

## **Senate Standing Committee on Foreign Affairs, Defence and Trade Legislation**

### **Overseas Aid (Millennium Development Goals) Bill 2013**

#### **Introduction**

The Fred Hollows Foundation welcomes and supports in principle the proposed Overseas Aid (Millennium Development Goals) Bill 2013 and endorses the importance of establishing a binding commitment for Australia's official development assistance program. Moreover The Foundation applauds the intent of the Bill and its unequivocal pursuit of ensuring Australia's aid delivers transformational development programs based on the best knowledge and evidence of what works and what is sustainable. This realization can only be achieved through ongoing rigorous program effectiveness and impact assessments and the continued commitment to transparency and accountability within the process and practice of delivering Australia's development assistance program.

There are two particular aspects within the proposed Bill The Foundation wishes to focus this submission. The first relates to the schedule and increase in the target of official development assistance to 0.7% GNI by 2021 and the second relates to the creation of an independent Commissioner for aid effectiveness.

#### **1. Increase of ODA target to 0.7% GNI by 2021**

The Fred Hollows Foundation supports in principle the target of increasing ODA to 0.7% of GNI by 2021, however are concerned that neither the unequivocal bipartisan commitment exists nor the institutional capacity has been developed within whole-of-government that is required to deliver such a large program effectively. The potential for rapid transformational development gains from an Australian aid program at a level of 0.7% GNI by 2020/21 are immense. Yet the potential effect is intrinsically dependent on the investment being directed toward low and middle-income development assistance and secondly, on the Agency's (AusAID) structure, capacity and process to direct the program in the most effective and efficient means.

##### **i) Recipients of Australian ODA**

In the 2013 pre-election dialogue, both the Labor Party and Coalition have affirmed their pledges to contribute 0.5% of GNI to ODA. The Labor Party has committed to achieving this target by 2017-18 and the Coalition, while previously agreeing to this deadline, have subsequently been reluctant to commit to a timetable.<sup>1</sup> The leader of the Coalition has indicated the deadline for the 0.5% target could be set following a review of the country's finances. But the track record in Australia of reaching 0.5% is indifferent. Since 2007, the goal of increasing spending to 0.5% of GNI has been delayed five times, twice in the target date and three times in trajectory.<sup>2</sup> Last year Australia reported spending \$5.4bn on ODA, making it the eighth-largest aid donor in the OECD group of high-income countries, but this represented just 1.4% of Australia's federal budget or 0.35% of GNI for 2011/12.<sup>3</sup>

In terms of disbursement of the budget allocation, for the second consecutive year, ODA budget allocation (\$375 million) is being diverted from Australia's aid budget for domestic asylum seeker costs. While the OECD rules allow for such domestic-focused programs to be acquitted as ODA, it signals the propensity of the Government to make use of ODA for domestic policy implementation. While Australia is by no means unique in utilizing this approach, with the Netherlands, Canada and Sweden already doing so, it is the size of the re-direction which is most concerning.<sup>4</sup> After Indonesia (\$555 million est.) and PNG (\$444 est.) for the 2012/13 year cycle, the allocation for domestic asylum seeker costs means Australia becomes the third-largest recipient of its own foreign aid.<sup>5</sup> These concerns relating to the use of ODA for domestic purposes are not political party specific, but cross the divide, with the Coalition announcing it would use a portion of ODA for tropical health and medical research in northern Australia.<sup>6</sup> A discussion paper titled *Vision 2020* estimated this figure could reach \$800 million, although the discussion paper is not a Coalition policy.<sup>7</sup>

##### **ii) Institutional Structure**

Almost all assessments of high-income countries effectiveness in delivering their development assistance programs have identified that success is not only contingent on the capability of recipient countries, but on the administration by donor countries. This is similar to the findings of the first independent review of the effectiveness of Australia's aid program, which identified and warned of the challenges associated with ramping up Australia's aid program. The authors of the report warned of the potential administrative stress

created without consideration of commensurate support of professional human resources and certainty of embedded systems and processes within AusAID. A similar type of administrative stress effecting the delivery of aid has recently been observed in Canada with an estimated 10% underspend of the Canadians \$3.14 billion.<sup>8</sup> AusAID manages between 85-90% of Australia's aid with the remainder provided by other government departments and agencies.<sup>9</sup> Any increase to the proportion of GNI allocated to ODA would have to coincide with similar support in resources within AusAID to ensure the increase can be delivered as effectively and efficiently as possible. The flow-on effect and impact on the ground from any significant delays in the delivery of aid for the world's most vulnerable people and to whom the aid is ultimately directed has never been tested, but could reasonably be measured in levels of morbidity.

## **2. Independent Commissioner for Aid Effectiveness**

The Fred Hollows Foundation supports the proposal within the Bill for the establishment of an independent and external Commissioner for Aid Effectiveness. While Australia in recent years has significantly advanced its practice in transparency and accountability through initiatives such as data publication in line with IATI, the establishment of an independent Commissioner adds significant inertia in addressing the aid effectiveness evaluation gap. This position could provide the stimulus to systematically build evidence about what works in Australia's development program and would make it possible to contrast and improve the effectiveness of domestic spending by translating knowledge and evidence into policymaking and program design.

Similarly, the Office of a Commissioner would significantly enhance Australia's international credibility and reputation, by demonstrating bipartisan commitment to real transparency in disseminating findings of development programs, whether favourable or not. Such leadership encourages other countries and organizations to adopt similar practices and approaches and this effect can already be observed from the effect of reports produced by the UK's Independent Commissioner for Aid Impact (ICAI).<sup>10</sup>

The implicit value of establishing an independent external Commissioner for Aid Effectiveness is to influence the structural and programmatic reform necessary to ensure AusAID are accountable for delivering strong evaluation, learning and implementation systems within the program. The Commissioner enables this reform by significantly increasing the visibility and oversight of our aid program and importantly, by ensuring the highest standards and quality of evidence are embedded into the cycle of program design and impact measurement. Yet the Office of the Commissioner can never realize the full potential of advancing the knowledge of aid effectiveness unless three interrelated issues are resolved. These include: providing the resources necessary to measure impact and effectiveness at a level of significance; addressing the program-process dilemma, where the effect of a program cannot be observed within nominal programming timeframes; and lastly, managing the risk of duplication of between the Office of the Commissioner and AusAID.

### **i) Resources for Measuring Effectiveness**

Measuring effectiveness at a level of significance that influences future program and policy design requires significant ongoing resources and a large financial commitment. The reality of funding a program to assess effectiveness extends beyond contracting agencies to implement particular methodological approaches to projects within a program. Rather, it includes strengthening overall monitoring and evaluation systems and providing dedicated resources for project and program level sophisticated impact evaluations. Such an approach needs processes for collaboration between project managers and evaluation experts, facilitating access to knowledge and importantly, building capacity in developing countries to conduct rigorous evaluations of programs implemented in their country.

Within the proposed Bill, it is unclear where the responsibility and coordination of this funds management lies. The size and approach for such a financial commitment would necessitate co-funding models to help share the cost and risk burden and also maximize the opportunity of building local knowledge about social program impacts. Working in collaboration with recipient country partners would be necessary to avoid the costly and confusing risk that each assessment agency creates its own standards of rigor in impact evaluation. The Office of the Commissioner would need to be sufficiently funded to create one quality standard and pursue a collective, voluntary commitment by a set of governments and public and private agencies to conduct their own studies or contribute funds to achieve this standardized approach to impact evaluation.

**ii) The Dilemma of time and effect and study design**

The time horizon for measurement is also a problem that would require addressing by the Commissioner. Governments and agencies regularly use measurement approaches on existing programs on time frames and budgets that simply prevent rigorous evidence from being systematically collected and interpreted. One example often cited relates to institution building programs which simply cannot prove they are sustainable until after the aid program has ended and funding has been cut-off. Similarly for other measures of effectiveness that relate to the net impact of a program or intervention, such as children's health status, or the income-generation differential achieved by local households, or the change in learning outcomes for children achieved through a program. These type of answers demand study approaches that are different from ordinary program monitoring or process evaluations and importantly fall outside normal budget and planning cycle.

There are other questions and challenges relating to the type of methodological approaches and implementation used to measure effectiveness. It remains a sad fact that after decades of disbursement of billions of dollars for development assistance programs, relatively little is known about the net impact of most of the programs. This particular concern is not new and has been pondered continuously within organizations of all development actors. In 2004, with funding from the Gates and Hewlett Foundations, the Centre for Global Development investigated the reasons why rigorous impact evaluations of social development programs were relatively rare. They discovered the evaluation gap emerged because governments, official donors, and other funders did not demand or produce enough impact evaluations and because those that were conducted were often methodologically flawed. Even a decade later, too few impact evaluations are being undertaken.<sup>11</sup> The problem exists across all development actors, including UN agencies, multilateral development banks, and developing country governments in the lack of investment into the type of studies needed to judge what interventions work under given conditions, what difference they make and at what cost.

One important consideration for the function of the Commissioner not obviously listed in the Bill, is the critical issue of translation and application of knowledge from effectiveness evaluations to policy and practice. Contemporary dogma in high-income donor countries around development effectiveness surrounds the methodologies required for more rigorous measurement of impact, rather than the broader context of how information on results can feed into systems for decision-making, strategic program direction and accountability.

**iii) Risk of Duplication**

The relationship between the Office of the Commissioner for Aid Effectiveness and AusAID is fundamental for the work of the Commissioner to be successful in advancing the impact of Australia's ODA. While not addressed within the Bill, the establishment of the Office of the Commissioner for Aid Effectiveness must be coupled with an agreement that clearly articulates functions and mandates of both instruments. Otherwise the chance of competition and duplication within existing agency practices and processes remains a significant risk. There must be a clear distinction within the working agreement between Office of the Commissioner and AusAID of the important compliance processes required to dispense and acquit aid program budgets and the technical programmatic component that ensures the best possible program delivery within the country context. This is matched to role of the Commissioner to implement new and sophisticated measurement approaches to assess and interpret the effectiveness of the aid program.

## References

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