



UNITED MACEDONIAN DIASPORA
ОБЕДИНЕТА МАКЕДОНСКА ДИЈАСПОРА

**Submission of the
United Macedonian Diaspora (Australia)
to the
Independent Review of AusAid Effectiveness**

1 Feb 2011



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Mr. Sandy Hollway, AO
Chairman,
Independent Review of Australian Aid Effectiveness
GPO Box 887
Canberra ACT 2601

Dear Mr. Hollway,

Re: United Macedonian Diaspora Submission on Independent Review of Aid Effectiveness

The United Macedonian Diaspora (Australia) congratulates the Hon Kevin Rudd MP, Minister for Foreign Affairs for initiating this timely and important independent review of aid effectiveness. We also wish to compliment the Independent Panel for accepting a large research project to be completed in a short time frame. UMD welcomes the opportunity to provide input to the review.

We believe the review will contribute to national, parliamentary and policy debates and understanding on how to get maximum benefit for all stakeholders from Australia's growing social and strategic investment in overseas development assistance (ODA).

The review will provide a basis for more rigorous and relevant research to accurately calibrate the effectiveness of our aid program. UMD applauds the readiness of the Australian Government and the Opposition to increase the aid budget to 0.5 per cent of GDP by 2015-16. We strongly encourage the Australian Government and all political parties and independents in the Australian Parliament to commit to 0.7 per cent of GDP for ODA by 2020 if not earlier.

The Australian Government in partnership with all relevant stakeholders including diaspora communities and organisations can play a crucial role in making Australia's ODA more innovative and capable of delivering better social, economic and environmental outcomes.

Yours sincerely

Ordan Andreevski
Director of Australian Outreach

United Macedonian Diaspora (Australia)
PO Box 2153; Hawthorn LPO Vic. 3122 Australia
www.umdiaspora.org;

Executive Summary

The executive summary examines three key issues:

- Why innovation, diasporas, scholarships and collective impact are of growing importance to Australia's ODA program and why do they deserve to be a higher priority for AusAid policy makers;
- What are the key challenges faced by AusAid and the ODA sector in the 21st century;
- What actions the Australian Government and the Australian Parliament should take in order to improve the effectiveness of Australia's ODA for the benefit of stakeholders and the delivery of better economic, social and environmental outcomes.

Why innovation, diasporas, scholarships and collective impact are of growing importance to Australia's ODA program and why do they deserve to be a higher priority for AusAid policy makers

UMD defines **innovation** in the context of Australia's ODA as a culture of continuous improvement and transformational change of performance based on new ideas, strategies, organisational capabilities and business practices essential for achieving better development outcomes for stakeholders. Innovation is essential for good public administration. Innovation in the context of the public service including AusAid can take the form of service innovation, service delivery innovation, administrative or organisational innovation, conceptual innovation, policy innovation and systemic innovation (Windrum 2008) as well as innovation in stakeholder engagement and communication. All these forms of innovation can improve the productivity and impact of Australia's aid program.

UMD defines **diasporas** as social, economic, political, environmental and foresight networks across the world, engaged in impact oriented activities such as planning, organising, leadership, stakeholder relations and performance management in order to deliver favourable public policies, programs and projects that build the capacity of the communities and their former homeland to reach full potential in partnership with host societies and global institutions. The relationship between diasporas and development has been widely recognised in the research literature (Merz, B. *et al* 2007) and by the World Bank. The role of the Australian Macedonian diaspora in the 21st century is to strategically harness its strong personal and professional relationships with political, cultural, research, academic, financial, media and security-related elites in Australia and around the globe in support of Macedonia and Australia.

UMD defines AusAid **scholarships** as strategic high impact investments that facilitate connection and collegiality with Australia by cultivating emerging young leaders across the world.

UMD defines **collective impact** as large scale social change outcomes that require broad cross-sector coordination rather than isolated interventions by individual organisations. Collective impact is based on having a common agenda, shared measurement systems, mutually reinforcing activities, continuous communication and backbone support organisations (Kania & Kramer, 2011).

Innovation, diasporas, scholarships and collective impact are of growing importance to Australia's ODA as they can accelerate and facilitate the performance improvement agenda of AusAid programs. Without them Australia's ODA can not achieve its mission of reducing poverty and addressing the UN Millennium Development Goals on time, on budget and to the satisfaction of stakeholders.

Despite improvements in recent years in the budgeting, delivery and reporting of Australia's Overseas Development Assistance (ODA), the perception is that the program has not significantly improved or leveraged the education, health, infrastructure and sustainable development capabilities, policies and systems of recipient countries in the Asia-Pacific and Africa. There is little empirical evidence to assess whether or not Australia's ODA has significantly reduced poverty, reached the UN Millennium Development Goals on time and on budget or how it has impacted on the social, economic and environmental wellbeing of communities in low to medium income countries. It is not clear who benefits from Australia's ODA, under what conditions do the programs work best and how it contributes value to Australia's national interests, to regional development and to the quality of life of people in recipient countries. Closing the R&D and communication gaps in Australia's ODA are the first practical steps to managing performance, value delivery and informing stakeholders.

UMD believes that Australia's ODA performance can be improved through innovation, broader stakeholder engagement and a greater focus on social impact in the strategic thinking, business practices and performance management of AusAid. In particular, Australia's ODA program needs a new and innovative model for conceptualising and delivering better and more sustainable social, economic and environmental outcomes for donors, recipients, facilitators and other stakeholders. The new network based model should be driven by social innovations combining strategic partnerships with stakeholders, tapping into the social networks and resources of diasporas and diaspora organisations in Australia as well as Australia's diaspora network and significant expansion and strategic use of AusAid scholarships.

The social networks of diasporas provide unique insights into the effectiveness of current Australian ODA programs and how to improve the impact. The ODA should build on the existing relations that diasporas have with their former homelands and with Australia society. AusAid Scholarships should be increased substantially as a proportion of the budget and used far more strategically as under the Colombo Plan to cultivate connections and collegiality to Australia with the future leaders in our region and beyond.

In summary, innovation, diasporas, scholarships and collective impact must become an integral component of the management of Australia's ODA program. The status quo is not sustainable.

Key challenges for AusAid and the ODA sector in the 21st century

To stay relevant into the future, Australia's ODA program needs to become more customer focused, faster, leaner, greener, more transparent, more effective and productive, more socially and culturally inclusive. It also should be more open to ideas from new voices from diasporas and evidence based sources, better prepared for collaboration and co-investment and better positioned for collective impact in a multipolar and interdependent world.

A number of trends and factors have caused a significant change in Australia's ODA strategic and operational environment since the last aid review in 1996.

The domestic social and political environment in Australia is more conducive to increasing the level of aid from 0.34% of GDP to 0.7 % of GDP. Australian tax payers expect a greater return on social, economic and environmental investment from the ODA budget. Australian society and policy makers recognise that peace, stability, economic growth and more effective development outcomes can be achieved through innovation and collaboration between government, the corporate sector, the not for profit sector, the ODA sector as well as diaspora communities.

The international strategic environment is rapidly changing. The world's population is increasing in low to medium income countries, placing pressure on them and on the developed world to find innovative solutions to pressing unmet human needs including sustainable development. Global warming and the disasters that are linked to it, is posing major problems not only in the third world but also in the developed world as seen by the recent floods in Australia, Brazil, Sri Lanka and the Philippines.

Leaders meeting at the World Economic Forum in Davos in 2011 have highlighted a transition of power from the advanced world to emerging markets. The Western world is experiencing a slowdown and emerging markets are experiencing growth (Lally, 2011).

The ability of countries such as PR China, India, Brazil, Russia and others to lift millions of people out of poverty through economic growth, industry policy reform, organisational, community, institutional and system innovation demonstrates that ODA is just one of many strategies for addressing the poverty and the Millennium Development challenges and that the ODA must be better focused and more strategic.

The Brookings Institution report 'Poverty in Numbers: The Changing State of Global Poverty from 2005 - 2015' shows that in this period nearly half a billion people escaped extreme hardship and the total number of extreme poor fell from 1.37 billion to 878 million. Never in history have so many million people been lifted out of poverty in such a short time. It is predicted that by 2015 the number will fall to 600 million. The emerging markets in Asia are recording the greatest success with China and India accounting for two thirds of the global reduction from 2005-2015. Over this period, Asia's share of poverty is expected to fall from two thirds to one third, while Africa's share is expected to increase to 60%. According to neoliberal experts (Chandy & Gertz 2011), economic growth lies at the heart of poverty reduction. As economic growth took off in the new millennium, characterised by emerging markets, a massive drop in poverty was achieved. Dependence on economic growth alone as a path to poverty reduction has been contested (Ravallion & Chen, 2003; Jha 2000).

Australia can achieve the biggest impact in terms of accelerated poverty reduction by investing and co-investing in sustainable economic growth and in nuanced targeted strategies for reducing poverty in the poorest countries in our region, in Africa and elsewhere (Kilby, 2007).

China has emerged as a significant investor and aid donor in the Asia Pacific and Africa. China should be seen and engaged as a potential partner for co-investment in ODA rather than viewed as challenging Australia's influence in the region. Similarly, the EU, which has the world's biggest development budget and aid delivery capacity must be partnered with for better outcomes.

The technological revolution especially the internet, mobile phones and other forms of communication are connecting poor and remote communities to global knowledge, institutions and global markets.

The volume of rigorous and relevant research on development strategies and effectiveness has grown exponentially in the last two decades forcing donors and recipients to abandon out-dated development strategies in favour of evidence based high-impact development models and relationships.

In this context, AusAid and its stakeholders have an opportunity to rethink their theories of change and business models in order to deliver new and improved value from Australia's investment in the ODA program. The independent review is an ideal time to closely examine the types of strategies, capabilities and budgets that are required for greater impact. Australia can show leadership by contributing research and narrative on how to solve global challenges in a multipolar and interdependent world in the face of the arrival of emerging markets and the shift of power away from the West.

It is also a time to think about the workforce challenge at AusAid and how the organisation can better connect with business, industry, not-for-profits and diasporas. Research from the Society for Knowledge Economics shows that government departments should adopt policies and practices that build leadership, culture and management capabilities across all workplaces as a means of lifting productivity.

Actions the Australian Government and the Australian Parliament should take to improve the effectiveness of Australia's ODA for the benefit of stakeholders and the delivery of triple bottom line outcomes.

The Australian Government and the Australian Parliament can play an important role in significantly improving Australia's ODA model, capabilities and performance by:

- Preparing an Aid Policy and Effectiveness Discussion Paper and holding debates in both houses of the Australian Parliament and in cities around Australia based on the Independent Review from 2011;
- Developing open source innovative policies that attract co-investment from the private sector and from national, regional and global institutions and investors from the European Union, the Asia Pacific and elsewhere;

- Allocating funding for the establishment of a Development and Aid Effectiveness; Cooperative Research Centre involving leading research centres and stakeholders from Australia, the EU, the Asia Pacific, Africa and North America;
- Making innovation, diasporas, scholarships and collective impact a high priority in the AusAid program and operations;
- Increasing the Aid budget and the number of volunteers in Australia and internationally as a means of scaling the impact and getting more cost effective outcomes of aid projects .
- Requesting AusAid to implement the recommendations of the Management Advisory Committee Report from 2010 *'Empowering Change: Fostering Innovation on the Australian Public Service.'*
- Allocating 80% of the aid budget in the current geographic areas and 20% in new areas such as low to middle-income countries in South Eastern Europe (including the Republics of Macedonia, Bosnia, Croatia, Serbia, Kosovo, Albania, Turkey) and Latin America;
- Significantly increasing the number of AusAid Scholarships as a percentage of the aid budget;
- Allocating 20 AusAid scholarships per year, for each low to middle income country in South Eastern Europe (Macedonia, Bosnia, Albania, Croatia, Serbia, Turkey) and other parts of the world that are currently excluded from the AusAid program. The ODA should reflect the needs of diasporas in Australia, who want AusAid to use some of their taxes to assist their former homelands and to improve the image and reputation of their host society or new homeland Australia. The ODA should also become a bigger contributor to Australia's public diplomacy, soft power agenda, international image and reputation for innovative customer focused development.
- Significantly increasing education and training programs in sustainable economic growth and resource management in the poorest countries in the Pacific, Africa, Asia and other parts of the world.
- Making funds available for specialist education, skills training and outcome oriented projects in innovation, development and social impact targeting AusAid staff, aid recipients and diasporas in Australia and the Australian diaspora around the world.
- Requesting all Government Departments and agencies with an international focus to incorporate an ODA agenda in their strategic business plans and performance management reviews.
- Requesting AusAid to significantly upgrade its stakeholder engagement and communication strategies, resources and delivery capabilities.

Please refer to the next section of this submission for a more detailed examination of specific recommendations that have been proposed in relation to the Terms of Reference.

Terms of reference and our responses

Issue 1: The Structure of the Program

1.1 Is the geographic focus of the program appropriate?

UMD believes that the geographic focus on the poorest countries in the Asia-Pacific, Africa and the Middle-East is to a great extent logical given the limited resources and the geographic positioning of Australia. We believe that 80% of the aid budget should be invested in the current geographic areas with funding directed to where it is most needed. The remaining 20% should be spent in new areas such as low to middle-income countries in South Eastern Europe (including the Republic of Macedonia, Turkey) and Latin America. The ODA should reflect the needs of diasporas in Australia, who want Australia to use some of their taxes to assist their former homelands and to improve the image and reputation of their host society or new homeland Australia.

1.2 Is the sectoral focus appropriate?

UMD believes that social and systemic challenges require systemic solutions. The AusAid sectoral focus on education, health, infrastructure and sustainable development outcomes appears logical from an Australian perspective as a strategy for reducing poverty and addressing the UN Millennium Development Goals. These assumptions have to be tested and validated on a regular basis with the people and cultures that AusAid is trying to assist given that outsider solutions to local problems often do not deliver the hoped for results (Brown, T & Wyatt, J, 2010). High-impact local solutions can emerge from engagement with local experts, not for profits, community organisations and multidisciplinary teams. Hence the need for AusAid ODA program designers to become embedded in the lives of the people they are designing for.

Scaling up the impact of Australia's ODA in each sector requires not only a whole of government approach but collaborative partnerships with the private and the not-for-profit sector. There is a perception that AusAid is expected and resourced to deliver improved sectoral outcomes through its own budget and interventions. Isolated interventions of individual aid agencies have limited impact. There is greater need for co-investment, collaboration and partnerships with stakeholders. It must be recognised that the responsibility for achieving ODA can not rest with AusAid alone. Poverty in developing countries can be reduced or eliminated through innovative, agriculture, immigration, trade and defence policies in the donor as well as the recipient country.

1.3 Is the focus of the aid program on low to middle-income countries appropriate?

UMD believes that the focus of the aid program on low to middle-income countries is appropriate as they can demonstrate the greatest need for development assistance. UMD believes that significant social change in developing countries requires coordination and long term investment. We are pleased to note that AusAid coordinates its activities with beneficiaries, donor nations, regional and global institutions for collective impact. AusAid should clearly articulate its theory of change and

measure its effectiveness and efficiency with aid recipients and other aid donors. Effective aid programs should have significant effect on people's lives by reducing poverty, eliminating diseases and improving social, economic and environmental outcomes.

1.4 Are the relative cost and benefits of different forms of aid considered in the AusAid budget? Are to costs and benefits of non-government organisations considered? Is there a balance between multilateral and bilateral aid funding arrangements appropriate?

UMD believes that AusAid can achieve better outcomes if it outsources the delivery of social and human services and policy objectives to professionally managed and economically-significant not-for-profit organisations in Australia and in developing countries. The social economy, and its contribution to civil engagement and community well-being needs to be recognised and measured by AusAid planners as well as incorporated into government statistics of recipient countries.

The number of volunteers in Australia and abroad should be increased substantially. New cohorts of volunteers should be engaged in meaningful ways to add value and accelerate the delivery of improved outcomes from the ODA. This can significantly reduce costs and delivery greater benefits than relying mostly on expensive consultants and contractors from Australia.

To solve global challenges in a multipolar and interdependent world, Australia's ODA needs to identify models for leveraging multilateral, regional and bilateral systems and opportunities. AusAid should not support failed development strategies and projects that have little chance of improving the lives of the world's poor.

Issue 2: The performance of the aid program and lessons to be learned from Australia's approach to aid effectiveness.

UMD believes the performance of the aid program needs to be calibrated through professional, rigorous and relevant audits which measure economic, social and environmental value and outcomes. The establishment of an in-house Office of Development Effectiveness at AusAid is seen by UMD as a positive development. The performance assessment should be made using the process of triangulation whereby assessments are made from three difference angles or perspectives.

Issue 3: Do the current systems, policies and procedures maximise effectiveness?

Fostering innovation in the Australian aid program and delivery models is very important as it can lead to positive and significant improvements to the way aid and development assistance is conceptualised, operationalized and managed for optimal impact. Innovation of AusAid strategy, practices and performance is necessary because of the need to develop creative policies and mechanisms for solving pressing complex problems and challenges such as sustainable development and climate change.

The public service culture at AusAid is for a variety of reasons focused on compliance and risk aversion and not well known or rewarded for new and creative ideas. Without innovation, Australia's aid and development assistance programs cannot improve their performance or attract and retain the best talent on the market. The review panel should therefore identify the barriers and opportunities for improved outputs and outcomes from open source innovation from new and emerging voices, communities, social and research networks.

Partnerships with diasporas, not for profit organisations, civil society groups, research centres, corporations and donor agencies and nations should be made a greater priority. These stakeholders are well placed to provide input in the quest for finding innovative solutions to refine the scope, reach and impact of Australia's aid and development assistance programs.

New funding models for the delivery of AusAid programs could emerge from stakeholders. For example, we could double the size and impact of our aid and development programs if we find matching funds from business, industry, communities, philanthropists, churches. Microsoft's former President Bill Gates contributes more to health research than the World Health Organisation. The challenge for AusAid is to work in partnership with the ATO, the Treasury, Universities, think tanks and diasporas to master the art of making compelling business cases for investment in aid and development assistance.

The current practice of relying on Australian public servants and selected development assistance agencies, consultants, engineering firms and government departments in recipient countries for the planning and delivery of aid and development assistance has not necessarily given Australian taxpayers or Governments the results that are required despite billions of dollars of investment over decades. Engagement with diverse stakeholders in Australia and internationally can bring fresh thinking, new scenarios and perspectives in support of AusAid strategy, practices and performance. Australia's aid program will yield new and improved outcomes if stakeholders can influence planning and decision making through genuine, deep, regular and meaningful engagement.

Innovation and engagement can in turn then lead to greater social, environmental, economic and democratic impact of the AusAid program in the Asia-Pacific, Africa and the Middle East and help Australia's image and reputation as a creative middle power.

Flexibility of Australian aid and development assistance programs or lack of it is a major concern to many ethnic communities across Australia. For example, the Australian Macedonian community is concerned that despite 100 years of contributing to Australian society, under the current system not \$1 of the \$4.3 billion aid budget goes to assist the Republic of Macedonia.

The Australian Macedonian community understands that Australia's aid and development programs are focused on our neighbourhood and on Africa. But according to a *Survey of the Australian Macedonian Community and Links with Macedonia*, conducted by Assoc. Prof. Danny Ben-Moshe and Dr. Jo Pyke from the Centre for Strategic Economic Studies at Victoria University in 2010, the community expects that 20 AusAid scholarships a year can and should be directed to talented and needy students from Macedonia.

Issue 4. What is the optimal future organisational structure for the Aid program?

4.1 Is AusAid's current organisational structure for aid delivery suitable and optimal?

UMD believes that the current organisational structure for aid delivery is not optimal for the following reasons:

First, it does not harness the power of the whole of government, whereby each government department or agency with an international agenda can and should contribute to the ODA agenda. Second, it does not tap into the private and the corporate sectors. In particular, it is not geared to create and access a capital market for social impact. Investors should have the option of purchasing equity into social businesses that work on poverty elimination. They should also be encouraged to make low interest loans to not-for profit organisations working to achieve Millennium Development Goals. AusAid needs to be in position to work with the private sector to create a social stock exchange or social impact bonds. Third, it does not tap into the power and social capital of all diasporas in Australia and their former homelands. AusAid needs to be open to ideas, collaboration and co-investment from all segments that make up multicultural Australia.

4.2 What arrangements for the coordination of the ODA across the public service need to be made for optimal outcomes?

The Australian Public Service Commission should ensure that the public service must be educated, motivated, resourced and performance measured to engage in achieving Australia's ODA agenda. From Department Secretaries to junior officers, everyone should understand the importance of ODA to Australia's national interest and to their careers. Strategies adopted by governments can have significant effects on people lives in the recipient and in the donor country. Effective strategies can quickly eliminate poverty and diseases. The APS should have a greater say in how money, people, public commitment and technology should be mobilised to achieve important ODA goals. ODA is too important to be left to one agency. The APS can use a range of tools to meet the ODA goals. These range from planning, setting targets, leadership, behaviour change, risk management, innovation and measuring social value.

4.3 What is the best model for coordination of Australia's ODA with other donors and institutions?

UMD would like to state that the optimal model for coordination of Australia's ODA with other donors and institutions can be found through rigorous analysis of the top tier research literature on development studies, strategic management and innovation. AusAid should benchmark its model with world best practice. The panel should consult with global experts at top research centres and think tanks including the Stanford Centre for Social Innovation, the John Kennedy School of Government at Harvard University and Australia's Centre for Social Impact. AusAid should organise a brainstorming session and invite the development industry, researchers, corporate strategists, not for profit organisations and diaspora organisation to engage in a debate on the topic.

Question 5: Appropriateness of current arrangements for:

5.1 Review and evaluation of the aid program, including examination of the Office of Development Effectiveness and options to strengthen the evaluation of the aid program.

UMD believes that the best option to strengthen the in-house evaluation of aid effectiveness is to combine it with independent external auditors from the private sector and research experts from the higher education sector and think tanks.

5.2 The management of fraud and risk in the aid program?

The AusAid program should be subject to the highest standards of fraud and risk management applicable in Australia and internationally.

Issue 6: Examination of Research Literature on Aid Effectiveness and Social Innovation

6.1 UMD believes that Australian Foreign Minister should allocate funding for a literature review on the 'Emerging role and impact of economically significant non-state donors and stakeholders.'

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