



## Senate Inquiry into Australia's Overseas Aid and Development Assistance

Submission by CARE Australia



## Key Messages

Effective aid requires a long term horizon and predictable, consistent support. Frequent shifts in policy, budget and program objectives complicate relations with partners, disrupt program delivery and make an assessment of impact and effectiveness difficult.

While Australia's economy may be slowing, nations like the United Kingdom have shown that economic circumstances are not a reason in themselves to cut aid, nor is it in Australia's long-term interests to do so.

The Government should move quickly to provide clarity about the objectives and policy framework for the aid program and be clear on the how effectiveness of aid will be assessed.

The integration of AusAID into DFAT is a complex task. Managing Australian aid requires different knowledge and experience compared with other parts of Australia's foreign policy. It will be important to ensure that DFAT retains professional aid staff.

## Introduction

The old debate about whether aid works is stale and unhelpful. Just as some businesses fail and some government policies don't achieve what was intended, some aid projects don't work either. However, over the past decades, the aid and development community have come a lot closer to understanding what is likely to work and why. It is important to build on this knowledge and not simply revert to prejudice and anecdote.

While sustainable, broad-based economic growth contributes significantly to overall development, aid plays a critical role in enabling the benefits of growth to improve the lives of the poorest 40% of the population, often remote, disadvantaged and marginalised people in developing countries.

Since drafting the Millennium Development Goals in 2000, the number of people living in extreme poverty has halved, the number of children under five years dying has halved, the number of women dying in pregnancy and childbirth has fallen between a third and a half, and enrolment in primary education in developing regions is up to 90%. Since 2000, measles vaccines have averted over 10 million deaths, 1.1 million deaths from malaria have been averted, treatment for tuberculosis has saved some 20 million lives since 1995, and new HIV infections continue to decline in most regions. Aid has played a crucial role in these successes.



However, there is still much to be done. More than a billion people are still living in extreme poverty, more than 100 million children under five are undernourished and underweight, and the maternal mortality ratio in developing regions is still 15 times higher than developed regions. Gender inequality, discrimination and violence against women continue to undermine health and education outcomes and economic progress for all. The largest number of poor people live in Asia, where Australia as a regional neighbor has the clearest purpose in addressing their plight.

## Response to the Terms of Reference

### a. Australia's ability to deliver aid against stated policy objectives and international commitments

While the focus of the recent debate has been about Australia's waning commitment to reach 0.5% ODA/GNI<sup>1</sup>, it misses the point that Australia, along with other developed countries, made a commitment 40 years ago to lift overseas development assistance to 0.7%. The 0.7% target is not unachievable. This year, despite a struggling economy the UK joined other countries, including Denmark, the Netherlands, Norway, and Sweden in achieving this target. Australia should not be setting a lower standard for this commitment.

Beyond the ODA/GNI commitment, effective aid requires a long term horizon and predictable, consistent support. Frequent shifts in policy, budget and program objectives complicate relations with partners, disrupt program delivery and make an assessment of impact and effectiveness difficult. Ideally, there would be bipartisan support for key elements of the aid program so that a change of government would not mean wholesale changes to aid. Given that there has traditionally been bipartisan commitment to key elements of Australia's foreign policy, this should be possible to achieve. CARE accepts that a new government is likely to have different priorities, and this might lead to a shift in emphasis in various areas, but rapid and major changes can mean that the impact of funds already expended is lost and money which might have been well-spent is wasted.

CARE is concerned that the revised aid budget sees significantly less support for climate change initiatives in Southeast Asia and the Pacific. This is based on the deep cuts to cross-sectoral and global climate change and environment programs, and cuts to the aid budget to Pacific Island and Southeast Asian countries which are among the most exposed to the impacts of climate change and disasters. We understand that the Australian Government remains committed to a global agreement on climate change in 2015 under the United Nations Framework Convention on Climate Change. Climate finance will be a key element of these negotiations, and reductions in our climate finance contributions will influence Australia's ability to play a constructive role in these negotiations.

### b. Australia's ability to maintain its international development priorities, including sectoral, regional, bilateral and multilateral international relationships

Non-aid financial flows to developing countries (including foreign investment, remittances, credit) have grown and developing country governments have more options for funding development initiatives than ever before, including through domestic resources. This means that aid flows do not have to meet every need in developing countries - from major infrastructure to tertiary health care - and should focus on those issues which are at the core of its rationale: eliminating extreme poverty and the worst forms of social exclusion within global frameworks for environmental sustainability. Aid must also continue to address global and regional public goods which are likely to have some of the most profound impacts on development in the future such as health pandemic, pollution and climate change. These are often areas where developed countries have greater capacity to respond than developing countries.

Successive Australian Governments have focused aid on Asia/Pacific. It has also been recognised that Australia needs to engage sensibly and strategically in South and West Asia and Africa – regions where challenges of deep poverty and instability require a global response. This is appropriate and should continue.

Globalisation, economic interdependence and developments in information and communications technology offer both opportunities and uncertainties. This is particularly so for the poor and vulnerable communities with whom CARE works, through our emergency response work and our development programs.

Against these and other events, the poor are particularly vulnerable, and women are disproportionately represented among the world's poor and marginalised. There are more girls than boys out of school; more women than men out of work; and women die needlessly from pregnancy-related causes every minute of the day. At the same time, women and girls are a key part of the solution to overcoming poverty and injustice.

1. Net official development assistance as a percentage of Gross National Income

Women, more than men, tend to transfer improvements in their own lives into the lives of their children, families and communities. If they have the opportunity to gain an education, access health services, generate an income, and take a lead in their community, women and girls can create lasting change.

The Government has emphasised the importance of economic growth as a key priority for the aid program. Economic growth is a necessary factor in poverty reduction and development, but it is not sufficient to ensure these outcomes. Growth without sustainability or equity entrenches poverty and vulnerability which creates the foundations for instability and conflict.

The private sector is a major engine of growth and job creation. Aid can play a useful role in helping ensure a better enabling environment for the private sector to generate employment and income, to ensure opportunities for inclusive growth, and to improve the integration of developing countries into the global economy. Initiatives for the private sector should take account of financial inclusion, or ensuring that the poor and those in the informal sector are able to improve their financial literacy and link into savings and credit services. The G20 Financial Inclusion Action Plan includes a commitment to facilitating universal access to financial services. To realise this will mean addressing inequities and challenges for the poorest and most marginalised, predominantly women, in accessing services. CARE's experience suggests that tackling financial inclusion could represent an enormous boost to developing countries' economies. Our 'Banking on Change' partnership with Barclays enables people living on less than \$2 a day to save on average \$58 per year. If this was multiplied by the 2.5 billion unbanked people worldwide, it would represent \$145 billion in potential savings annually that could be re-injected into the formal economy.



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**Other sectoral priorities include:***Gender equality*

Australian aid should meet the different needs of affected populations and to enable women and girls to not only realise their rights but gain from the experience to address systems and structures that perpetuate gender inequality. Understanding gender differences, inequalities and capacities improves the effectiveness of humanitarian and developmental programmatic work and is the shared responsibility of all aid actors. In the UK, Parliament is currently considering a private members' bill that would place a statutory obligation on the UK government to consider the impact of its overseas aid spending on reducing gender inequality. Australia too should consider such a move, although the Australian aid program has a clear policy commitment to gender equality, this is often not well translated into strategies and programming.

*Civil society development*

"In the countries in which Australia delivers aid, civil society organisations have often stepped in where governments have failed. They deliver services like health and education and advocate for vulnerable people" (ACFID). We endorse the Government's commitment to deliver more aid through effective NGOs, and look forward to dialogue with the Government on how this should best be done. Although the Australian NGO Cooperation Program (ANCP) has grown as the aid program has grown, the aid program focuses overwhelmingly on government to government and multilateral aid. This is despite the reality that many governments have shown their limited capacity to respond effectively to the aspirations of their people. A vibrant and active civil society is necessary for lasting development and change, holding governments and others to account, enabling the poor to improve their lives and spreading knowledge, innovation and best practice in development.

The Australian aid program should improve its effectiveness by integrating considerations about the role of civil society and the private sector into strategies and programs.

*Climate change*

"Climate change is a fundamental challenge for developing countries. It has the potential to impede development and reverse progress towards achieving the Millennium Development Goals" (DFAT). Perversely, the world's poorest and most vulnerable, who have the least responsibility for causing climate change, will continue to bear the brunt of its impacts. Climate change is a critical issue for Australia's region. Some Pacific island nations, along with the Mekong countries are acutely vulnerable to the impacts of climate change. Practical actions to support women and men in poor communities to manage the risks of a changing climate – funded through Australian climate finance, are already demonstrating results in our region. Benefits include greater food security, more diverse income generation opportunities, and strengthened local institutions. The aid program must continue to address the effects of climate change in our development partner countries to be effective in encouraging economic growth and poverty reduction in the future.

**c. (i) The integration of AusAID into the Department of Foreign Affairs and Trade**

Integration of AusAID into DFAT is a major change in the machinery of government. It offers benefits: a single, consistent Government position on aid and development; improvements to whole-of-government policy development and program implementation; the potential for a much stronger diplomatic effort on key development issues such as gender inequality; greater integration across government in areas which have both domestic and international implications such as pandemic disease; as well as reduced duplication and savings through efficiencies.

There are also risks: the uncertainty about policy priorities and budgets are disrupting program delivery and could undermine effectiveness; loss of experienced aid staff could weaken program quality and performance oversight; short term imperatives could over-ride long-term issues of effectiveness and sustainability; and foreign policy objectives may distort effective aid spending.

There are a number of structural and procedural actions that should be taken to improve the *process* of integration as well as the *outcome*:

- Australia's aid program shouldn't lose its identity. Rename the Department of Foreign Affairs, Trade and *International Development* and establish a Deputy Secretary position with responsibility for overarching aid policy and performance management. This will ensure there is a coherent aid strategy and performance oversight which contributes to transparency.
- How the aid program is managed is fundamental to its effectiveness. There needs to be a commitment to having the right skills and good process. There should be a professional aid cadre with geographic and sectoral expertise who are clear about the aid program's quality framework and are equipped to implement it.
- The integration process is complex and will take time. The 2013 Australian aid stakeholder survey conducted by the ANU Development Policy Centre identified high staff turnover as the most serious aid effectiveness weakness, and slow decision making as the second most serious. The process of integration will exacerbate these issues. Regular communication by DFAT will help keep key stakeholders informed of progress.

## **(ii) The freeze in international development assistance funding**

The Australian Government should be ambitious about the national interest and Australia's place in the world as an active and effective middle power. Our reputation in the world depends in part on our willingness to put energy and resources into pressing regional and global issues. Thus the size and effectiveness of Australia's aid program will impact on how we are perceived as a global citizen.

The Government's desire for an average total annual aid budget at around \$5 billion sets the ODA/GNI ratio at around 0.32% - "well behind the average country effort of individual DAC donors which was 0.47% in 2012" (DevPolicy.org). When compared with peers, Australia's economy is stronger, yet the aid cuts are more severe. Both Germany and France were hard hit by the global economic crisis and experienced recession. However the lowest level they allowed their ODA/GNI ratio was 0.35% in Germany and 0.38% in France. Both have since improved to .38 and 0.45% respectively, even though their economies are still under stress. The UK has shown leadership and its decision to reach 0.7 % in 2013 sits in stark contrast to Australia's position.

It is arguable that Australia has more reason than many European countries to give aid, as most of our neighbours are developing countries and trade with developing and middle income countries is crucial for our economy.

Australia's experience in leading the Regional Assistance Mission to the Solomon Islands (RAMSI) highlights the false economy of turning our backs on aid. Economic stagnation and lack of opportunity combined with inequity and deteriorating service delivery, subsequently sparked ethnic tension, which led Australia to commit around \$2 billion over a decade to restore stability – let alone start to rebuild. "The cost of the tensions on Solomon Islands has been massive. Decades of development have been lost. Solomon Islands has still not returned to mid-1990 levels of average per capita wealth after losing more than 25 per cent of its economic base (GDP) during the tensions" (DFAT).

The World Development Report of 2011: Conflict, Security and Development highlights that recovering from conflict can take thirty years or more. Reducing aid now risks paying more in the future and for longer. UK Prime Minister David Cameron said "if we invest in countries before they become broken, we might not end up spending so much on the problems that result".

## Conclusion

Australians generally support the aid program. They feel a moral imperative to tackle poverty in our world, and the Government should do more to explain why an effective aid program is in Australia's interest, especially given the region we live in. Australians identify strongly with the importance of fairness and they believe in everyone pulling their weight. The Government should set a timetable to achieve the 0.5% ODA/GNI target that it is committed to – and then it should look to achieve 0.7% as the UK has done. Having a clear aid statement will assist with making this case. Organisations such as CARE Australia also invest in raising awareness of aid and development issues.

A geographic focus in Australia's immediate region is right, but Australia should not ignore regions where there is deep poverty or where there is protracted crisis and insecurity. Australia's aid program can focus on accelerating economic growth, but must ensure the benefits of growth are equitably shared by the poorest 40% within developing countries by creating jobs for low-skilled workers, and increasing investments in health, education, food security and resilience as well as governance and strengthening civil society. For aid and development to be effective, there must be a sound understanding of gender differences and a determination to address the barriers women face to their full participation in society.

The integration of AusAID into DFAT must be managed carefully, ensuring communication and consultation with stakeholders in the sector and maintaining the right skills and processes to ensure program quality and reporting.

## About CARE

CARE Australia was established in 1987 by former Prime Minister the Right Honourable Malcolm Fraser, AC, CH as part of the CARE international confederation, a non-religious and non-political organisation dedicated to fight against global poverty.

In 2012 the CARE International confederation served a total of 83 million people delivering programs with a total value of over EU626 million (USD840 million) in 84 countries. Our support includes health care, education, economic development, water, sanitation and hygiene, agriculture and natural resources as well as emergency preparedness and response.

In 2012/13, CARE Australia delivered programs valued at AUD46 million in 24 countries.

International research and our own experience points to the fact that gender equality and empowering women and girls are fundamental to the fight against global poverty. Women's empowerment is important in its own right. No single group of people is more disempowered and excluded around the world than women. CARE is committed to supporting gender equality and empowering women and girls through our work.

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