

Chapter 3

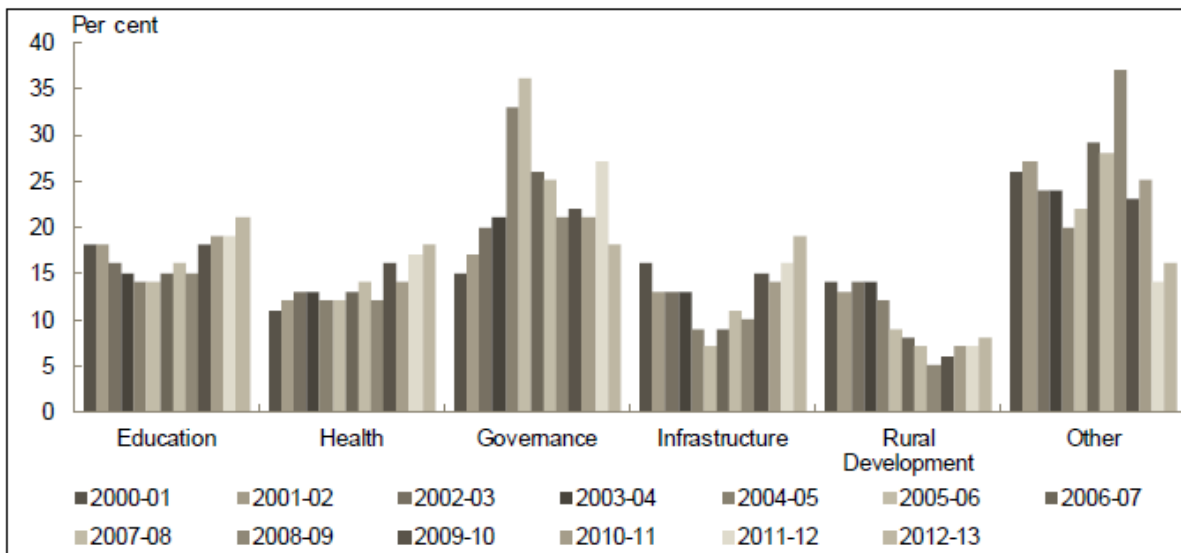
Development priorities and the delivery of aid

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 deployee 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.