ewen McDonald, DFAT, *Committee Hansard*, 21 February 2014, p. 67.

- Foundation for Innovative New Diagnostics (FIND)—to develop diagnostic tools for the control of malaria and tuberculosis.⁶¹

3.40 A large number of submissions received by the inquiry urged continued and increased funding for medical research through Australia's aid program. For example, the International AIDS Vaccine Initiative stated:

In January 2014, DFAT reportedly stated that the 2013-14 budget for global health investments, including health research, is fully committed on government priorities, and they are as such unable to continue to fund medical research at this time...With numerous new products approaching human clinical trials, it seems misguided to cut funding just at the point when strong returns on investment might reasonably be expected.⁶²

3.41 Professor Michael Toole from the Burnet Institute also commented on the Medical Research Strategy. He noted that the 'very modest \$10 million' had been effectively channelled into private-public partnerships which have been 'an excellent mechanism for getting new drugs and vaccine development that otherwise would not happen'.⁶³

3.42 The significance of Australian aid contributions to support efforts to combat a number of communicable diseases, particularly through the Medical Research Strategy program, was frequently highlighted. These submissions outlined the impacts of diseases such as HIV/AIDS, tuberculosis, malaria and polio in developing countries.

HIV/AIDS

3.43 The Nossal Institute noted that while new cases and deaths from HIV/AIDS were decreasing, the number of people living with the disease was projected to increase with unmet need in the Asia Pacific estimated at 2 million.⁶⁴ The International AIDS Vaccine Initiative also highlighted that HIV/AIDS remains a serious public health issue in the Asia Pacific and argued that continued support for product development partners was needed to develop new health technologies to treat and prevent diseases.⁶⁵

61 AusAID, 'Medical Research Strategy', available at <http://aid.dfat.gov.au/publications/Pages/medical-research-strategy.aspx> (accessed 21 March 2014).

62 *Submission 14*, p. 4.

63 *Committee Hansard*, 21 February 2014, p. 34.

64 *Submission 34*, p. 7.

65 *Submission 14*, pp 3-4.

Tuberculosis (TB)

3.44 The TB Alliance stated that Australia's investment of \$2.5 million through the Medical Research Strategy 'has been instrumental in accelerating the development of lifesaving new therapies to tackle TB'⁶⁶ and urged continued support:

With the Australian government's support in 2012-2013 through AusAID's Medical Research Strategy, TB Alliance has made ground-breaking progress in advancing its portfolio of improved TB treatments, with anticipated near-term impact in Australia and across the Asia Pacific region.⁶⁷

Malaria

3.45 The Burnet Institute used malaria as an example of where additional medical research was needed to address a major health issue in the Asia Pacific through the surveillance of drug resistant malaria and the development of diagnostic tests and new treatments.⁶⁸ Sir Richard Feachem also noted that Australia had played a leading role in fighting malaria. He noted that with continued efforts '[b]y 2035, the whole of Asia Pacific can be malaria-free, which will be a historic achievement of unparalleled magnitude'.⁶⁹

Polio

3.46 Mr Brian Knowles, the National Advocacy Advisor for Rotary's PolioPlus program, emphasised the importance of continued efforts to eradicate polio. He outlined the concern that Australia would not proceed with a grant of \$80 million to the World Health Organisation for the Global Polio Eradication Initiative. Mr Knowles stated:

The global eradication of polio could provide net benefits of at least \$40-\$50 billion if transmission of the wild polio viruses is stopped within the next 5 years. Polio eradication is a cost effective public health investment, as its benefits accrue forever. On the other hand, as many as 200,000 children could be paralysed in the next 10 years if the world fails to capitalise on the more than \$10 billion already invested.⁷⁰

66 *Submission 13*, p. 2.

67 *Submission 13*, p. 1.

68 *Submission 4*, p. 5.

69 *Submission 2*, p. 2.

70 *Submission 3*, p. 2.

3.47 The ongoing impact of polio was also highlighted during the inquiry. For example, the World Health Organisation has identified an outbreak of polio in Syria, a country which had been considered free of the disease for 14 years.⁷¹

Water and sanitation

3.48 Assistance for water, sanitation and hygiene (WASH) programs was also highlighted as providing a broad range of benefits for developing countries.⁷² For example, ACFID commented that these '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'.⁷³

3.49 One of the ways Australia supports WASH programs in developing countries is through the United Nations Children's Fund (UNICEF). For example, in 2013-14, Australia partnered with UNICEF to provide improved water and sanitation facilities for 7,800 disadvantaged rural children in northwest Mongolia.⁷⁴

3.50 However, WaterAid noted that Australia 'allocated just 3.56% of its aid budget to water, sanitation and hygiene projects, putting it below the [OECD] DAC average of 4.2%'. It recommended that a minimum of 5 per cent of Australia's overall aid program be committed to water, sanitation and hygiene, with a particular focus on sanitation and hygiene, especially in schools and health centres.⁷⁵ Further, it recommended that water, sanitation and hygiene be integrated into Australia's health and education aid programs:

Each year Australian aid supports the construction of thousands of schools and health facilities. Integrating and prioritising water, sanitation and hygiene services into Australia's education and health programs will maximise value for money and ultimately improve the effectiveness of our aid program to deliver against stated objectives, preventing the spread of deadly diseases and infections and ensuring children receive a quality education.⁷⁶

71 'Polio outbreak in Syria confirmed by World Health Organisation', *ABC News*, 29 October 2013, available at <http://www.abc.net.au/news/2013-10-29/who-confirms-polio-outbreak-in-syria/5056494> (accessed 21 March 2014).

72 For example, World Vision, *Submission 41*, p. 8.

73 ACFID, *Submission 35*, p. 8.

74 Australian Government, *Budget: Australian International Development Assistance Program 2013-14*, 14 May 2013, p. 55.

75 *Submission 39*, p. 4.

76 *Submission 39*, p. 5.

Climate change and environment

3.51 The most significant cuts to the aid budget announced in January impact on climate change and environment programs. Cross regional climate change and environmental and sustainability programs were cut from \$17 million in 2012-13 to \$500,000 in 2013-14 and Australia's contribution to global environment programs cut from \$74 million in 2012-13 to zero in 2013-14.⁷⁷

3.52 At the public hearing, Mr Robin Davies from the Development Policy Centre noted that the current outlook for budget allocations for environment and climate change issues was 'quite uncertain'. He outlined the key programs supported by previous governments and noted that there had been 'substantial expenditure, both multilateral and bilateral, on climate change mitigation, particularly reducing emissions from deforestation and climate adaptation, especially in the small island states of the Pacific and further afield'. He stated:

In the recent funding adjustment we essentially saw a zeroing of allocations, at least for global and cross-regional programs, related to climate change. Putting all of that together, there is a large question about the government's intentions in this area. It is entirely possible that there is an intention to pursue climate change programming through bilateral allocations and perhaps to support multilateral initiatives as the need arises. There are no immediate needs now or in the months ahead.

...[I]n practical terms of our relationships, particularly with Pacific Island governments, it is [not] going to be feasible for Australia to refuse to support climate change adaptation interventions. These have multiple benefits.⁷⁸

3.53 There was considerable support expressed in submissions and by witnesses for continued funding of climate change and environmental programs through Australia's aid program. For example, ACFID noted that Australia's region was 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. Further, it stated:

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.⁷⁹

3.54 The United Nations Association of Australia argued that, as one of the world's highest emitters of greenhouse gases per capita, Australia has a responsibility to the international community to contribute to global action to address climate change.

77 *Submission 17*, pp 14-15.

78 *Committee Hansard*, 21 February 2014, p. 51.

79 *Submission 35*, p. 14.

Further, it noted that Australia has 'made a commitment under the UN Framework Convention on Climate Change to support international efforts to reduce greenhouse gas emissions and to support international efforts for climate change mitigation and adaptation'.⁸⁰

3.55 The Green Climate Fund is a multilateral climate change fund, established through UN climate change negotiations to support developing countries to address the challenges of climate change.⁸¹ ActionAid encouraged the Australian Government to provide 'adequate and prompt support to the green climate fund, as well as long term climate finance'. It stated:

The Foreign Minister has suggested that the government will reconsider Australia's long-term commitment to the Green Climate Fund. It is widely understood that multilateral climate financing measures are more effective than bilateral ones, and the Fund is designed to attract private sector funding, something that this government has expressed significant interest in.⁸²

3.56 The Development Policy Centre recommended that '[i]n its forthcoming aid policy statement, the government should state that it is prepared to use the aid budget to help fund at least certain categories of action on climate change in developing countries, including adaptation programs'.⁸³

Private sector engagement

3.57 DFAT noted that one of the government's priorities for the aid program is 'support for increased private sector activity and helping to overcome the obstacles to private sector investment in infrastructure and other productive capabilities'.⁸⁴

3.58 This builds on recent efforts to promote private sector engagement within the aid program. In 2011, the Independent Review identified the engagement with private sector as 'crucial for the success of aid recipient countries' and an underutilised partner for donor countries. It considered there were opportunities for Australia's aid program to expand engagement with the private sector significantly.⁸⁵ In 2012, AusAID launched its strategy for development of the private sector in partner countries. The strategy noted that a 'growing private sector—the engine of economic growth—is fundamental to moving people out of poverty'.⁸⁶ The recent *Lessons from Australian*

80 *Submission 23*, p. 3.

81 Australian Government, *Budget: Australia's International Development Assistance Program 2013-14*, 14 May 2013, p. 98.

82 *Submission 45*, p. 7.

83 *Submission 67*, p. 19.

84 *Submission 17*, p. 4.

85 Independent Review, p. 20.

86 AusAID, *Sustainable economic development: private sector development*, August 2012, p. 7.

aid report of the Office of Development Effectiveness summarised the aid program's approach to the private sector:

Australia also recognises that a dynamic private sector that powers economic growth, generates employment and contributes to public services through taxation is fundamental to moving people out of poverty. Australian aid has provided significant assistance aimed at creating the enabling environment for private sector development...More recently, the aid program has indicated its preparedness to provide targeted interventions to assist specific firms or industries, where these are important players in fragile and conflict-affected states, remote island countries and in areas of entrenched poverty.⁸⁷

3.59 An example of how the Australian aid program has worked with the private sector is through the Mining for Development initiative launched in 2011. The initiative aims at assisting partner governments to maximise the development potential of their extractives sectors in a socially and environmentally sustainable way.⁸⁸ Another example is Australia's support for the Africa Enterprise Challenge Fund Research, a fund 'to stimulate the private sector to commercialise existing, readily available and near-complete agricultural research and technology products for the benefit of the rural poor in Africa'.⁸⁹

3.60 The discussion of the aid program's engagement with the private sector was often linked to the Australian Government's focus on economic growth and 'aid-for-trade' in the aid program, and how the national interest should fit within the priorities of the aid program. For example, the Business Council of Australia commented:

Through effective linkages with business, there are opportunities to develop and utilise innovation and creativity, and to leverage knowledge and coordination of activities for the purpose of achieving sustained economic and social outcomes. The integration of AusAID into [DFAT] should further assist the aid program's engagement with the private sector.⁹⁰

3.61 The Development Policy Centre also recommended that the government 'explore a small number of practical poverty reduction partnerships with businesses'. It noted '[t]hese might involve using business systems for aid delivery, or they might involve measures to encourage businesses to change their operating models for the benefit of poor people as suppliers, employees or consumers'.⁹¹

87 Office of Development Effectiveness, *Lessons from Australian Aid*, 2014, p. 11.

88 Australian Government, *Budget: Australia's International Development Assistance Program 2013-14*, 14 May 2013, p. 102.

89 Australian Government, *Budget: Australia's International Development Assistance Program 2013-14*, 14 May 2013, p. 118.

90 *Submission 5*, pp 1-2.

91 *Submission 67*, p. 22.

3.62 However, a number of submissions also expressed caution and requested clarity in relation to the increased role of the private sector in aid. Oxfam Australia noted that the profit motives of the private sector 'are not always consistent' with effective and targeted aid.⁹² It recommended:

The Australian aid program should support private enterprise in developing countries where it empowers local communities, particularly women, to participate in decisions regarding the management of their natural resources and should support the implementation of compulsory revenue transparency measures.

The Australia aid program should also support micro and small enterprises in developing countries that have the capacity to significantly address and alleviate hunger.⁹³

3.63 AID/WATCH also warned that aid policies can be pursued with clear advantage for the private sector and 'little thought given to the poverty alleviation component of the program'.⁹⁴ It stated that 'development can actually have a negative effect on poverty, largely due to the fact the economic gains are often distributed unevenly resulting in more inequality between the rich and the poor'.⁹⁵ In particular it singled out the Mining for Development Initiative:

There is little evidence to demonstrate where mining has had a positive effect on peoples' levels of poverty or indeed 'lifted' people out of poverty. Minimal effort has been made to articulate how large-scale mining, as promoted through the 'Mining for Development Initiative', is "sustainable", either for economies or the environment.⁹⁶

Other priority areas

3.64 Other areas were raised as development priorities including security, child protection, law and justice, and aid research and innovation.

Security

3.65 Dr Karl Claxton from ASPI supported the creation of a security sector of the aid budget. He stated:

[W]e should be doing more in terms of security as a key enabler of development using aid. As you know, securing conditions for development is sometimes referred to as 'the missing millennium development goal'. So when the MDGs are revisited in a couple of years we would suggest that security—securing the conditions that allow development so that we can

92 *Submission 64*, p. 10.

93 *Submission 64*, p. 20.

94 *Submission 25*, p. 5.

95 *Submission 25*, p. 5.

96 *Submission 25*, p. 4.

prevent poverty and so that we can mitigate the circumstances of poor people who do face poverty—is an important thing that Australia could be doing more of.⁹⁷

3.66 He also noted aid cooperation could be used to assist in building a broader relationship with other countries, such as China.⁹⁸

Child protection

3.67 Save the Children noted that while Australia had been the first to implement a child protection policy in international development, that area was significantly under-resourced in terms of personnel, strategy and practical initiatives to deliver on our child protection aims:

The revised 2013 Child Protection policy puts the issue firmly on Australia's agenda and is a powerful example of how DFAT can influence global practice. Obligations for safeguarding children cascade down to all international development contractors, NGOs and other partners to the Australian aid program.⁹⁹

Law and justice

3.68 The Law Council of Australia noted that international legal assistance projects have become increasingly relevant as means to support 'social and economic stability and creating a sustainable environment in which bilateral trade can flourish'. It considered:

Australia's ODA program must formally recognise and support the development of the legal profession, its peak organisations and tertiary legal education providers as equally important players in the law and justice sector. Failure to do so to date has impeded the effectiveness of Australia's activities to promote and strengthen the rule of law, particularly in the South Pacific Region.¹⁰⁰

Aid research and innovation

3.69 ACFID argued that '[r]esearch 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

97 *Committee Hansard*, 21 February 2014, p. 52.

98 *Committee Hansard*, 21 February 2014, p. 52.

99 *Submission 36*, p. 10.

100 *Submission 73*, p. 1.

increases opportunities for innovation where Australia can play a lead role in identifying solutions.¹⁰¹

3.70 ACFID recommended this should include support for 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. It noted that since its introduction in 2007, the ADRAS has supported 129 primary research projects and 17 systematic reviews of development research.¹⁰²

3.71 At the public hearing Professor Michael Toole from the Burnet Institute identified a range of initiatives 'that were valuable mechanisms to both generate knowledge for the aid program and to build capacity'. These were Knowledge Hubs for Health, the Australian Development Research Awards, the Australian Fellowship Program and the ANCP innovations grants.¹⁰³ IWDA noted it had been directly affected by recent cuts in relation to the ANCP Innovation Fund. Ms Jo Hayter stated:

Unfortunately for us, that fund represented research work. So in a space where data is already very, very limited, particularly in the Pacific region, in terms of women's liberalities and the demographic analysis that we need to understand in order to make a difference in relation to poverty alleviation and, in fact, empowerment for women, we were not able to progress a range of research ideas that we had proposed.¹⁰⁴

Delivery of aid

3.72 The DFAT submission outlined the broad range of channels for the delivery of Australia's aid program:

Australia's aid program is delivered at the individual country level, at the regional level and through global programs. It is delivered through a range of partners, including partner governments, commercial suppliers, multilateral and regional organisations, global funds, Australian and international NGOs, other donors and other Australian government agencies that administer ODA.¹⁰⁵

3.73 DFAT also commented that '[p]artners will continue to be selected on the basis of their ability to deliver value for money and the capabilities they can contribute to the achievement of the Government's aid objectives'.¹⁰⁶ During the inquiry, evidence focused on a number of channels for the delivery of overseas aid:

101 *Submission 35*, p. 22.

102 *Submission 35*, p. 23.

103 Professor Michael Toole, *Committee Hansard*, 21 February 2014, p. 34.

104 Ms Jo Hayter, IWDA, *Committee Hansard*, 21 February 2014, p. 3.

105 *Submission 17*, p. 5.

106 *Submission 17*, p. 5.

multilateral organisations, non-government organisations, the private sector, partner governments and civil society.

Multilateral organisations

3.74 In March 2012, AusAID undertook the first Australian Multilateral Assessment (AMA) exercise to:

- provide a firm base of information about the effectiveness and relevance of multilateral organisations, from the perspective of the Australian aid program;
- inform decisions on funding allocations in the 2012–13 budget; and
- design a rating system that can be used on an annual basis to inform decisions on subsequent funding allocations and policy engagement.¹⁰⁷

3.75 The AMA found that Australian contributions to multilateral organisations were overwhelmingly (96 per cent) provided to organisations that were rated as being effective. However, it also identified a number of areas where multilateral partners could do more to improve their performance.¹⁰⁸ Its major findings included: a considerable variation in the effectiveness of many multilateral organisations at a country and regional-level; a need for improved coordination; and an insufficient attention to value-for-money.¹⁰⁹

3.76 Micah Challenge noted that supporting the work of well-performing multinationals has been identified as one of the best ways to achieve value-for-money in aid spending. It was disappointed that the Australian Government's announced priorities involve a reduction in funding to multilateral organisations.¹¹⁰ Similarly, the United Nations Association of Australia urged continuing support to UN agencies and sought an assurance from the Australian Government that further cuts to the aid program will not unduly target these agencies. It noted that:

Many UN agencies have received the same funding this year as last year, despite inflation and increasing demands. Overall, it appears that about \$20 million has been cut from UN agencies this year.¹¹¹

3.77 Australia also contributes to multilateral organisations such as the GAVI Alliance, the public-private global health partnership created in 2000 in response to declining immunisation rates in developing countries. The GAVI Alliance

107 AusAID, *Australian Multilateral Assessment*, March 2012.

108 AusAID, *Multilateral Engagement Strategy for the Australian aid program 2012-2016*, 2012, p. 5.

109 AusAID, *Australian Multilateral Assessment*, March 2012, pp xiii-xiv.

110 *Submission 37*, p. 3.

111 *Submission 23*, p. 4.

highlighted that its activities align well with the Australia's regional focus, development priorities and emphasis on results-based financing.¹¹² It noted:

Australia joined the GAVI Alliance in 2006. Between 2006-2013, Australia has provided approximately AUD \$231 million to GAVI in direct contributions and is also providing \$250 million over 20 years to GAVI's International Finance Facility for Immunisation (IFFIm). Australia's support to GAVI through direct contribution and IFFIm helps countries build their health system by providing better maternal and child health care services, training health staff, improving health facilities and supplying life-saving vaccines.¹¹³

Non-government organisations (NGOs)

3.78 Australian aid funding to NGOs can come through multiple channels—including the Australian NGO Cooperation Program (ANCP), as partners on bilateral country programs, and indirectly through Australian contributions to multilateral organisations, particularly for humanitarian assistance.

3.79 Analysis of the changes announced in January by Mr Robin Davies from the Development Policy Centre indicated that funding directed to NGOs was cut by 7 per cent relative to the 2013-14 budget. However, he noted that NGOs will still receive 24 per cent more than was allocated in 2012-13.¹¹⁴ In relation to the ANCP, Save the Children indicated that allocations to partner NGOs 'were reduced in the main by 8.3 percent across the board'.¹¹⁵

3.80 In its submission, DFAT stated that 'Australian NGOs with a strong track record of effectiveness will continue to play an integral role in delivering Australian aid'.¹¹⁶ At the public hearing, DFAT confirmed that funding for NGOs was part of the ongoing budget process.¹¹⁷

3.81 Several NGOs welcomed the Coalition's pre-election statement to 're-prioritise foreign aid allocations towards non-government organisations that deliver on-the-ground support for those most in need'. For example World Vision considered the statement was recognition of the capacity, strengths and results achieved by Australian NGOs in delivering aid:

Effective non-government organisations have already been identified through Australian government assessment and accreditation systems. They

112 *Submission 44*, p. 1.

113 *Submission 44*, pp 1-5.

114 Robin Davies, 'Australia's overseas aid program: a post-surgical stocktake', *DevPolicy Blog*, 3 February 2014.

115 *Submission 36*, p. 6.

116 *Submission 17*, p. 5.

117 Mr Ewen McDonald, DFAT, *Committee Hansard*, 21 February 2014, p. 68.

provide the opportunity to reduce management costs, work with local partners to target the poorest and most marginalised, and achieve results in areas not directly reached by bilateral aid.¹¹⁸

3.82 A number of NGOs argued that they were effective channels for the delivery of Australian aid.¹¹⁹ For example, Oxfam Australia noted that the ANCP comprises less than three percent of the Australian aid program, but it 'represents a unique, strategic, efficient and effective mechanism for delivering Australian aid'. It noted:

The Accreditation to receive funds through ANCP is rigorous and an important prerequisite is becoming a signatory to the ACFID Code of Conduct. The current ANCP portfolio supports 27 projects in 13 countries across three thematic areas- Gender; Governance, Leadership and Accountability, and Resilience.¹²⁰

3.83 While some NGOs noted that they did not wish to become dependent on government aid funding, they also identified capacity for increased delivery of Australian aid. For example, ACFID suggested that some efficiencies could be found in directly funding NGOs for humanitarian response programs, rather than indirectly through multilateral agencies.¹²¹ At the hearing, Mr Andrew Johnson from World Vision described a number of ways to increase the delivery of aid through Australian NGOs:

One is the ability to increase the amount of funding that goes to NGOs where larger NGOs are capable of scaling-up proven work...The other point was about whether we should be broadening the number of NGOs getting government funding. There was a recognition that, in line with a demonstrated effectiveness, there are small NGOs with niche expertise that are doing new and innovative work in microfinance and other particular things....There is the ability, once you have proven innovative models from specialist agencies, to then look at whether you can parse them together or whether there are consortia of agencies to scale up those initiatives.¹²²

3.84 Mr Paul Kelly from Care Australia also noted that 'different players bring different strengths' to the delivery of aid:

What is important about the allocation of aid is that it is specific to the context and what is trying to be achieved....[T]he use of NGOs is an important part of achieving the broader government's objective.¹²³

118 *Submission 41*, p. 6.

119 For example, Ms Jo Hayter, IWDA, *Committee Hansard*, 21 February 2014, p. 3.

120 *Submission 64*, p. 17.

121 Mr Marc Purcell, ACFID, *Committee Hansard*, 21 February 2014, p. 28.

122 *Committee Hansard*, 21 February 2014, p. 21.

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

Private sector

3.85 Recommendations made by IDC Australia stressed the importance of partnership with industry and consultation with the private sector deliverers of aid programs. One of the core themes of its submission was 'the aid program can be more effective and efficient through better harnessing the capabilities and experiences of the private sector'.¹²⁴

3.86 Some witnesses and submissions took a cautious view of aid delivery by the private sector. Ms Kate Lee from the APEDHA urged a review of aid delivered through the for-profit and commercial sector and considered it vital that these organisations comply with the same standards of transparency and accountability applied to most Australian NGOs with the ACFID Code of Conduct.¹²⁵ Similarly, Oxfam Australia commented:

[T]he Government should proceed with caution in seeking to increase the role of the private sector in the delivery of Australian aid as the profit motives of the private sector are not always consistent with the delivery of effective and targeted aid, particularly when situations on the ground are complex and require more than 'off the shelf' solutions.¹²⁶

3.87 However, IDC Australia argued that private sector contractors could add significant value in aid delivery:

[T]here is evidence to highlight that where the use of advisory inputs is required, that engaging these inputs through a managing contractor model can offer better value for money when compared to a public service employee in the same environment. This is a consequence of what is appropriately allowed to be included for an adviser engaged through a private sector contractor, compared with what conditions are accepted (possibly expected) for public servants.¹²⁷

3.88 IDC Australia also emphasised '[a]ccountability within the private sector groups is strong...particularly in the area of "cost effectiveness"'.¹²⁸ It commented:

Throughout the whole aid delivery cycle, from procurement through implementation, to evaluation, private sector contractors are some of the most highly scrutinised in the aid program. All aspects of our engagement with the aid program show contestability, transparency and accountability...

Private sector contractors, particularly the larger organisations, are put through a forensic due diligence process, undertaken by the Department.

124 *Submission 42*, pp 1-2.

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

126 *Submission 64*, p. 10.

127 IDC Australia, answer to question on notice no. 2, p. 2.

128 IDC Australia, answer to question on notice no. 2, p. 6.

Private sector contracts include a regime of ongoing reporting addressing financial, technical and risk dimensions, as well as a range of independent review cycles throughout implementation...

Private sector contractors are assessed twice each year through a Contractor Performance Assessment (CPA) process, the results of which can be provided to future assessment panels when considering tender awards. Larger private sector contractors (or more accurately, larger value contracts) are put through an annual 'whole of portfolio' assessment, the results of which are also available to future tender assessment panels.¹²⁹

3.89 Obstacles in relation to effective private sector aid delivery were also identified. IDC Australia stated that 'a number of procurement and contracting-related practices continue to negatively impact a competitive and diverse marketplace and hence the effectiveness, efficiency and value for money in the aid program'.¹³⁰ IDC Australia noted that while the introduction of the Adviser Remuneration Framework (ARF) had defined 'acceptable' fee levels according to the role being performed, there were cases where these fee levels constrain access to some high calibre candidates due to the rates being paid being below their current remuneration level.¹³¹

3.90 Further, Sustineo argued that an exemption from compliance with the Commonwealth Procurement Rules had resulted in an inequitable market for development assistance technical services, leading to it being dominated by large multinationals. It considered increased access for the Australian SME sector would improve aid program design, encourage innovation and re-establish competition in the industry.¹³² Mr Andrew Rowe, Managing Director of Sustineo commented:

Using commercial providers through a properly functioning, competitive market mechanism is a highly efficient, cost-effective and flexible way of deploying capability and services. Indeed, in some development contexts, it is the best way of providing development assistance. But, because of the issues we are highlighting here, in the Australian aid program it is often more costly than it needs to be and less effective than it can be.¹³³

3.91 At the public hearing, DFAT advised that it was in consultation with stakeholders on these matters as part of the integration process:

We are looking here...at whether our systems are fit for purpose and what sort of processes need to change as a result of that. Through this consultation process, which also includes the benchmarks that are currently underway, we will end up with a system that reflects, I think, not only the

129 IDC Australia, answer to question on notice no. 2, p. 4.

130 IDC Australia, *Submission 42*, p. 2.

131 IDC Australia, answer to question on notice no. 2, p. 2.

132 *Submission 30*, p. 2.

133 *Committee Hansard*, 21 February 2014, p. 56.

Commonwealth government procurement guidelines but also the priorities in terms of the government...[W]e are consulting across the board. Some of those issues relate to just the process of large tenders and how small and medium enterprises can be engaged with those.¹³⁴

Partner governments

3.92 The Independent Review observed that 'in most countries, the recipient government is the key partner for the aid program' and there has been a 'shift to the greater use of government systems' in the delivery of aid. It noted that overall the experience of putting more aid through government systems has been positive:

The use of government systems should not be the default option. It requires careful consideration of the country context. However, it does have two main advantages: avoiding the creation of systems parallel to the government and helping influence partner government policies and programs beyond the aid activity itself.¹³⁵

3.93 In relation to the delivery of aid, Minister Bishop has flagged a 'move away from direct service delivery because that is the responsibility of a mature sovereign government'.¹³⁶ DFAT also noted that Minister Bishop had indicated 'her intention to introduce mutual obligations and mutual accountability between the Australian Government and our partner countries'.¹³⁷ However, Mr Paul O'Callaghan representing the Church Agencies Network commented that this practice had not been successful in the past:

I think back to the time of the previous coalition government, when Foreign Minister Alexander Downer sought to pursue mutual accountability quite aggressively initially with PNG, the Solomon Islands and East Timor. He found after a year—and I think he would admit to this—that the carrot-and-stick approach does not really work very well in overseas aid. In fact, you might know of the instance in Indonesia about 30 years ago: when the Dutch tried to introduce that scheme, the Indonesian government terminated the relationship for aid. They just ended the aid program.¹³⁸

Australian civil society

3.94 The aid program has also provided opportunities for the Australian community to become involved in the delivery of the aid. This support included: providing funding for volunteer placements; training and deploying civilian experts through the Australian Civilian Corps; the AusAID Civil Society Engagement

134 Mr Ewen McDonald, DFAT, *Committee Hansard*, 21 February 2014, p. 69.

135 Independent Review, p. 19.

136 The Hon Julie Bishop MP, Opening address - 2014 Australasian Aid and International Development Policy workshop, 14 February 2014.

137 *Submission 17*, p. 5.

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

Framework; and the Business Engagement Steering Committee. This support was in addition to the funding provided to Australian NGOs through the ANCP and funding for NGOs to address humanitarian emergencies.¹³⁹

3.95 In particular, the value of the international volunteering program, as part of Australia's overall aid program, has been recognised in a recently released Office of Development Effectiveness evaluation of the Australian Volunteers for International Development (AVID) program:

Although AVID is one of the most visible elements of Australia's aid effort, it comes at a modest cost relative to the annual aid budget. In 2011-12, it represented around one per cent of Australian aid...

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.¹⁴⁰

3.96 In the revised budget the AVID Program annual budget was reduced by 25 per cent, reducing funding from \$65.3 million to \$55.3 million. The likely impact is to significantly reduce the number of new volunteers. In the revised aid budget, the total for NGO, Volunteer and Community Programs was cut from \$221.7 million in 2012-13 to \$199.4 million.

Committee view

Health and medical research

3.97 The Independent Review of Aid Effectiveness identified a number of factors to determine a sectoral aid flagship program. These factors were: 'Australia's comparative advantage; neglected needs; the presence of a 'tipping point'; high prospects for success; and related Australian interests'.¹⁴¹ In the view of the committee, health and medical research met all of these criteria.

3.98 In particular, Australia has a comparative advantage in medical research which should continue to be exploited, particularly in relation to the development of diagnostic tests, treatments and vaccines. Developments in medical research can benefit those affected in developing countries, but are also clearly in Australia's

139 AusAID, *2011-12 Annual Review of Aid Effectiveness*, 2012, p. 11.

140 ODE, *Evaluation of the Australian Volunteers for International Development (AVID) program*, January 2014, pp 1-2.

141 Independent Review, p. 14.

broader national interest. The spread of drug-resistant strains of serious diseases, such as TB in developing countries to Australia's north, is of serious concern.

3.99 The committee notes the high level of public and specialist interest in maintaining the Medical Research Strategy, which was a notable focus of submissions. In the view of the committee, the existing strategy has delivered a high return on investment, supporting a portfolio of 71 drug, 14 vaccine and 19 diagnostic projects conducted by product development partnerships for a comparatively modest investment of \$10 million.

3.100 In the view of the committee, additional funding should be made available to the Medical Research Strategy in the coming years. The committee believes that investing in the Medical Research Strategy generates high health impacts and substantial cost-savings to aid programs in the region, and future-proofs Australia's aid investments against drug-resistant disease strains.

3.101 Nevertheless, the Medical Research Strategy can and should be improved to address a number of issues. These issues include:

- insufficient funding, with investment levels well below that of other OECD countries;
- inefficient distribution of funding between the three main research areas (basic, operational research and product development);
- the lack of an over-arching global health research and development strategy; and
- limited coordination across the key agencies that fund global health research and development (DFAT, NHRMC, Department of Industry, CSIRO).

Recommendation 9

3.102 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

3.103 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

3.104 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.

Gender

3.105 The Australian Government's continued focus on gender inequality through the overseas aid program is welcomed by the committee. In particular, the committee considers the appointment of an Ambassador for Women and Girls, Ms Natasha Stott Despoja, is a positive step which will assist international advocacy supporting the Australian Government's policies and programs to empower women and girls.

3.106 The committee notes the concern outlined by the International Women's Development Agency that committed resources and outcomes in relation to gender issues can be difficult to track within the aid program. In the view of the committee, this could be an important area of reform.

Recommendation 12

3.107 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.

Disability

3.108 The committee also welcomes the announcement made by the Parliamentary Secretary to the Minister for Foreign Affairs, Senator the Hon Brett Mason, that the 'Australian Government will develop a new strategy to ensure that people with disability play an active and central role in Australia's aid program beyond 2015'. Senator Mason stated that '[t]he strategy will reflect the Government's focus on building skills, creating jobs and fostering economic growth in the Indo-Pacific region, and will build on the success of the Development for All 2009-2014 strategy'.¹⁴²

3.109 The committee urges the Australian Government to continue to engage with the disability sector to ensure that people with disability in developing countries are given a voice in the development of a new strategy.

Climate change and environment

3.110 The committee notes that a significant feature of the cuts announced on 18 January 2014 was a funding reduction to programs focused on mitigating the effects of climate change on developing countries and for environmental protection. In the view of the committee, this is a retrograde step. Developing countries, particularly those in the Asia Pacific are well-recognised as some of the most vulnerable to climate change risks – including inundation of low-lying regions, more frequent natural disasters and threats to food production. Continuing to support developing countries tackle climate change is critical to Australia's and the region's future.

142 Parliamentary Secretary to the Minister for Foreign Affairs, Senator the Hon Brett Mason, 'International Day of people with Disability', *Media Release*, 3 December 2013.

Recommendation 13

3.111 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.

Responding to crises

3.112 Humanitarian aid and disaster assistance has been an area where it is recognised that Australia has excelled. The committee notes that many submissions and witnesses singled out humanitarian aid as a priority area where aid funding 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.¹⁴³

Recommendation 14

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

Engagement with business

3.114 In the view of the committee there is substantial scope for the increased engagement with the private sector in the delivery and in partnership with Australia's aid program. The committee notes that Australia has previously completed private sector aid engagement programs such as the Enterprise Challenge Fund for the Pacific and South East Asia (ECF). The ECF was a six year pilot grant fund that provided funding directly to businesses offering innovative solutions to address market failures and to stimulate long-term inclusive economic growth.¹⁴⁴

3.115 The committee notes that the Joint Committee on Foreign Affairs, Defence and Trade is currently conducting an inquiry into the role of the private sector in promoting economic growth and reducing poverty in the Indo-Pacific region. The committee is confident this inquiry will result in worthwhile recommendations for further engagement by the Australian aid program with the private sector.

Delivery of aid

3.116 The Australian aid program is delivered through a number of different channels—non-government organisations, private sector contractors, bilateral agreements, multilateral organisations and several others. During the inquiry the committee received conflicting evidence regarding the merits of each. In general, the

143 The committee notes the deployment of the Australian Navy's Canberra-class landing helicopter docks (LHDs) will provide additional capacity for Australia to respond to humanitarian and natural disasters within the Asia Pacific and beyond.

144 AusAID, '2013 ECF Project Completion Report', September 2013, p. 1.

committee considers that the channel 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.

3.117 However, the committee does have specific concerns in relation to two aspects of the delivery of aid: innovation in aid delivery and procurement for the aid program. In particular, the committee considers that additional funding should be made available to re-establish the 'AusAID NGO Cooperation Program Innovation Fund'. This small fund would add considerable value through promoting innovative practices to improve the effectiveness of aid delivery in the NGO sector.

3.118 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. This investment platform is 'designed to source powerful solutions from anywhere in the world, test them using rigorous methods and staged financing, and bring to scale those that offer more value for money than standard practice and improve the lives of millions'.¹⁴⁵ 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.¹⁴⁶

3.119 The committee 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. In the view of the committee, a more open competitive market for aid procurement would assist the Australian Government achieve its overseas aid objectives in a cost effective manner. This matter should be independently reviewed.

Recommendation 15

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

Recommendation 16

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

145 USAID, 'USAID and DFID announce Global Development Innovation Ventures to Invest in Breakthrough Solutions to World Poverty', *Press Release*, 6 June 2013 available at: <http://www.usaid.gov/news-information/press-releases/usaaid-and-dfid-announce-global-development-innovation-ventures> (accessed 24 March 2014).

146 Stephen Howes, 'Five things to like about the Foreign Minister's aid speech; and two concerns', *DevPolicy*, 26 February 2014, available at: <http://devpolicy.org/foreign-ministers-aid-speech-20140226> (accessed 24 March 2014).

Recommendation 17

3.122 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.

Chapter 4

Integration of AusAID, effectiveness and benchmarks

4.1 This chapter considers the implications of integrating AusAID into DFAT, and examines measures to improve the effectiveness of aid and the development of performance benchmarks.

Integration

4.1 There is a lack of clarity around the rationale for integrating AusAID into DFAT, and the committee received evidence both in favour, and concerned about, this development. DFAT considered that the key outcome of the integration of AusAID would be 'a transformed Department with the skills, resources and connections to implement foreign, trade and development policies and programs in a coherent, effective and efficient way that best serves Australia's national interests'.¹ It stated:

Integration will also increase the impact of Australia's foreign, trade and aid policies and programs. Effective Australian aid provides access and influence which can support foreign and trade objectives. At the same time, bringing the full weight of Australia's diplomatic resources to support development objectives provides the opportunity for greater influence and impact.²

4.2 DFAT outlined for the committee how the integration process was being managed by a high-level steering committee 'with a view to having a final integrated structure in place by 1 July 2014'. It noted the steering committee was aiming for a 'Department that aligns and implements foreign, development, and trade policies and programs and has the capabilities and systems to deliver a large and complex aid program'.³ In particular, the steering committee has retained 'a central group with responsibility for the oversight and integrity of the aid management system, and for providing policy and technical advice to ensure the coherence and quality of aid investments'.⁴

4.3 DFAT also noted that the 'former AusAID Strategic Programming Committee, which considers major aid investment and program planning decisions, and the Development Policy Committee, which considers key and emerging development policy issues, have been incorporated as part of the DFAT governance structure'.⁵

4.4 At the public hearing, the Secretary of DFAT, Mr Peter Varghese, provided a further update on the integration process:

1 *Submission 17*, p. 6.

2 *Submission 17*, p. 6.

3 *Submission 17*, p. 8.

4 *Submission 17*, p. 11.

5 *Submission 17*, p. 9.

We have 13 working groups looking at everything from information technology to accommodation, structure and how we get the balance right between offshore and onshore, and we have begun and indeed very significantly advanced the process of organisational structural integration. So we now have made decisions on bringing together in geographic areas aid, foreign policy and trade policy, to be pursued in an integrated way. We have either set up or retained specialist divisions that have the expertise that you need to run a \$5 billion aid program, whether that be in the design of the program, the evaluation of it, the setting up of benchmarks...⁶

Opportunities and risks

4.5 Both opportunities and risks were identified as arising from the integration of AusAID into DFAT. The potential for a more cohesive and stronger diplomatic approach to development issues was seen as a key opportunity. For example, the submission from the Australia Strategic Policy Institute observed that objectives of poverty reduction and promoting Australia's national interests are not incompatible and that accordingly, the 'amalgamation of AusAID and DFAT should allow for a more responsive and flexible aid policy, better aligned to [Australia's] foreign policy'.⁷

4.6 However, as well as opportunities there were several risks were identified. Oaktree were concerned 'that the integration of AusAID into DFAT will jeopardise the integrity of Australia's aid program and lead to a further politicization of aid, whereby it will be almost exclusively used as a tool to exert influence over trade deals as opposed to being a measure focused on impacting extreme poverty'.⁸ Similarly, the CPSU argued that '[m]achinery of Government changes incur substantial financial and productivity costs in the short to medium term' and this would impact on the ability of Australia's aid program to deliver against its commitments to recipient developing countries.⁹

4.7 The Development Policy Centre noted that the announcement of the integration of AusAID into DFAT was unexpected, and that no convincing rationale has been provided for the decision. In particular, it noted that the integration did not mean that there was any more ministerial control over the aid program. However, it acknowledged that the 'resulting administrative arrangements will not be unusual' and that many OECD donor countries 'house aid policy and/or administration in their foreign ministries'.¹⁰

4.8 The Development Policy Centre recommended that the 'government should give consideration to establishing unified oversight of aid policy and management within the DFAT Executive and engaging external sources of advice on the

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

7 *Submission 62*, p. 1.

8 *Submission 8*, p. 4.

9 *Submission 22*, p. 1.

10 *Submission 67*, p. 25.

implementation of the integration agenda'.¹¹ It indicated it would be desirable, for reasons of coherence and accountability, for there to be a single senior position within DFAT specifically and exclusively responsible for the oversight of aid policy and administration.

4.9 In relation to the integration, the Development Policy Centre commented that there is 'a substantial risk, at a time when many commentators are decrying what they see as the under-resourcing of Australia's diplomatic network, that aid funds in the departmental expenditure category will be used to subsidise diplomatic infrastructure and salaries'.¹²

4.10 Despite these concerns, at the public hearing, Mr Robin Davies from the Development Policy Centre noted:

[E]verything we have seen to date including in DFAT's submission to this inquiry, the structures that are being put in place are very sensible. We are seeing strong geographic integration but we are also seeing a preservation of some core aid policy and management functions in dedicated divisions, and we strongly support that.¹³

4.11 Ensuring adequate consultation with stakeholders was also seen as essential to the successful integration. Mr Paul Kelly from Care Australia commented that DFAT should be engaging stakeholders, arguing that 'good communication in this process will reduce the impact of staff turnover and the likely delays in decision making'.¹⁴ IDC Australia noted that three critical issues for the sector highlighted by the 2013 Australian aid stakeholders survey (the avoidance of micromanagement, quick decision-making, and staff continuity) could be affected by the integration of AusAID and DFAT.¹⁵ Similarly, Results International Australia noted that a short term consequence of the integration 'has been increased difficulty in making contact with officials (and knowing which person is the best contact on a specific issue) and also delays in decision-making processes'.¹⁶

Specialist skills and staff

4.12 Prior to the integration there were 2521 DFAT staff with 646 based overseas and 1724 AusAID staff with 240 based overseas. DFAT characterised the AusAID staff numbers as reflecting 'an organisation that was recruiting and building capabilities in anticipation of delivering the previous Government's projected \$8 billion program'. It noted the aid budget has now 'stabilised' at around \$5 billion.¹⁷

11 *Submission 67*, p. 27.

12 *Submission 67*, p. 40.

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

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

15 *Submission 42*, p. 6.

16 *Submission 54*, p. 6.

17 *Submission 17*, p. 12.

DFAT also noted it was 'seeking to manage prospective job losses as much as possible through natural attrition and a voluntary redundancy program'.¹⁸

4.13 At the hearing, Mr Varghese observed there were still a number of integration issues that DFAT was working through 'including what our final numbers are going to be'. He noted this matter would be 'sorted out in the course of the 2014-15 budget'.¹⁹ The principles for the integration outlined that 'in order to maintain aid policy and program management expertise, the department will have a development career stream/structure, with some positions in Canberra and overseas designated as requiring international development assistance skills'.²⁰

4.14 Several submissions highlighted that specialist skills and staff are required to effectively deliver aid programs in developing countries and the integration of AusAID risked the loss of experienced aid professionals. For example, TEAR Australia noted that '[s]taff implementing and managing Australia's aid program need both technical skills and also an understanding of the local operating context and culture'.²¹ Care Australia advised that '[t]here should be a professional aid cadre with geographic and sector expertise who are clear about the aid program's quality and framework and are equipped to implement it'.²² Childfund Australia commented:

The aid portfolio entails a substantial budget, highly complex arrangements with multiple partners and numerous policy and operational challenges. Strong leadership, clear policy directions, professional administration and a deep understanding of the complexities are required. It is vital that a knowledgeable and experienced department be retained and valued in order to administer the Government's aid program effectively. The merger of the departments risks undermining the dedicated focus on aid policy and administration, and could lead to the loss of valued professionals.²³

4.15 Mr Robin Davies from the Development Policy Centre was also concerned that significant staffing reductions were taking place at the same time as structural changes were being implemented. He noted that this 'could well lead to a very significant loss of professional expertise in the organisation'. Mr Davies suggested this was a matter that needed to be carefully managed and 'post-integration will need to be the subject of a stocktake and a substantial workforce planning exercise'.²⁴ Further, the Development Policy Centre recommended staff turnover in DFAT should be carefully monitored and targeted.²⁵

18 *Submission 17*, p. 12.

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

20 *Submission 17*, p. 7.

21 *Submission 57*, p. 6.

22 *Submission 24*, p. 6.

23 *Submission 7*, p. 2.

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

25 *Submission 67*, pp 30-31.

4.16 A need for specialist sectoral and technical support within DFAT was also identified. CBM Australia noted that as the 'integration process continues, it is essential that strong technical support for disability inclusion is embedded within the new DFAT structure'. This was required for policy development and implementation, disability specific programs and ensuring disability inclusion was embedded across all development programs.²⁶ Similarly IWDA urged support for a 'diverse gender advisory and specialist team' within DFAT:

Women and men continue to play different social and economic roles and face different opportunities and challenges in every country Australia engages with. Without the analytical capacity to see and understand the implications of this, opportunities will be lost and policies and programs will be sub-optimal, an unnecessary and avoidable waste of resources.²⁷

4.17 The DFAT submission highlighted that the former AusAID's humanitarian capabilities have been retained in a division which manages 'Australia's humanitarian policies, programs and capabilities in order to help prevent, prepare for and respond to disasters and humanitarian crises'.²⁸ This was welcomed by Ms Melissa Wells from Save the Children:

We are encouraged to see that the humanitarian unit will remain distinct. That is really important from our perspective of impartiality and delivery of humanitarian aid that is not aligned with foreign objectives and military objectives.²⁹

4.18 The potential for the merger to strengthen DFAT was also highlighted during the inquiry. The findings of the Australian Public Service Commission's Capability Review in 2013 included that DFAT had:

- an excellent overseas network, but was less effective in Canberra;
- could deliver in crisis, but was suspicious of prioritisation and strategic planning; and
- was a good advocate of existing policy, but was 'less good at policy development'.³⁰

4.19 In response to the APSC Capability Review, DFAT noted it has committed to developing a four-year (2015-19) workforce plan 'to build and maintain the required organisational capability and culture for the integrated Department'.³¹ In relation this issue, Mr Marc Purcell from ACFID commented:

26 *Submission 16*, p. 9.

27 *Submission 9*, p. 6.

28 *Submission 17*, p. 11.

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

30 Australian Public Service Commission, *Capability Review – Department of Foreign Affairs and Trade*, June 2013, p. 4.

31 *Submission 17*, p. 13.

We think that with the merger you are bringing in aid managers from AusAID whose strength is in long-term planning and evaluation—because you have to plan at a country or thematic level around investment of dollars into programs and then you have to evaluate what is happening over time. We think there are synergies there if the merger is well managed and you can combine the two different strengths of the two different organisations.³²

A distinct Australian aid program

4.20 Maintaining the distinct identity of the Australian aid program was also perceived as important by a number of aid organisations and businesses. Save the Children considered the advantages of the previous arrangement included that 'AusAID had a distinct humanitarian identity, housed a dedicated body of expertise on aid and development policy and programs, was one step removed from short-term political objectives, and was a highly visible demonstration of Australia's commitment to international development'.³³

4.21 ACFID also pointed out that the model of integration being adopted appeared to be a merger of foreign policy and aid 'country desks' rather than maintaining the aid program as a separate identity within DFAT. It noted this differed from the approach taken in New Zealand when a similar integration of an aid agency occurred 'where an International Development Group [was] maintained as a cohesive unit within the Ministry of Foreign Affairs'.³⁴ ACFID noted that it also differed from the Australian experience with the 'aid program consistently having a separate identity and direct reporting relationship to its Minister since the mid-1970s'.³⁵

4.22 Similarly World Vision recommended that DFAT maintain a cluster within the DFAT structure which is 'dedicated to aid and development policy and technical capacity'. It considered this would facilitate 'streamlined engagement with implementing partners and other key stakeholders, and would enable working relationships to continue throughout the integration process'.³⁶

4.23 A proposal made by a number of submitters was that DFAT should alter its name to reflect its overseas aid responsibilities, for example to the Department of Foreign Affairs, Aid and Trade.³⁷ It was noted that the equivalent department in Canada was recently renamed the 'Department of Foreign Affairs, Trade and Development' following its amalgamation with the Canadian International Development Agency.³⁸

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

33 *Submission 36*, p. 11.

34 *Submission 35*, p. 20.

35 *Submission 35*, p. 20.

36 *Submission 41*, p. 12.

37 CPSU, *Submission 22*, p. 4.

38 Foreign Affairs, Trade and Development Canada, 'About the New Department of Foreign Affairs, Trade and Development', *Circular Note No. FTRN-001*, 11 July 2013.

4.24 The Development Policy Centre considered DFAT's mission statement and priorities should also be amended to 'give appropriately greater emphasis to the aid and development goals for which DFAT now has responsibility'. It stated:

Australia's aid program does advance Australia's interests but that is not its sole rationale. The aid program is as much an expression of Australian values as of Australian interests. DFAT, now that it has responsibility for Australian aid, should rewrite its mission description to reflect this.

These might be dismissed as cosmetic changes, and indeed they will only be important should they come to symbolize a fundamental change in the way DFAT priorities are set, changes which are required to extract full value from the recent merger.³⁹

4.25 Lack of public awareness regarding the activities and achievements of the Australian aid program was also raised. For example, the Business Council of Australia noted that Australia's aid program represents 'a significant investment of federal revenue' and supported increased public understanding and confidence in the aid program.⁴⁰ This reflected the Independent Review's finding in 2011 that there was not 'an effective communications strategy for the aid program' and that fostering more informed public debate and community engagement with the aid program was appropriate.⁴¹ It recommended that '[p]ublic engagement should be improved through a new community grants scheme, embracing new media technologies and promoting development education'.⁴² AusAID launched the 'Engage' blog in November 2011, as a platform to communicate and discuss Australia's aid program featuring 'updates, stories and analysis from Australian Government staff who will be blogging from around the world'.⁴³

Effectiveness measures

4.26 There is a sophisticated matrix of independent measurement tools used by the OECD to review aid effectiveness. The OECD DAC peer review in 2013 concluded that 'Australia's aid system is set up to deliver the current and a growing aid programme effectively'.⁴⁴ Similarly, the Independent Review in 2011 commented:

In aid, performance needs to be judged against degree of difficulty. Australia is seeking to get results in difficult and sometimes dangerous countries overseas, in a wide range of areas from health and education to humanitarian support in emergencies, and grappling with multiple methods

39 *Submission 67*, p. 28.

40 *Submission 5*, p. 2.

41 Independent Review, p. 6.

42 Independent Review, p. 310.

43 DFAT, 'Engage', <http://ausaid.govspace.gov.au/> (accessed 21 March 2014).

44 OECD DAC, Peer Review, 2013, p. 19.

of delivery. By the standards of donors generally, Australia is an effective performer.⁴⁵

4.27 In its submission to the inquiry, DFAT stated that 'the aid program will be driven by a strong performance culture' which 'recognises the need to use taxpayers funds as effectively as possible'. DFAT noted that the Office of Development Effectiveness (ODE) and Independent Evaluation Committee (IEC) 'have been maintained as part of DFAT's governance and accountability structures'.⁴⁶ In particular, the ODE 'will continue to produce independent, high-level evaluations of aid program policies and strategies, development themes, and selected individual aid activities'.⁴⁷

4.28 Support was expressed during the inquiry for continuing and expanding existing aid effectiveness measures. For example, ACFID recommended that the government continue to fund 'initiatives to ensure a focus on results and a evidence-based approach to Australian aid including through the Office of Development Effectiveness' as well as undertaking an annual review of aid effectiveness.⁴⁸ ACFID advised:

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.⁴⁹

4.29 Similarly, Sustineo queried the independence of the ODE, arguing that it reports to the head of the aid program. It recommended the establishment of an independent body which reports directly to the Parliament to monitor, evaluate and benchmark the activities delivered by the Australian aid program.⁵⁰ Save the Children also argued that the ODE should be strengthened and for a 'more timely release of the Annual Review of Aid Effectiveness' in order for it 'to feed meaningfully into the Cabinet's yearly consideration of progress against the government's four year budget strategy'.⁵¹

4.30 TEAR Australia noted that AusAID had developed a comprehensive set of assessment, monitoring and evaluation tools which had been tested and proved their value. These were the Monitoring, Evaluation and Learning Framework; the Due Diligence Framework; and the Effectiveness Assessment Methodology. It argued

45 Independent Review, p. 3.

46 *Submission 17*, p. 6.

47 *Submission 17*, p. 11.

48 *Submission 35*, p. 23.

49 *Submission 35*, p. 23.

50 *Submission 30*, p. 1.

51 *Submission 36*, p. 12.

these existing effectiveness measures 'should be retained and modified in light of experience'.⁵²

4.31 Aid is delivered by a large number of other government agencies, such as the Australian Federal Police.⁵³ A frequently cited factor to improve the effective delivery of aid was increased coordination of aid programs across government. Previously, whole-of-government oversight of Australia's aid program was provided by the Development Effectiveness Steering Committee, a cross-agency committee which advised the Australian Government on major aid policy and aid budget priorities and concerns. In its submission DFAT did not indicate how this role would be filled following the integration. On 28 June 2013, AusAID announced that '[a]ll Australian government agencies delivering overseas development assistance have agreed to adopt uniform standards for the planning, delivery, monitoring and reporting of Australia's total aid program':

The standards are principles based and will ensure that Australia's aid activities are delivered in a consistent way whilst at the same time allowing agencies to operate in accordance with their own management systems...The first suite of uniform standards have been endorsed by a high level inter-departmental committee and are now in place.⁵⁴

Transparency

4.32 In 2011, at the 4th High Level Forum on Aid Effectiveness in Busan, donor countries committed to 'improve the availability and public accessibility of information on development cooperation and other development resources'. The OCED DAC peer review in 2013 considered that 'Australia has taken exemplary steps to increase the transparency of its development co-operation and is one of the forerunners in implementing the Busan commitment on transparency'.

4.33 Nonetheless, transparency issues were raised during the inquiry. For example, the Development Policy Centre recommended that the Transparency Charter adopted by the previous government be endorsed and given wide application to increase the amount of activity-level information made available.⁵⁵ Analysis conducted by researchers at the Development Policy Centre of the AusAID website concluded that 'there was a substantial data dump in 2011 when the Transparency Charter was introduced, but much less by way of subsequent effort to fill holes or add new information'. It identified institutionalising 'a culture of transparency' as an important

52 *Submission 57*, p. 7.

53 Australian Government, *Budget: Australian International Development Assistance Program 2013-14*, 14 May 2013, pp 127-18.

54 AusAID, 'Uniform Aid Standards—Achieving better aid outcomes across government', *Latest News*, <http://www.aisaid.gov.au/HotTopics/Pages/Display.aspx?QID=1191> (accessed 2 February 2013).

55 *Submission 67*, p. 5.

change so that 'the timeliness and comprehensiveness of publicly-available data improve over time'.⁵⁶

4.34 ACFID also noted that, while Australia was a signatory to the International Aid Transparency Initiative and had developed a Transparency Charter, there had still been 'slow and incomplete provision of activity level data'.⁵⁷ Micah Challenge urged DFAT to recommit to the transparency agenda commenced by AusAID 'by publishing integrated country strategies with expected development outcomes clearly outlined, and publishing timely project level reviews and assessments for all aid-related activities'.⁵⁸

4.35 World Vision recommended that DFAT 'maintain the practice of producing a Ministerial Statement (Blue Book) on the Australian aid program':

The production of a Ministerial Statement (Blue Book) for the Australian aid program has been a significant contributor to advancing the transparency of the aid program. Breakdowns by priority, geography, sector and multilateral institution have provided an invaluable source of data for implementing partners, academics, civil society and the broader aid community... While departmental funds associated with the former-AusAID will likely be integrated into DFAT reporting, it is still important that ODA funds, including those administered by departments other than DFAT, are reported separately and clearly.⁵⁹

4.36 Others such as Professor Richard Feachem highlighted the right of Australian taxpayers to know how aid resources are invested in other countries. He stated:

In the 2013 Aid Transparency Index, AusAID was placed 24th out of 67 aid organizations scored and ranked for transparency. Australia scored 43%, in comparison to the highest scorers which achieved over 80%... Becoming a top scorer in the Aid Transparency Index is a readily achievable short-term priority for the Australian aid program. It would do much to enhance credibility and deter or detect corruption.⁶⁰

Performance benchmarks

4.37 In her speech to the Australasian Aid and International Development Policy workshop, Minister Bishop provided further details on the proposed benchmarks for aid and how they would be used to direct resources:

At the strategic level, we will assess the entire aid programs progress against key goals and priorities – a small number of high level targets. We will use performance benchmarks at the level of individual programs to

56 Hanna Gillies, Jonathan Pryke and Stephen Howes, 'What happened to aid transparency under Labor', *DevPolicy*, 7 February 2014, available at <http://devpolicy.org/what-happened-to-aid-transparency-under-labor-20140207> (accessed 25 March 2014).

57 *Submission 35*, p. 25.

58 *Submission 37*, p. 4.

59 *Submission 41*, p. 13.

60 *Submission 2*, p. 5.

assess the relative effectiveness of our portfolio of investments, and these assessments will determine how the aid level are allocated. Then at an individual assessment level, we will ensure funding is directed to those programs, those investments that are making the most difference and that poor-performing projects or poor-performing deliverers are either improved or the funds are redirected...We will also review the way we assess the performance of our delivery partners – multi-lateral organisations, NGOs and contractors – to ensure there is a stronger link between performance and funding...⁶¹

4.38 DFAT noted it was developing performance benchmarks for the Minister's consideration which 'will provide additional assurance that the aid program is effective, efficient and achieving results'. It stated:

The benchmarks will promote greater value for money and increase transparency of aid expenditure. The aid program and the Department will be assessed annually against these performance benchmarks, with policy settings and investments adjusted in line with the outcomes. Consultations on the proposed benchmarks are being held with key stakeholders, including partner governments, NGOs, industry, academia and other Australian government agencies with a role in delivering the aid program.⁶²

4.39 Broad support existed for the creation of benchmarks for Australian aid to allow the impacts of aid to be measured. However, a number of witnesses and submissions also cautioned against benchmarks that were narrowly focused on outputs rather than the achievement of outcomes in developing countries.⁶³ For example, the Australian Strategic Policy Institute argued that any benchmarks for aid would need to be framed carefully:

On the question of how the aid program might be structured to ensure that performance against benchmarks has a direct feedback effect on the overall size and allocation of the aid budget, we would agree that in general good results could often usefully be incentivised. However, we'd also caution that where key strategic imperatives are at stake, it could be strongly against our national interest to penalise poor performance in some part of a project. This too argues for evaluating the contribution of aid projects against high level strategic benchmarks more than more specific tactical ones.⁶⁴

4.40 Similarly, Ms Joy Kryiacou from ACFID cautioned that 'depending on what they are focused on and how they are measured sometimes benchmarks can pose a threat to effective development':

[W]e want to make sure that benchmarks do not reduce innovative approaches and that they do not lead to over-compliance and red tape.

61 The Hon Julie Bishop MP, Minister for Foreign Affairs, 'Opening address – 2014 Australasian Aid and International Development Policy workshop', 14 February 2014.

62 *Submission 17*, pp 5-6.

63 For example, Ms Jo Pride, Oxfam Australia, *Committee Hansard*, 21 February 2014, p. 13.

64 *Submission 62*, p. 6.

Sometimes in other contexts we note that benchmarks can lead agencies to invest only in those activities that can be easily measured, such as vaccinations, and not necessarily in programs that might drive more transformational change, such as women's leadership initiatives.⁶⁵

4.41 The Development Policy Centre noted that the previous government's Comprehensive Aid Policy Framework incorporated 'the kind of benchmarks or "hurdles"' previously recommended by the Independent Review:

First-tier results related to overall development progress in partner countries, second-tier results captured the specific contribution of Australia's aid effort and third-tier results related to aid management measures. First-tier results were to be monitored but no accountabilities applied. Second- and third-tier results constituted Australian government commitments for which the government accepted accountability. This approach broadly reflected best practice among international development agencies, particularly the multilateral development banks.⁶⁶

4.42 However, the Development Policy Centre considered this framework was 'excessively oriented toward highly aggregated headline results, without a sufficient emphasis on efficiency and effectiveness at the level of country programs, specific activities and delivery partnerships'.⁶⁷ It made a number of suggestions for the development of performance benchmarks:

Performance benchmarks should be defined within the three-tier framework already adopted for the 2012 [Comprehensive Aid Policy Framework], and should, for a variety of reasons, give greater weight to process benchmarks vis-à-vis 'headline' policy-related or 'results' benchmarks, with an emphasis on the consistent and demonstrated application of key aid management systems. Benchmark assumptions and data should be reported in detail, for both targets and performance against targets. Performance benchmarks should be used for redistributive purposes, not to determine aggregate aid levels.⁶⁸

4.43 Australia is a signatory to the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action, which focus on improving the quality of aid, the coordination of donor efforts and aligning donor programs with recipient government priorities.⁶⁹ In this context, Oxfam Australia recommended that performance benchmarks for Australia's aid program should be based on internationally agreed aid-effectiveness principles and applied consistently. Ms Jo Pride from Oxfam Australia stated:

I think the critical point is to ensure that, whichever department is delivering aid, we are holding ourselves to a consistent standard about aid

65 *Committee Hansard*, 21 February 2014, p. 26.

66 *Submission 67*, p. 35.

67 *Submission 67*, p. 35.

68 *Submission 67*, p. 39.

69 Independent Review, p. 5.

effectiveness. If we are looking at benchmarks for what it is that the Australian aid program does through DFAT, then those same benchmarks should be applied to the other departments that are spending aid as well.⁷⁰

4.44 Others argued that, to be useful, the proposed benchmarks must be directly linked to the objectives of Australia's aid program. For example, the United Nations Association of Australia urged:

In developing benchmarks, the Government must make clear what its overriding goal is, and it must be more than advancing Australia's interests. To date, there has been little mention of poverty in discussion about the new direction of Australia's aid program and much mention of aid for trade and economic diplomacy.⁷¹

Committee view

Specialist staff and skills

4.45 The committee was encouraged by the number of witnesses and submissions who identified opportunities to improve Australia's aid program through the integration of AusAID into DFAT. However, there is clearly a risk that DFAT, through the integration process, will lose key skills, procedures and specialist staff needed to effectively administer Australia's aid program. The committee is gratified that DFAT appears to be taking steps through the integration process to manage this risk. Nonetheless, 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

4.46 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.

New responsibilities

4.47 During the inquiry recommendations were made for the name of the department to be changed to reflect its additional responsibilities for overseas aid and development assistance. For example, the Department of Foreign Affairs, International Development and Trade (DFAIDT). The committee considers this change would be beneficial to promote this new role in Australia and overseas. The committee supports the continued promotion of the 'Australian Aid' logo in all international development programs and projects funded by the Australian people.

70 *Submission 64*, p. 21; Ms Jo Pride, Oxfam Australia, *Committee Hansard*, 21 February 2014, p. 14.

71 *Submission 23*, p. 6.

Recommendation 19

4.48 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.

Accountability and transparency

4.49 The committee welcomes the retention of the Office of Development Effectiveness and the Independent Evaluation Committee in the accountability framework of DFAT as it integrates the functions of AusAID. The committee is also pleased to note that the Joint Committee on Foreign Affairs, Defence and Trade has established a Foreign Affairs and Aid Subcommittee. This was previously a recommendation of the committee in its report on official development programs in Afghanistan.⁷²

4.50 The resources for the aid program are contributed by the Australian community. They have a right to know how and where aid funding is expended and what outcomes have been achieved. 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

4.51 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.

Aid effectiveness and benchmarking

4.52 The creation of benchmarks for Australia's aid program was supported by the vast majority of those who contributed to the inquiry. The committee also considers that appropriate benchmarks have the potential to improve the effectiveness of Australia's overseas aid. However, a number of concerns were also raised during the inquiry which highlighted that, in some circumstances, benchmarks could act to reduce the effectiveness of aid. In the view of the committee 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 Senator Mason to continue his close consultation with the aid sector in the development of the proposed benchmarks.

Recommendation 21

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

72 Senate Foreign Affairs, Defence and Trade References Committee, *Australia's overseas development programs in Afghanistan*, May 2013, p. 235.

Recommendation 22

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

Chapter 5

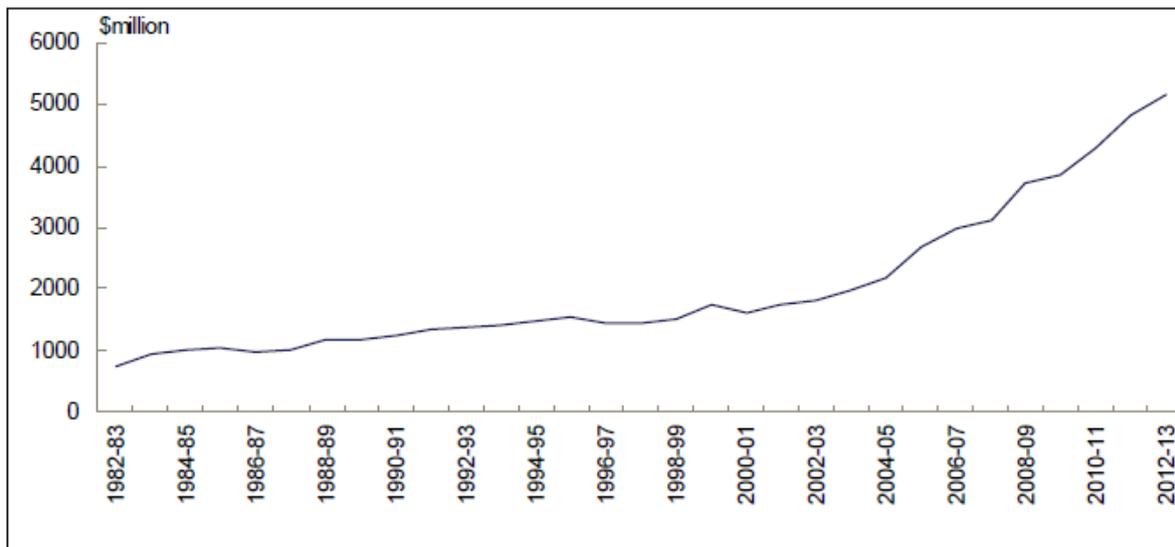
Funding cuts and consequences

5.1 This chapter deals with recent cuts to the funding for Australia's overseas aid program, including those announced on 18 January 2014. It also addresses funding predictability, mid-year reprioritisations to the aid budget and what should be appropriately claimed as official development assistance (ODA).

Aid funding

5.2 As previously noted, Australia's aid budget has grown significantly through a bipartisan commitment to reach 0.5 per cent ODA/GNI. The Treasury submission highlighted that 'the past decade has seen a particularly large increase in aid spending'. It commented that 'there had not been a nominal decrease in the aid budget in 12 years – the longest period of constant nominal increases of the past three decades'.¹

Figure 4 – Australia's ODA budget (nominal)²



5.3 However, while the aid budget has continued to grow, the funding increases necessary for Australia's overseas aid to reach the 0.5 ODA/GNI target have been repeatedly deferred. DFAT noted:

In the former Government's 2008-09 budget, ODA was to increase to 0.5 per cent of GNI by 2015-16. This was deferred in the 2012-13 budget to 2016-17 and deferred again in the 2013-14 budget to 2017-18. The savings from the deferrals of the 0.5 per cent target and slower growth of the aid program under the former Government totalled \$5.7 billion.³

1 *Submission 21*, p. 4.

2 Extracted from Treasury, *Submission 21*, p. 4.

3 *Submission 17*, p. 2.

5.4 This trend has continued with the present government. Treasury noted that the policy of setting the 2013-14 ODA budget at \$5.042 billion and growing the ODA budget in line with Consumer Price Index (CPI) 'represents \$4.5 billion in savings from the ODA budget over the four years from 2013-14 to 2016-17'.⁴

Indexation to CPI

5.5 In its submission, DFAT noted that government had committed to the ODA budget increasing in line with CPI over the forward estimates.⁵ It stated:

This commitment recognises both the constrained fiscal situation in which the Government is operating...and that it is in Australia's national interests to continue to deliver a substantial aid program. It also provides budget predictability and reliability of aid funding for the Department and Australia's development partners, which in turn supports better planning and implementation of programs.⁶

5.6 Reactions to the CPI indexation of the aid budget were mixed. For example, ACFID welcomed the Australian Government's commitment to increase aid annually by the CPI over the forward estimates, but also noted the commitment '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'.⁷ Others criticised the indexation to CPI as potentially jeopardising progress toward the MDGs and other international development objectives.⁸ The ACTU/APHEDA submission argued that '[t]he promise to raise development spending by CPI each year does not address our imperative as a good global citizen to contribute to poverty reduction'. It considered:

[T]he value of the aid budget should not be subordinated to politics and exigencies. Resorting to cuts to the aid budget rather than making difficult political decisions about other spending cuts misuses people's ignorance of the funding allocated to aid as a proportion of total government spending. The falling aid dollar as a result of exchange rate drops exacerbates the impact of these cuts.⁹

5.7 The IWDA also observed that 'CPI reflects changes in costs in Australia, which have a limited relationship to actual costs in the countries where Australia's development assistance is focussed or to the needs to which our aid program is responding'.¹⁰

5.8 The Development Policy Centre outlined that merely growing the aid budget in line with inflation would cause Australia's ODA/GNI ratio to fall over time from

4 *Submission 21*, p. 7.

5 *Submission 17*, p. 2.

6 *Submission 17*, p. 3.

7 *Submission 35*, p. 5.

8 For example, Childfund, *Submission 7*, p. 1

9 *Submission 38*, p. 5.

10 IWDA, *Submission 9*, p. 5.

'0.35 per cent last year to 0.33 per cent this year, to 0.31 per cent by 2017-18, and to 0.28 per cent by 2022-23'.¹¹ It recommended targeting the ODA/GNI ratio to maintain an appropriate level of Australian aid funding:

Keeping the ratio at the level it is now (0.33 per cent of GNI) would require annual increases of \$300 million over the next four years, rather than the annual increases of \$100 million required to keep pace with inflation. It would mean that as a country we were saying, while we enter a period of fiscal adjustment which prevents us becoming more generous, we will at least become no less generous. It would not move us toward meeting our international commitment, but it would at least keep that commitment alive.¹²

5.9 Some submissions also noted that the 'freeze' in aid funding growth could have other long term impacts, in particular reducing the Australian Government's flexibility to finance new priorities within the aid program. For example, Results International Australia commented that '[b]eyond 2013-14, the freeze on aid in real terms will also restrict Australia's capacity to make new commitments to both bilateral and multilateral programs'.¹³ The Development Policy Centre considered it may be 'up to two years before there is enough headroom in many programs to permit implementation of new priorities on any substantial scale'. It noted that 'any substantial shifts between aid channels—bilateral, multilateral and non-governmental—will now involve absolute rather than relative trade-offs'.¹⁴

5.10 Cuts to Australia's overseas aid program could also put additional pressure on other donors and potentially damage Australia's reputation as a responsible contributor to international development. TEAR Australia emphasised that 'cuts to the aid budget are noted throughout the donor community and reflect poorly on Australia's desired level of international significant'.¹⁵ The Global Poverty Project also commented:

The perception amongst some foreign diplomats is that Australia can no longer be relied upon to show leadership on issues of international development. This should be cause for concern given that having a good international reputation is not merely an end in itself but rather a foundation for building the goodwill necessary to host successful international gatherings such as the G20.¹⁶

Reprioritisation

5.11 In its submission, DFAT outlined that the Australian Government has decided that Australia's ODA in 2013-14 would be \$5.042 billion. It noted that this represented a reduction of \$650 million on 2013-14 budget allocations. While DFAT asserted that

11 *Submission 67*, p. 8.

12 *Submission 67*, p. 10.

13 *Submission 54*, p. 4.

14 *Submission 67*, p. 13.

15 *Submission 57*, p. 3.

16 *Submission 43*, pp 11-12.

delivery of Australia's aid program has continued 'with minimal disruption', it acknowledged that:

Reprioritisation of the aid budget will affect the delivery of a number of programs in a range of ways – including deferral, reduction or termination of funding and programs, and renegotiation of contracts and agreements with partners. DFAT is consulting extensively with partners and stakeholders on implementation of the reprioritisation.¹⁷

5.12 The cuts to aid funding announced in January 2014 were perceived as potentially creating a number of adverse consequences for aid program stakeholders, in particular for recipient communities in developing countries. Submissions from NGOs highlighted the potential impact of the funding cuts on their activities in developing countries where aid was being delivered.¹⁸ Ms Jo Hayter from IWDA asserted:

[W]hat we have seen is \$107 million in real cuts this year. Those cuts represent commitments, partnerships and contractual arrangements that we have in place with partners in developing nations in our region. So something has got to go, that is a real cut...¹⁹

5.13 ACFID noted Australian NGOs that were subject to cuts in the recent announcement 'had their current year funding cut by around 8 per cent'. It observed that this 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'.²⁰ Save the Children stated that, while it has worked hard to minimise the impact on aid beneficiaries, 'some program reductions are inevitable'. In particular, it noted it had cut plans to install four out of the ten facilities for improved water, sanitation and hygiene in kindergartens in the Solomon Islands. Further:

In terms of expected outcomes, if we hypothetically applied the 8.3 percent reduction in expenditure uniformly across our ANCP funded programs:

-2,000 less children will be enrolled in early childhood education

-460 less births will be attended by a skilled birth attendant

-250 less children will be vaccinated against diphtheria, tetanus and whooping cough²¹

5.14 The uncertainty caused by the cuts adversely affected the activities of NGOs. Rev Tim Costello noted that World Vision had been successful in applying to the Civil Society Water, Sanitation, and Hygiene Fund, however the fund has been in hiatus since November, while priorities for the aid program are reviewed. He stated

17 *Submission 17*, p. 5.

18 For example, Mr Marc Purcell, ACFID, *Committee Hansard*, 21 February 2014, p. 29.

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

20 *Submission 35*, p. 18.

21 *Submission 36*, p. 6.

'no implementation funding has been received and there has been no confirmation of whether or not this program will proceed'.²² At the public hearing, Mr Andrew Johnson from World Vision also discussed the uncertainty created by the funding cuts, including on activities in Zimbabwe, Sri Lanka and Papua New Guinea:

The fact that [the program's] status is unclear has had impacts for us with the partner government and communities in which we work. We have lost staff, and we have lost buy-in from communities and the local and regional governments that we have been partnering with. And so, while there may not be clear direct impacts on things that were nailed down and signed away, there are impacts both in new, emerging situations and also in situations where the government did have some flexibility but where commitments had been made, where planning had already taken place and where design work had already been done, and the expectation was that the work would roll out.²³

5.15 The timing of the cuts was also criticised. For example, AID/WATCH suggested 'the timing of the cuts is actually more damaging than the cuts themselves':

AID/WATCH also has strong concerns about the timing of these cuts so far into the financial year. This timing compromises the effectiveness of existing programs. Agencies, especially overseas implementing partners, who have planned their financial year's programs, are now having to revise these programs with only two months remaining in the financial year.²⁴

5.16 The Development Policy Centre's overall conclusion was that funding changes will not necessarily have negative long-term consequences, but noted that there will potentially be serious short-term impacts flowing from the decision to impose a large budget reduction in 2013-14.²⁵ It commented:

More generally, there must be some very substantial impacts in the present financial year on activities in the final stages of planning, and in some cases on activities in implementation. The intention to cut over \$650 million from the 2013-14 budget was announced several months into the financial year. The allocation of the cuts was not determined until over six months into the year—too slow by any measure. Much negotiation and backpedalling must still be going on, none of which is currently visible. This would be particularly difficult to manage in sub-Saharan Africa, where aid is being reduced far below last year's level and where at least some ongoing programs must therefore be facing termination or dramatic trimming.²⁶

22 Tim Costello, 'Australia aid charities need clarity over cuts', *The Guardian*, 13 January 2014.

23 *Committee Hansard*, 21 February 2014, p. 19.

24 *Submission 25*, p. 6.

25 *Submission 67*, p. 3.

26 *Submission 67*, p. 13.

Decision process

5.17 DFAT noted that it had provided advice of the aid budget reprioritisation outcomes to all Australia's development partners and other stakeholders.²⁷ However, a number of witness and submitters were highly critical of the lack of detail available regarding how the funding cuts announced in January were decided and how they would impact specific programs. For example, Results International Australia noted that the January cuts present changes in aid spending classified by country and institution, but not by sector. It noted that it was therefore 'difficult to ascertain how the changes affect key sectors'.²⁸ Micah Challenge also stated:

[T]he details of how to apply these cuts are still to be revealed and the process to inform partner countries and implementers (both international and Australian NGOs) of the cuts was extremely disruptive and lacked transparency. The rationale for targeting particular international program and certain Australian NGOs for cuts has not been made clear and the likely impact of these cuts has not, to our knowledge, been fully assessed. It has certainly not been made public.²⁹

5.18 The Nossal Institute for Global Health also commented:

This shift in aid expenditure – in particular, the haste with which it has been made, and the lack of clarity surrounding it – is of concern. The speed of these changes runs the risk of damaging longstanding international relations and partnerships, and raises questions about the extent to which policy decisions are being made in a transparent and accountable manner.³⁰

5.19 Save the Children also highlighted the 'lack of detail over budget figures, particularly in the latest round of revisions'. It noted the 'absence of such data limits our ability to plan and deliver programs' and that better information would facilitate a more efficient allocation of resources which was 'an important precursor to a more effective aid program'.³¹

5.20 The committee attempted to obtain additional information from DFAT during the inquiry concerning how the funding decisions were arrived at. Mr Peter Varghese, Secretary of DFAT stated:

The process is not dissimilar to the processes for any significant decisions made by the government. We sat down with the minister to work through how those cuts were to be handled, what the framework and principles should be, analysing what the implications one way or the other might be. That then went through a decision-making process involving the minister and a cabinet process.³²

27 *Submission 17*, p. 2.

28 *Submission 54*, p. 5.

29 *Submission 37*, p. 4.

30 *Submission 34*, p. 5.

31 *Submission 36*, p. 12.

32 *Committee Hansard*, 21 February 2014, pp 64-65.

5.21 In an answer to a question on notice DFAT stated:

Reductions to country and other programs were guided by several principles: refocusing the aid program on the Indo-Pacific region; engaging with effective multilateral organisations; and reducing geographic and sectoral fragmentation. Options to reduce funding of programs were limited by how much had already been expensed. Decisions on whether specific program funding will be deferred, reduced or discontinued is under consultation with partners.³³

5.22 Mr Varghese further articulated the principles governing the decisions regarding the funding cuts at Additional Estimates:

The first principles that we brought to this exercise were: firstly, we wanted to refocus the geographic footprint of the aid program so that the Indo-Pacific was the primary focus and that subsequently led to reductions in the budget for Latin America and Africa. Secondly, we had in mind the effectiveness of multilateral organisations. So, in making decisions on where to make cuts in the multilateral pot, we took into account our judgement about the effectiveness of multilateral organisations...Thirdly, we wanted to reduce both geographic and sectoral fragmentation, so we wanted a program that was not overly fragmented.

They are the core principles that framed the budget decisions that were taken. As a result of that, if you look at the revised figures for 2013-14, we have a larger percentage of the budget going to East Asia than we did before the cuts.³⁴

5.23 The committee also tried to obtain further details from DFAT regarding how the January funding cuts would impact Australia's aid program. At the public hearing, Mr Varghese confirmed that the 'details of how [the funding cuts] will be implemented and what programs they will affect is currently the subject of consultations with the host governments and the international organisations that have been affected'.³⁵ He expanded:

The calculation of the envelope is not based on a master plan on our part which delineates every dollar against a program. We have a headline figure for Indonesia; we have a headline figure for Vietnam. That reflects a cut from budgeted amounts, but the detail of how you translate that reduction into different programs is something we need to decide by sitting down with the host country.³⁶

5.24 In an answer to a question on notice DFAT added:

Following the Government's decision on the revised allocations for country and other programs, we are consulting with partner governments and

33 DFAT, answer to question on notice from public hearing, 21 February 2014, p. [1].

34 Senate Foreign Affairs, Defence and Trade Legislation Committee, *Committee Hansard*, Additional Estimates, 27 February 2014, p. 71.

35 *Committee Hansard*, 21 February 2014, p. 70.

36 *Committee Hansard*, 21 February 2014, p. 71.

organisations on how the reductions will be implemented. These consultations across the aid program are ongoing. Once the consultation process is complete and final decisions have been made across the program, information on the reductions will be published.³⁷

Funding predictability

5.25 In its submission DFAT stated the indexation of aid funding to CPI would provide 'budget predictability and reliability of aid funding...which in turn supports better planning and implementation of programs'. At the public hearing, Mr Varghese, commented that '[t]he prospect of a \$5 billion program indexed to CPI, for program managers, provides a very welcome degree of certainty'.³⁸

5.26 Despite this change, the importance of funding predictability in the effective delivery of aid was repeatedly and consistently emphasised by witnesses and submitters. For example, Micah Challenge noted research that indicated that low aid predictability has 'inherent destabilizing characteristics' and 'may also lead to more procyclical aid and reinforce rather than soften economic cycles, exacerbating problems of aid management'.³⁹ ChildFund also observed:

[T]he sustainability of any overseas development assistance (ODA) program relies on predictable funding. It is extremely difficult to plan and deliver programs that will make significant inroads to poverty where budgets are cut or revised during the implementation phase, and where agreements with aid organisations delivering services in-country are vulnerable to unexpected change and revision. If the Government wishes to ensure that its aid program delivers benefits that are sustainable and provide long-term benefits, then the funding streams must also be secure.⁴⁰

5.27 Mr Ben Thurley from Micah Challenge observed that until 2012, the May budget was the 'primary focus for decision making and allocations around international development' and this had given 'certain predictability for both our partners overseas and the Australian public in how to understand our political priorities'.⁴¹ However, he noted recent cuts to the aid program, including mid-financial-year changes, had a detrimental effect on the aid program:

This created a huge amount of uncertainty for our aid partners and aid implementers and for the public as well. I think one of the risks that we see is that it sends a signal to the Australian community, whether wittingly or unwittingly, that our government does not value highly the aid outcomes that we have set ourselves to contribute to. When it is seen as a political football or source of funding, it risks undermining support for the Australian aid program. I just note that the aid program represents less than

37 DFAT, answer to question on notice from public hearing, 21 February 2014, p. [3].

38 *Committee Hansard*, 21 February 2014, p. 68.

39 *Submission 37*, p. 3.

40 Childfund, *Submission 7*, p. 1.

41 *Committee Hansard*, 21 February 2014, p. 18.

1½ per cent of the federal budget but, over the last two years, has been targeted for more than 10 per cent of savings identified by both sides of politics.⁴²

5.28 ACFID also argued that the aid program had been disproportionately targeted for savings by governments. It pointed out that the '[c]uts 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'.⁴³ Mr Marc Purcell from ACFID highlighted the finding by the OECD Review 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 programmes'. He noted that, according to the OECD, the value and effectiveness of Australian aid is reduced by 15 to 20 per cent when it is volatile and unpredictable.⁴⁴

Appropriate ODA

5.29 Determinations regarding which type of expenditure should be treated as ODA are governed by OECD DAC advice. In general, these are flows provided by official agencies to developing countries where the transaction is 'administered with the promotion of the economic development and welfare of developing countries as its main objective'.⁴⁵ Specific OECD DAC rules apply for determining whether some types of assistance can be treated as ODA. For example:

The supply of military equipment and services, and the forgiveness of debts incurred for military purposes, are not reportable as ODA. On the other hand, additional costs incurred for the use of the donor's military forces to deliver humanitarian aid or perform development services are ODA-eligible...

Assistance to refugees in developing countries is reportable as ODA. Temporary assistance to refugees from developing countries arriving in donor countries is reportable as ODA during the first 12 months of stay, and all costs associated with eventual repatriation to the developing country of origin are also reportable.⁴⁶

5.30 During the inquiry, which types of Australian overseas aid and development should be counted as ODA was discussed. For example, Dr Karl Claxton from ASPI noted that Australia had not counted 'a lot of our military humanitarian aid going to

42 *Committee Hansard*, 21 February 2014, p. 18.

43 *Submission 35*, p. 4.

44 *Committee Hansard*, 21 February 2014, pp 22-23.

45 OECD, 'Official development assistance – definition and coverage', available at <http://www.oecd.org/dac/stats/officialdevelopmentassistancedefinitionandcoverage.htm> (accessed 21 March 2014).

46 OECD, 'Is it ODA?', *Factsheet*, November 2008, p. 2.

other countries after disasters, whereas some of our peer competitors and friends and allies do'.⁴⁷ He commented:

The military is just one arm of the Australian state that can help out....But it is a particularly powerful tool right after an emergency, where the ADF can go in as first-responders. A lot of other countries count those responses as ODA under the DAC guidelines, and we would not see a problem in Australia doing the same.⁴⁸

5.31 The classification of aid expenditure on matters perceived as not directly relevant to international development was commented on critically – in particular, classifying domestic asylum seeker support as ODA. On 3 February 2013, the former Labor Government announced it would reprioritise up to \$375.1 million in ODA in the 2012-13 financial year to support asylum seekers waiting to have their claims heard in Australia consistent with OECD DAC reporting directives.⁴⁹

5.32 The analysis by the Development Policy Centre of the announced aid funding cuts identified that the Australian Government has continued to treat the \$375 million appropriated to the Department of Immigration and Border Protection for domestic asylum seeker costs in 2013-14 as ODA-eligible expenditure by an agency other than DFAT.⁵⁰ It recommended:

Appropriations in future years should continue to be capped, and made on the basis of eligible costs. Given that an offshore processing regime is in place, and that aid funding can only be used for onshore costs within the first year of an asylum-seeker's arrival, future appropriations should be expected to fall rapidly. Aid funding should not be used to finance community detention in either Nauru, PNG or elsewhere.⁵¹

5.33 Other submissions were more critical. YWCA Australia stated:

[T]he use of ODA funds to meet the cost of Australia's asylum seeker management regime does not qualify as effective overseas aid and undermines Australia's standing in the international community. Indeed, the OECD peer review report expressed concern that such diversions could jeopardise development outcomes. We recommend that a separate budget allocation be made for the cost of Australia's asylum seeker management regime.⁵²

47 *Committee Hansard*, 21 March 2014, p. 52.

48 *Committee Hansard*, 21 March 2014, p. 53.

49 AusAID, 'Reprioritisation in the Aid Budget', *Media release*, 3 February 2013, available at <http://www.ausaid.gov.au/HotTopics/Pages/Display.aspx?QID=1029> (accessed 5 September 2013).

50 Development Policy Centre, 'A technical note on the revised allocation of Australian aid as at 18 January 2014', available at www.devpolicy.org/pdf/2014-aid-cuts-technical-note.pdf (accessed 4 March 2014).

51 *Submission 67*, p. 18.

52 *Submission 68*, p. 3.

5.34 AID/WATCH characterised the use of aid funding for processing of asylum seekers as 'boomerang aid' whereby overseas aid money 'ends up funding Australian companies and consultants rather than those most in need'. In this context, it pointed out that Australia was currently the largest direct recipient of its own aid funding.⁵³

Committee view

Further cuts to Australia's aid program

5.35 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. While the committee acknowledges that the fiscal pressures may affect the funding available for Australia's aid program, it should not be forgotten that these changes have, and will continue to have, real consequences for overseas communities in need.⁵⁴

5.36 The evidence from DFAT articulated some of the broad principles taken into account in making decisions about the cuts to funding announced on 18 January 2014. However, the committee was concerned by the lack of detail available from DFAT regarding the rationale for the funding cuts, or any assessment of the impact of the cuts in developing countries.

5.37 DFAT has indicated that it is in consultation with developing countries and other partners regarding how these funding cuts will be implemented. In the view of the committee this process should be expedited to provide all stakeholders with certainty as soon as possible.

5.38 In particular, the committee is concerned that the uncertainty created by these mid-year cuts to aid funding will have broader implications for international development outcomes beyond the immediate impact on the programs affected. More broadly, it is clear to the committee that Australia's reputation as a reliable donor and partner in international development has been adversely affected.

5.39 In the view of the committee, the Australian Government should seek to minimise the uncertainty imposed on other development partners in aid funding reprioritisations. Mid-year budget changes, unless they are increases, should be avoided in the future.

Recommendation 23

5.40 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.

53 *Submission 25*, p. 2.

54 For example, Mr James Chisholm, Treasury, *Committee Hansard*, 21 February 2014, p. 67.

Recommendation 24

5.41 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.

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**

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.

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 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.

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:

2 *Submission 21*, p. 7.

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

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

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

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.

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

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

7 *Submission 5*, p. 1.

Scrutiny and accountability should be demanded and applied across the whole sector, including NGO, bilateral and business sector partners.⁸

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

Dissenting report by the Australian Greens

Introduction

1.1 This inquiry has provided an opportunity to record concerns about the government's changes to the delivery of overseas aid, cuts to the aid budget and to reiterate the importance of Australia meeting its objective of poverty alleviation.

1.2 The Greens strongly agree with the Committee recommendation that an overarching policy framework for the Australian aid program is a necessary requirement for the May 2014 budget process, and that the aid program needs long term strategic objectives and identifiable measures to achieve those objectives.

1.3 In September 2013, the Coalition Government announced they would cut Australia's aid budget by \$4.5 billion over four years. On 18 January 2014, the Government announced that around \$640 million was being cut from the aid budget this financial year, which would reduce aid funding by \$107 million to what was spent last year.

1.4 Apart from a further shift away from meeting the UN MDG commitment of 0.7 per cent by 2015, this announcement was made more than halfway through the financial year, when funding and commitments were already in place. These cuts will bring Australia's ODA/GNI ratio down from 0.37 per cent to 0.33 per cent.

1.5 In September 2013 the Coalition Government announced the reintegration of AusAID into DFAT and that the objective of the aid program is primarily to serve Australia's national interests.

1.6 The Greens are concerned at the amount of aid funding that is being directed towards the costs of sustaining the Australian Government's policy on asylum seekers and refugees. We don't believe that this is an appropriate use of aid funding.

Greens vision for overseas aid

1.7 Bilateral and multilateral aid programs should facilitate positive and equitable change in social, economic and environmental standards for the citizens of aid-recipient countries.

1.8 Aid-funded programs should be consistent with a human-rights based approach to development; be economically and environmentally sustainable; should promote local participation and gender equality; and should enhance the political, economic and social rights of the communities affected by funded projects.

1.9 Australian aid should always aim to build economic self-reliance in developing nations. Affected communities should be empowered with decision-making abilities informed by free, prior and informed consent, and with transparent mechanisms ensuring a right to accountability.

1.10 Our aid and development dollar should not subsidise or favour Australian businesses in recipient countries. Nor should our aid funds be used to facilitate Australian businesses' claims to a developing country's natural resources or access to contracts that lead to profits being exported from the recipient country, displacement or disempowerment of local communities and workers, or environmental degradation.

1.11 While many communities benefit from aid and development projects, some large infrastructure and resource development projects can cause widespread social injustice and disempowerment. Many communities have suffered the dispossession of their land, destruction of their environments, and ruin of their livelihoods, cultures and identities as a result of aid-development projects.

1.12 The Australian Greens are concerned about the Australian government's Mining for Development Initiative. As noted in the Aid/Watch submission:

Mining projects have long been associated with what is referred to as the "resource curse": the dispossession of Indigenous peoples and other communities from their land; irreversible environmental destruction; increasing economic and social inequality; government corruption; corporate rent-seeking and violent conflicts.¹

1.13 Overseas aid funding should be stable and predictable, and the value of that funding should not fall over time. Those organisations delivering aid-funded projects cannot be expected to achieve strategic and sustainable long-term goals that are "value for money" without funding certainty.

Response to Committee recommendations

Committee Recommendation 3

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

1.14 The Australian Greens are committed to the United Nations Millennium Development Goal target of 0.7 per cent GNP by 2015. The recent Labor government, under a succession of ministers, continually deferred even a conservative target of 0.5 per cent of GNI.

1.15 In 2008, Foreign Minister Stephen Smith committed Australia to a target of 0.5 per cent of GNI by 2015-16. This was reaffirmed in 2009, 2010 and 2011. In 2012 Minister Bob Carr deferred this target to 2016-17, and in 2013 he delayed it again to 2017-18. The Coalition Government's \$4.5 billion cut according to economist Professor Stephen Howes of the Australian National University will see aid falling

1 *Submission 25*, pp 3-4.

from 0.35 per cent of GNI in 2012-13 to 0.31 per cent in 2017.² An increase of aid funding by the Consumer Price Index in 2014-2015 will not achieve a 0.7 per cent GNI target by 2015.

Committee Recommendation 4

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

1.16 The Greens are committed to the United Nations Millennium Development Goal target of 0.7 per cent GNP by 2015. For a country as rich as Australia the current aid commitment of 0.33 per cent is indefensible. We should at least commit to a 0.5 per cent target by 2016-2017 as per former Minister Carr's commitment and then work towards 0.7 per cent of GNI allocation to the overseas budget.

Committee Recommendation 5

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.

1.17 As per the above comments, the Greens do not support an agreement that will delay an ODA/GNI target of 0.5 per cent by 2024-25. Australia should like other countries be meeting the 0.7 per cent by 2015. As this is now most certainly not an achievable target, we should be committing to the former Labor government's target of 0.5 per cent target by 2016-2017, and developing a timeline to reach the 0.7 per cent target as soon as possible. Labor and the Coalition should jointly commit to this target rather than the 2024-25 target.

Committee Recommendation 19

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.

1.18 The independent executive agency AusAID should be reinstated. The most effective way to reflect the importance of our aid and development responsibilities, to both a domestic and international audience, is to have them carried out through a politically independent executive agency like AusAID.

Dissenting report recommendations

1. Tied aid programs should not be considered as Official Development Assistance. Overseas development should contribute to poverty alleviation and should not be used as corporate welfare for Australian companies.

2 Mike Steketee, 'Foreign aid cut: saving lives is a low priority', *The Drum*, available at: <http://www.abc.net.au/news/2013-09-26/steketee-foreign-aid/4980840>.

2. Aid should not be linked to Australia's punitive refugee policy either through spending in Australia or overseas, and aid should not be used as a means of leverage deals with neighbouring countries.
3. The Government should maintain its commitment to the MDG's by ensuring all aid policy meets MDG guidelines.
4. The Government should end programs and policies that do not meet the objectives of the MDG's such as the Mining for Development Initiative.
5. Environmental aid, including climate change adaptation funds should be added to the aid program as priority areas.
6. The Government should reassess the aid for trade policy and cease the use of aid as a bargaining chip to further these negotiations.
7. A significantly increased level of scrutiny and accountability needs to be applied to where the Government partners with the private sector.
8. The Government to more regularly release information about the aid program and increase the transparency about decision making processes.

Senator Lee Rhiannon
Australian Greens

Appendix 1

Public submissions

- 1 Copenhagen Consensus Center
- 2 Professor Sir Richard Feachem
- 3 Mr Brian Knowles AM, Rotary PolioPlus
- 4 Burnet Institute
- 5 Business Council of Australia
- 6 World Food Programme
- 7 ChildFund Australia
- 8 Oaktree
- 9 International Women's Development Agency
- 10 Mr John Redgment
- 11 Centre for Independent Studies
- 12 Program for Appropriate Technology in Health
- 13 Global Alliance for TB Drug Development
- 14 International AIDS Vaccine Initiative
- 15 Vision 2020 Australia
- 16 CBM Australia
- 17 Department of Foreign Affairs and Trade
- 18 Mr David Guy
- 19 Medicines for Malaria Venture and Global Alliance for TB Drug Development
- 20 Professor Kim Mulholland
- 21 The Treasury
- 22 Community and Public Sector Union
- 23 United Nations Association of Australia
- 24 CARE Australia

- 25 Aid/Watch
- 26 Asia Pacific Malaria Elimination Network
- 27 Sabin Vaccine Institute
- 28 Adventist Development and Relief Agency - Australia
- 29 Menzies School of Health Research
- 30 Sustineo Pty Limited
- 31 Australian Lawyers Alliance
- 32 Foundation for Innovative New Diagnostics
- 33 Sustainable Population Australia
- 34 The Nossal Institute for Global Health
- 35 Australian Council for International Development
- 36 Save the Children
- 37 Micah Challenge Australia
- 38 Union Aid Abroad - APHEDA
- 39 WaterAid
- 40 Plan International Australia
- 41 World Vision
- 42 IDC Australia
- 43 Global Poverty Project
- 44 GAVI Alliance
- 45 ActionAid
- 46 Aeras
- 47 School of Population Health, University of Queensland
- 48 Medicines for Malaria Venture
- 49 Policy Cures
- 50 Kirby Institute, UNSW Australia
- 51 Justice and International Mission Unit, Uniting Church in Australia

- 52 Centre for Internet Safety, University of Canberra
- 53 Faculty of Medicine, Health and Molecular Sciences, James Cook University
- 54 RESULTS International Australia
- 55 International Centre For Diarrhoeal Diseases Research, Bangladesh
- 56 Church Agencies Network
- 57 TEAR Australia
- 58 Burma Campaign Australia
- 59 Seaforth Baptist Church
- 60 Confidential
- 61 Coalition for the Defence of Human Life
- 62 Australian Strategic Policy Institute
- 63 Australian Lawyers for Human Rights
- 64 Oxfam Australia
- 65 Centre for International Child Health
- 66 Australia Papua New Guinea Business Council
- 67 Development Policy Centre
- 68 YWCA Australia
- 69 Australian Christian Lobby
- 70 Ms Carol O'Donnell
- 71 OM Australia
- 72 Australian Trade and Development Group and Institute for International Trade
- 73 Law Council of Australia

Appendix 2

Tabled documents, answers to questions on notice and additional information

Additional information and tabled documents

- 1 Document tabled by Australian Council for International Development at public hearing on 21 February 2014
- 2 Opening statement of International Women's Development Agency at public hearing on 21 February 2014

Answers to questions on notice

- 1 Care Australia answer to question on notice from public hearing on 21 February 2014
- 2 Oxfam Australia answer to question on notice from public hearing on 21 February 2014
- 3 IDC Australia answer to question on notice from public hearing on 21 February 2014
- 4 IDC Australia answer to question on notice from public hearing on 21 February 2014 no. 2
- 5 Department of Foreign Affairs and Trade answer to question on notice from public hearing on 21 February 2014
- 6 Sustineo answer to question on notice from public hearing on 21 February 2014

Appendix 3

Public hearing witnesses

Friday 21 February 2014—Sydney

ANTHONY, Mr Shaun David, Manager, International Development Unit, The Treasury

BAKER, Dr Alison, Deputy Chair, International Development Contractors Australia

BARNES, Mr Angus, Individual Member, International Development Contractors Australia

BROWN, Professor Graham Vallancey, Director, Nossal Institute for Global Health, University of Melbourne

CHISHOLM, Mr James, General Manager, International Finance and Development Division, The Treasury

CLAXTON, Dr Karl, Analyst, Australian Strategic Policy Institute

DAVIES, Mr Robin, Associate Director, Development Policy Centre, Crawford School of Public Policy, Australian National University

DUNN, Mr Mel, Chair, International Development Contractors Australia

HAYTER, Ms Joanna, Chief Executive Officer, International Women's Development Agency

HILTON, Mr Matthew, Chair, Committee of Management, AID/WATCH

JOHNSON, Mr Andrew, Government Relations Team Leader, World Vision Australia

KELLY, Mr Paul, Principal Executive, International Programs, CARE Australia

KYRIACOU, Ms Joy, Senior Adviser, Australian Council for International Development

LEE, Ms Kate, Executive Officer, Union Aid Abroad—APHEDA

McDONALD, Mr Ewen Neil, Deputy Secretary, Department of Foreign Affairs and Trade

MOORE, Ms Ruth, Analyst, International Development Unit, The Treasury

NARAYANASAMY, Ms Thulsi, Director, AID/WATCH

O'CALLAGHAN, Mr Paul, Executive Director, Church Agencies Network

PRIDE, Ms Johanna, Public Policy and Advocacy Manager, Oxfam Australia

PURCELL, Mr Mark, Executive Director, Australian Council for International Development

RAWSON, Ms Jennifer, Head, Integration Task Force, Department of Foreign Affairs and Trade

ROWE, Mr Andrew David, Managing Director, Sustineo Pty Ltd

THURLEY, Mr Ben, Political Engagement Coordinator, Micah Challenge Australia

TOOLE, Professor Michael, Deputy Director, Burnet Institute

VARGHESE, Mr Peter, Secretary, Department of Foreign Affairs and Trade

WELLS, Ms Melissa, Senior Economist, Save the Children

WOOD, Mr Paul, Chief Financial Officer, Department of Foreign Affairs and Trade

Appendix 4

Revised 2013-14 Aid Budget: program allocations

Country & Regional Programmes	\$m		
	2012-13 Actuals	2013-14 as at Budget ¹	2013-14 Revised Budget
Papua New Guinea	448.5	453.8	448.5
Solomon Islands	102.7	104.6	90.4
Vanuatu	41.9	47.1	40.9
Samoa	26.1	26.7	23.1
Fiji	27.4	37.0	34.2
Tonga	16.2	19.9	17.2
Nauru	23.5	20.7	20.7
Kiribati	21.4	22.7	19.7
Other Small Pacific Islands	19.0	18.5	14.9
Pacific Regional	194.2	192.6	172.6
01. Pacific Total	920.8	943.7	882.2
Indonesia	484.7	591.5	532.4
Vietnam	103.9	112.0	95.0
Philippines	99.2	109.0	109.0
Timor-Leste	69.7	78.0	70.0
Cambodia	49.7	59.0	51.1
Myanmar	58.5	64.1	62.1
Laos	34.7	40.0	33.5
Mongolia	6.3	11.0	9.6
East Asia Regional	70.8	78.8	63.9
02. East Asia Total	977.4	1,143.4	1,026.6
Afghanistan	132.9	151.5	130.9
Pakistan	63.3	74.1	64.0
Bangladesh	84.8	82.1	61.6
Sri Lanka	25.7	37.5	32.4
Nepal	15.1	20.2	15.2
Bhutan and the Maldives	7.8	8.6	6.4
South and West Asia Regional	22.6	29.8	22.4
03. South & West Asia Total	352.1	403.8	332.8
Iraq	17.3	7.7	3.7
Palestinian Territories	36.4	38.7	33.4
Middle East and North Africa	64.3	41.7	29.7
Sub-Saharan Africa	211.2	224.9	133.0
04. Africa & the Middle East Total	329.2	313.0	199.8
Latin America & Caribbean	15.8	20.4	15.1
05. Latin America and the Caribbean Total	15.8	20.4	15.1
Australian Scholarships & Education	109.0	130.9	113.7
Health, Water and Sanitation	38.0	80.7	59.5
Infrastructure & Rural Development	55.2	62.5	46.1
Governance	27.2	32.0	16.7
Climate Change & Environmental Sustainability	17.0	4.5	0.5
Disability & Gender	29.0	28.7	25.0
Direct Aid Program (DAP)	8.9	11.0	11.0
Office of Development Effectiveness	2.1	2.2	2.2
Other Cross-Regional Programs	6.4	92.8	34.5
06. Cross Regional Programs Total	292.9	445.2	309.1

Note: Excludes multilateral replenishments

Global Programmes	2012-13 Actuals	2013-14 as at Budget¹	2013-14 Revised Budget
Humanitarian and Emergency Response	163.3	194.1	137.4
International Committee of the Red Cross	22.0	28.5	22.0
<i>United Nations Office for the Coordination of Humanitarian Affairs (UNOCHA)</i>	9.0	9.0	9.0
<i>World Food Programme (WFP²)</i>	46.0	46.0	46.0
<i>United Nations Central Emergency Response Fund (UNCERF)</i>	11.0	18.0	11.0
<i>United Nations High Commissioner for Refugees (UNHCR)</i>	19.0	23.0	19.0
<i>United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA²)</i>	15.0	20.0	19.8
<i>United Nations Peacebuilding Fund (UN PBF)</i>	-	1.0	-
UN-Humanitarian Total	100.0	117.0	104.8
07. Humanitarian, Emergencies and Refugees Total	285.2	339.6	264.2
<i>United Nations Development Programme (UNDP)</i>	20.7	26.0	20.7
<i>United Nations Children's Fund (UNICEF)</i>	34.1	38.3	34.1
<i>United Nations Population Fund (UNFPA)</i>	15.0	18.2	15.0
<i>United Nations Programme on HIV and AIDS (UNAIDS)</i>	7.2	9.2	7.2
<i>World Health Organization (WHO)</i>	20.0	23.4	20.0
<i>UN Women</i>	8.0	9.5	8.0
<i>Other UN</i>	9.2	6.6	0.4
UN-Development Total	114.2	131.2	105.4
Commonwealth Organisations	17.4	12.0	12.0
Contribution to Global Health Programs ²	129.3	175.0	181.4
Contribution to Global Environment Programs	74.6	1.5	-
Contribution to Global Education Programs	30.0	70.0	70.0
Contribution to Other Global Programs	31.0	3.0	-
08. UN, Commonwealth & Other International Organisations Total	396.4	392.7	368.8
Global NGO Programs	107.9	143.9	133.9
Australian Volunteers Program ²	58.5	65.3	55.3
Development Effectiveness & Research	11.5	12.5	10.3
09. NGO, Volunteer and Community Programs Total	177.9	221.7	199.4
Country & Global Programs total	3,747.8	4,223.5	3,598.0

DFAT - Australian Aid Programme - Administered (625.463)
DFAT - Australian Aid Programme - Departmental (1.885)

Other Government Departments

Australian Federal Police (10.000)
Attorney-General's (0.400)
Treasury - Departmental (0.163)

Contingency Reserve (0.390)
Total cuts to budget (638.301)

Reallocations in the AID Budget (11.800)
Total reprioritisation (650.101)

Additional budget cuts in 2014-15 44.000

1 Minor changes are incorporated due to internal budget transfers that have occurred since the release of the 2013-14 budget.

2 2013/14 budget has been largely expended, so reallocation options are limited.

3 Any discrepancies between totals and sums of components in the tables are due to rounding.