Inquiry into the strategic effectiveness and outcomes of Australia's aid program in the Indo-Pacific and its role in supporting Australia's regional interests Submission 1

Inquiry into Australia's Aid Program.

Upon further reflection, I would like to make a submission regarding the 'Inquiry into Australia's Aid Program.'

As I see it, there are two components of the Australian Aid Program;

- 1. The Australian (government) aid budget is \$3.9B
- 2. The aid by NGO's/charities which ACFID puts at about \$2B (Australian Council for International Development)

As I stated previously, Global Development Group has little involvement with DFAT budget, except some DAP funding.

We want to comment on the \$2B+ sent by Australian Charities and organisations to countries overseas for the purpose to assist developing countries in a number of areas.

In Addition to this \$2B, there is a vast, but unmeasured amount of non-tax deductible funds being sent overseas with little regulation, oversight or control.

Various governments have tried to control this by the 'in Australia' test and similar legislation, but it has never been enacted, so it is certainly beyond my ability.

There is then \$2B of tax deductible monies sent each year. The Australian public and organisations expect a tax rebate of over 30% for their donation (up to 48%). This means that the Australian tax payer is paying over \$600M in foregone tax revenue, there really needs to be some accountability in place.

Accountability in the past

Tax deductibility for Overseas Aid and Relief was given under the OAGDS scheme (Overseas Aid Gift Deductible Scheme.)

When Global Development Group started in 2002 we had to;

- 1. Agree to the ACFID code of conduct (we then became a member).
- 2. Undergo strict scrutiny by AusAID. One of the conditions to which we strictly adhere to was: that the project be implemented by an in-country partner which we carefully vetted and were responsible for proper implementation.
- 3. We were approved by the Australian Foreign Minister (as represented by AusAID) and the Australian Treasurer (as represented by ATO).

In addition, there was another category of DGR – item 2 Ancillary Fund both private and public. They were required to send their funds to an OAGDS entity. As far as we know this mechanism still works well.

As part of our accountability we require:

- Complete conforming Project Descriptions
- Project budget
- A project manager responsible to Global Development Group
- Six monthly reporting, narrative and financial

Inquiry into the strategic effectiveness and outcomes of Australia's aid program in the Indo-Pacific and its role in supporting Australia's regional interests Submission 1

- Regular monitoring and evaluation
- We must maintain high standards of transmission of funds to Australian standards
- Every project must have a conforming Child Protection Policy
- Every project must implement the Child Protection Policy

Accountability in 2018 – there are several new concerns in 2018

Firstly, there was the Parliamentary Inquiry into a 'Modern Slavery Act.' The emphasis was on Residential Care and Volunteerism. Global Development Group has spent funds on ensuring that all projects are accountable and conforming, we have upgraded our reporting formats and lifted the standard on volunteers. We regard ourselves as 'benchmarking' for the sector.

Wrong use of funds has also been in the media 'i.e. \$50M given to Hamas'. That can't happen at a Global Development Group project – our systems wouldn't permit it.

The latest is emphasis is on 'prevention of sexual misconduct' including sexual harassment and abuse. This is under review in Australia but ACFID members have the Code of Conduct and several other mechanisms to prevent an event. At Global Development Group our systems would pick up any event, or potential event and action would be taken immediately.

In the UK we have two parliamentary inquiries, a campaign by an MP and strong media attention. The UK and USA have minimal accountability standards.

So the accountability in Australia should be very good! No, it is terrible and that is the reason for my submission.

Firstly, the newly formed ACNC allowed the approval of many item 1DGR PBI's and secondly allowed these PBI's to send funds overseas to development projects/activities with no accountability. There were two reasons for this;

- 1. A liberalisation of the charity approval process for PBI's
- 2. The Hunger Project Case where sending funds overseas was allowable without accountability

Two things were overlooked;

- a. The Hunger Project group was already OAGDS and simply wanted the approval for a different purpose.
- b. Accountability and frameworks in place to manage such accountability.

Global Development Group has multiple examples of adverse effects of this unaccountability. However, we also can say that a number of PBI's still send their funds to Global Development Group for us to manage their overseas joint projects as partners.

That is my first example of no accountability (ie from PBIs) at a time when there should be strong accountability.

The second event shocked me.

An ACFID report states that there are approximately 600 NGO's that identify themselves as 'Development NGO's' in ACNC reporting. Only 123 are ACFID members and only 88 of these have OAGDS.

Looking at size, 10 ACFID members and 287 others have annual income of less than \$100,000,

Inquiry into the strategic effectiveness and outcomes of Australia's aid program in the Indo-Pacific and its role in supporting Australia's regional interests Submission 1

77 of these are less than \$10,000/annum, 35 ACFID members and 140 others have annual income \$100K to \$1MK.

My conclusion is that the majority of so called 'Development NGOs' have no requirements for any accountability and could be seriously affect the reputation of our Aid Sector. It isn't a matter of money – it is more a matter of accountability and effectiveness.

Whose fault is it? Just as a general remark, ACNC collects data from 55,000 NFP's. To do more work on classification and accountability would require more resources.

I am informed they are also waiting on instructions from Treasury on rulings and accountability requirements. This in turn needs to come from Parliament.

ACFID has simply accepted that 600 entities are 'Development NGO's'. There needs to be an evaluation on accountability and where and how are funds distributed to developing country needs.

What to do. The answer is above my pay grade, but there should be good accountability for the Australian Aid program and this should include the \$2B that comes from the Australian public. ACFID suggested that smaller charities could send their funds to approved OAGDS so that their funds and projects are accountable. I am pleased to say that 145 Australian Charities send their funds to Global Development Group (including large and small PBIs) who funds and manages the projects. We contribute \$30M of the \$2B total.

I hope that this small submission opens another avenue of review for the inquiry.



Geoff Armstrong BSc, MBA, AFAMI, CMC, MAICD, MASQ

Executive director of Global Development Group