

SUBMISSION TO THE PANEL OF THE INDEPENDENT REVIEW OF AID EFFECTIVENESS

James Goodman
Associate Professor
Faculty of Arts and Social Sciences
University of Technology Sydney

In response to the Review's Terms of Reference I have six main sets of proposals on how the ODA may be more effectively and efficiently delivered.

(1) End the practice of using aid to further Australia's national interests and create an independent Department for overseas aid. I believe this is as a key barrier to making aid effective. To achieve this I suggest removing reference to national interest from the objective of Australia's aid program, so that aid is solely dedicated to poverty alleviation and promoting sustainability.

The official objective of Australia's aid program is "to assist developing countries reduce poverty and achieve sustainable development, in line with national interest." [i] Australia's aid program should focus on achieving poverty alleviation and sustainable development in accordance with the needs and priorities of recipient communities. However, greater importance is often attached to Australia's commercial and strategic interests, thus compromising the effectiveness of aid to combat poverty. For example, the 2010-2011 aid budget spends about \$30 million over four years on controlling 'irregular' immigration and upgrading of detention facilities in Indonesia.

AusAID currently sits within the Department of Foreign Affairs and Trade (DFAT), which has a primary objective of advancing Australia's national interest. For the aid program to maintain a clear focus on poverty alleviation and avoid being used as a vehicle to promote Australia's strategic and commercial interests, AusAID needs to be established as a separate department with a Cabinet-level minister.

(2) Recognise that the impacts of climate change will drastically undermine development prospects for low-income countries and commit to at least A\$2.1 billion per year funding for climate aid, commensurate with Australia's contribution to global ODA. Additionally, ensure that this climate aid is new money, not funds redirected from other development priorities and that it is aimed primarily at assisting the most vulnerable communities.

The impacts of climate change are felt most harshly by the poor worldwide. As the latest annual review of development effectiveness highlights "unless the global community adequately addresses the challenges of climate change, it will be more difficult to achieve and sustain the MDGs, and the impacts of climate change will undermine development gains already achieved." [ii]

According to a 2010 World Bank report at least US\$70 billion is needed annually to help developing countries adapt to the effects of climate change: "the cost between 2010 and 2050 of adapting to an approximately 2oC warmer world by 2050 is in the range of \$70

billion to \$100 billion a year. This range is of the same order of magnitude as the foreign aid that developed countries now give developing countries each year, but it is still a very low percentage of the wealth of countries as measured by their GDP”. [iii]

Australia must pay its fair share of these costs. The Australian aid program, at about A\$4.3 billion, is about 3 per cent of the total global ODA (of US\$120 billion). If the government view is that this is a fair proportion of Australia's contribution to development aid, then the same should apply to climate aid. Thus Australian Government should commit to at least \$2.1 billion per year in climate aid, commensurate with Australia's contribution to global ODA.

Currently the small amount of funding provided by Australia to address climate impacts is double-counted as climate aid to the UNCFCCC, and as ODA to the OECD. This practice violates the UNFCCC requirement that climate aid be additional to ODA. The Australian government must ensure that climate aid funding does not divert funds from other development priorities, and that it is aimed at primarily assisting the most vulnerable communities.

(3) Improve the transparency, accountability and monitoring of Australian aid spending. To this end, make the Office of Development Effectiveness an independent body separate from AusAID, following the example of the UK’s Independent Commission on Aid Impact. In addition, publish timely, accessible and detailed information about all aid initiatives and publicly release all parts of commercial aid contracts which do not satisfy the Department of Finance and Administration’s ‘Confidentiality Test’.

The Office of Development Effectiveness (ODE) is the government body responsible for monitoring the quality and evaluating the impact of Australian aid. However, the ODE is answerable to the Director of AusAID, rather than the parliament. This undermines the ODE’s ability to voice a genuine critique of Australia’s aid program. In addition, the majority of ODE reports have not been made publicly available[iv].

By contrast, the UK Government has committed to establishing an Independent Commission for Aid Impact which “will be totally independent from Government”, “will report directly to Parliament” and “will have completely separate decision-making powers, staff and location from the Department for International Development.” The Commissions’ “reports will be published on their website directly – with no interference from Government.”[v]

Independent monitoring and evaluation of Australia’s aid program is critical to ensuring quality and effectiveness. This includes public release of all evaluations and reports.

AusAID is a signatory to the International Aid Transparency Initiative Accra Statement [vi], which commits it to:

- Share more detailed and up-to-date information about aid in an accessible format
- Be transparent about conditions attached to aid and expected project outputs and outcomes

Despite signing on to this statement, AusAID has fallen short of its commitments. As the Australian National Audit Office report (2009) highlights: “AusAID needs to develop better systems for capturing information on how Australian aid is delivered... At present, in

the absence of published information, it is difficult for AusAID to be held to account for commitments to change the way Australian aid is delivered.”[vii]

AusAID must start translating its commitments into practice by providing up-to-date and detailed information about all aid programs, projects and initiatives to the public in a timely and accessible manner.

According to the DAC peer review of Australia’s aid program, about 20 to 25 per cent of Australian aid is delivered by commercial contractors [viii]. All aid contracts are covered by commercial-in-confidence agreements, making it difficult to know how millions of dollars in aid money is being spent. While AusAID publishes a list of aid contracts over \$100,000 in value on its website, this provides only vague, one-sentence descriptions.

There is a need for greater transparency for commercial aid contracts. The Department of Finance and Administration has published a ‘Confidentiality Test’ in its Financial Management Guidelines,[ix] this provides some level of accountability into the proper use of commercial-in-confidence clauses in contracts (for example not allowing blanket inclusion of all information in a contract as commercial-in-confidence). All parts of commercial aid contracts that do not satisfy this ‘Confidentiality Test’ should be made publicly accessible over the Internet.

(4) Reduce the proportion of aid money spent on Technical Assistance (TA) to at least the OECD average: identification of TA needs should be led by aid recipients and use of local advisors prioritised over external advisors.

Technical Assistance (TA) refers to the funding of experts (usually from Australia) to provide advise and build skills and capacity in developing countries. TA accounts for 40-50% of the Australian foreign aid budget, twice the average of other OECD countries. Internationally, TA has been a source of considerable criticism due to its high cost and lack of effectiveness in developing capacity[x].

A review commissioned by Australia and Papua New Guinea (PNG) governments highlights the ineffectiveness of TA, noting that “[t]he emphasis on technical assistance for capacity building and the lack of much to show for it is at the heart of the political difficulties the Australian aid program to PNG is facing.” [xi] AID/WATCH believes that TA should only be used when appropriately led by aid recipients, who must be able to define their own capacity development needs and identify what support, if any, is required from foreign advisers.

(5) Require all aid providers to demonstrate how their initiatives are guided by host governments, communities and civil society organisations in the planning, implementation and evaluation of aid initiatives.

As a signatory to the Paris Declaration on Aid Effectiveness (2005) and Accra Agenda for Action (2008) Australia has made commitments to better align development assistance with national development strategies and strengthen country ownership over aid delivery. However, Australia's performance in adhering to these aid effectiveness principles has been “below par”.

For example, only 38 per cent of Australian Technical Assistance was carried out “in a way that enables partner countries to exercise leadership over the assistance provided.” This

falls short of the donor (DAC) average of 59 per cent[xii]. Similarly only 23 per cent of Australia's aid is subject to partner countries' procurement systems, which falls short of the donor (DAC) average of 44 per cent. [xiii]

In addition to recipient governments, local communities and civil society organisations should also have ownership over development initiatives. Those for whom development initiatives are aimed at helping must have a say in designing, implementing and evaluating such initiatives.

(6) Demonstrate how Australia's policies on trade, investment, finance, migration, security and climate change are consistent with the promotion of poverty alleviation, gender equity and sustainable development.

While aid can make a significant impact in terms of improving development outcomes for people, aid alone is not enough. There is a need for greater policy coherence across a broad range of sectors that affect developing countries, such as trade, investment, finance, migration, security and climate change. It is therefore important that these policies support – and not undermine – efforts to achieve internationally agreed development goals, including the Millennium Development Goals.

The Government needs to demonstrate how it is taking this 'whole of government' approach to promoting agreed development goals. It should do this, for instance, by instituting a precautionary criteria-based approach that requires policy-makers in these fields to establish how their decisions promote poverty alleviation, gender equity and sustainable development.

References

- [i] AUSTRALIA'S INTERNATIONAL DEVELOPMENT ASSISTANCE PROGRAM - budget statement, Stephen Smith and Bob McMullen, 2010, p106, [Emphasis added]
- [ii] Annual Review of Development Effectiveness 2009 – Improving basic services for the poor, AusAID Office of Development Effectiveness, p9
- [iii] World Bank (2010) *The Economics of Adaptation to Climate Change*, A Synthesis Report, Final Consultation Draft (August), World Bank, Washington, p 10. (emphasis in original)
- [iv] Australian National Audit Office (2009) *AusAID's Management of the Expanding Australian Aid Program*, ANAO Audit Report No. 15 2009-10, p.150.
- [v] 'New independent commission unveiled', United Kingdom Department For International Development, media release 29 October 2010, < <http://www.dfid.gov.uk/Media-Room/News-Stories/2010/New-independent-commission-unveiled/>>
- [vi] INTERNATIONAL AID TRANSPARENCY INITIATIVE ACCRA STATEMENT, 4th September 2008, < <http://www.aidtransparency.net/wp-content/uploads/2009/06/iati-accra-statement-p1.pdf> >
- [vii] Australian National Audit Office (2009) *AusAID's Management of the Expanding Australian Aid Program*, ANAO Audit Report No. 15 2009-10, p.148.
- [viii] Development Assistance Committee Peer Review of Australia, Organisation for Economic Cooperation and Development, 2008/09, p. 64.< <http://www.oecd.org/dataoecd/38/29/42019772.pdf> >

- [ix] Guidance on Confidentiality in Procurement, Financial Management Guidelines 3, Department of Finance and Administration, p10 <
http://www.finance.gov.au/publications/fmg-series/docs/FMG_3_Final_for_Publication.pdf>
- [x] ActionAid International (2006) Real Aid 2: Making Technical Assistance Work, <
<http://www.actionaid.org/assets/pdf/Real%20Aid%202%20small%20pdf%20version%20for%20emailing.pdf>> and Duxfield, F. & Wheen, K (2007). Fighting Poverty or Fantasy Figures: The Reality of Australian Aid, AID/WATCH, Sydney
- [xi] Review of the PNG-Australia Development Cooperation Treaty (1999), 19 April 2010, p 26. <http://www.ausaid.gov.au/publications/pdf/PNGAustralianAidReview.pdf>
- [xii] Australian National Audit Office (2009) *AusAID's Management of the Expanding Australian Aid Program*, ANAO Audit Report No. 15 2009-10, p.90
- [xiii] Annual Review of Development Effectiveness 2009 – Improving basic services for the poor, AusAID Office of Development Effectiveness, p42