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Chair of Committee of Management
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The Chairperson

Senate Committee Inquiry into Overseas Aid (Millennium Development Goals) Bill
2013

Dear Chairperson,

Thank-you for the opportunity to comment on the Overseas Aid (Millennium Development Goals) Bill 2013. Below are some comments I hope you will find useful to the inquiry on behalf of AID/WATCH.

AID/WATCH is an independent membership-based watchdog on aid, trade and debt, working with communities in the Global South. We challenge practices which undermine the ability of communities to determine their own futures, and promote development alternatives based on social and environmental justice. We research and evaluate development policies and practices, and we campaign around these issues as part of the global justice movement.

Introduction

In this submission AID/WATCH confirms their support for the Overseas Aid (Millennium Development Goals) Bill 2013. AID/WATCH is fully supportive of the appointment of an Independent Commissioner to ensure that Australia is adhering to its MDG commitments; however we have further questions related to the details and resourcing of such a position.

AID/WATCH is also supportive of recognising that 'excluded official development assistance' i.e. money provided by the Australian Government for climate finance, asylum seeker assistance or military assistance, should not be counted as overseas development aid commitments. Whilst AID/WATCH would like to see the government keep to its commitment to ensure that 0.5% of GNI is spent on ODA by 2015/16, rising to 0.7% of GNI by 2020-21, we are more concerned with how effectively these funds are spent. AID/WATCH therefore requests that there be an increased focus on the effectiveness of aid to achieve the MDGs rather than one primarily concerned with the amount of aid committed.

Appointment of an Independent Commissioner

For over 20 years AID/WATCH has worked tirelessly in a monitoring role to ensure that poverty reduction – not narrow Australian economic and commercial interests – is at the heart of Australia's development assistance program. AID/WATCH therefore welcomes the appointment of an Independent Commissioner to assist in steering role of the aid program towards genuine poverty alleviation. In our submission to the Independent Review of Aid Effectiveness in 2011, we identified the need for independent monitoring and evaluation of Australia's aid program. We therefore welcome the appointment of an Independent Commissioner that reports to both houses of Parliament.

While we commend the bill, we would like to know more about how the Commissioner will be appointed, where the position will be located and what resources will be available. Specifically, we would like details on the following:

- Will the position have completely separate decision-making powers, staff and location from AusAID?
- What will the relationship be between the Commissioner and the Office of Development Effectiveness (ODE)?
- Will resourcing allow the Commissioner to publish reports on a website directly with no interference from government?
- The bill stipulates that the Commissioner submit an annual statement on the amounts of aid committed, however AID/WATCH would like to see an

increased focus on monitoring the quality of Australian aid, including monitoring from the recipients of development assistance.

We also have questions on whether the role will be responsible for considering the impact, effectiveness, value for money and sustainability of Australia's official development assistance across 'whole of government' as opposed to just AusAID. If this is the case the position will require considerable resources.

There is an inherent contradiction in the aid program serving the dual purposes of helping people overcome poverty and serving Australia's national interest. It is imperative for the Independent Commissioner to monitor this tension, although in order to maintain the integrity of the aid program, we strongly urge for the national interest to be removed as an objective completely.

There are many examples of AusAID projects benefitting Australia and having a negative impact on the poor. For example AID/WATCH recently released a report entitled '[Off the Rails: AusAID and the troubled Cambodian Railways Project.](#)' The report exposes the negative development impact of an AusAID funded railway in Cambodia. Since 2009, the Australian Government, through AusAID, and the Asian Development Bank (ADB) have been funding a project in Cambodia to rehabilitate and privatise the railway system. The project is pitched as an economic driver for Cambodia in which the poor will, in some unarticulated way, eventually share. In fact the project has benefited Australian companies and many communities have suffered as a result of inadequate relocation and resettlement programs. The AID/WATCH report exposing this misguided aid funded program highlights the need for independent oversight of such projects and a review of the way AusAID works with multilateral organisations. We hope that the appointment of an Independent Commissioner will ensure aid funding in the future will be used to help people overcome poverty as opposed to benefiting Australia's national interest.

Excluded Official Development Assistance

While some efforts have been made to make aid more transparent through the Independent Review of Aid Effectiveness, AID/WATCH has ongoing concerns about some of the activities aid is supporting in order to meet the national interest objective, such as the militarisation of aid, land reform in Vanuatu, the Mining for Development Initiative and the diversion of aid funds to onshore processing of asylum seekers. These examples are demonstrative of a pervasive practice of using aid to promote Australia's strategic and commercial interests, also known as boomerang aid, where aid money to foreign countries ends up funding Australian companies and consultants rather than those most in need. Boomerang aid programs should not be considered as official development assistance.

AID/WATCH also observes that the small amount of funding provided by Australia to address climate impacts is double-counted as climate aid to the United Nations Framework Convention on Climate Change (UNFCCC), and as ODA to the OECD. This practice violates the UNFCCC requirement that climate aid be additional to ODA. AID/WATCH is therefore supportive of the bill identifying excluded official development assistance, which should not be counted as contributing towards the commitment to reach 0.7% of GNI by 2020-21.

Militarisation of Aid

AID/WATCH recently prepared a submission on the Inquiry into Australia's overseas development programs in Afghanistan which was concerned with the militarisation of aid. This submission outlined concerns over the excessive role of Australian military and police forces in delivering Australian aid in Afghanistan and about the co-option of AusAID and Australian, international and local NGOs to Australian security and foreign policy objectives.

The Australian Defence Force directly delivers about half of Australia's aid to Afghanistan. In the four years to 2011, the ADF spent \$215 million of Australia's aid budget there, with only [\\$37 million being spent on actual development projects](#).

Pressure brought about by the inquiry forced Defence to admit that about 80% of its "aid" spending, including costs of military checkpoints and force protection, did not meet OECD guidelines on official development assistance.

In addition, a study by the Feinstein International Centre found that aid spent through the military on 'development projects', in order to win the hearts and minds of the local population, to actually have a destabilising effect. A coalition of eight aid NGOs working in Afghanistan [identified](#) a number of problems with the approach, including a bias towards projects intended to deliver "quick fixes" over long-term development outcomes. Defence conceded this criticism in their submission to the inquiry, stating: "Time imperatives to consistently deliver immediate and visible benefits to local communities, militate against the conduct of formal cost/benefit evaluations."

Defence justifies its approach according to the Australian Government's goal in Afghanistan, which is to "prevent Afghanistan from again being used by terrorists to plan and train for attacks on innocent civilians, including Australians". Likewise, in training the Afghan National Police, the AFP is delivering aid in support of the government's foreign policy goal of transitioning responsibility for security to the Afghan Government.

These activities do not constitute a proper use of aid. According to the Development Assistance Committee of the OECD, police training for counter-insurgency work and all anti-terrorism activities are not eligible forms of ODA, as they primarily deal with threats to the donor. In other words, all Australian Government activities in Afghanistan that are related to Operation Slipper - whether delivered by the ADF, AFP or AusAID - are not aid and should therefore be considered under the bill as 'excluded development assistance'.

Domestic Processing of Asylum Seekers

In December 2012 the government announced a diversion of \$375 million from the aid budget to pay for costs associated with onshore asylum seekers. The same amount has

been allocated for the same purpose in the budget for financial year 2013/14. This makes Australia the third largest recipient of its own aid.

AID/WATCH has criticised the move indicating that the government is using aid for its own political ends. While assistance to refugees within donor countries is reportable as official development assistance, this is only the case for the first 12 months following their arrival. Many asylum seekers wait several years for their claims to be processed and others face the prospect of indefinite detention. It is therefore likely aid will be used to fund prolonged detention — against OECD rules.

The OECD have welfare and economic development as the key drivers of the guidelines, yet the Australian system of processing asylum seekers is inherently punitive, fails to recognise the fundamental human right to seek asylum and contravenes international law by indefinitely detaining asylum seekers making it irreconcilable under the OECD guidelines.

The federal government has not yet revealed whether aid will also be used to pay for refugee processing and resettlement costs in the recent arrangement between Australia and PNG but it wouldn't be the first time if it does. The aid program to Nauru has historically been built upon the conditionality that it took asylum seekers under the Howard Government. Aid spent in this way does not fulfil its stated purpose which is 'to help people overcome poverty', it also skirts dangerously against OECD guidelines and should therefore be considered under this bill as 'excluded development assistance'.

Climate Change Funds

It is a UN requirement that climate aid be additional to development assistance. Overseas aid committed to Australia's REDD campaign not only violates this requirement but also supports an initiative that is not aimed at reducing deforestation, but at creating a source of cheap credits for increased emissions in Australia.

Since the inclusion of REDD in the United Nations Framework Convention on Climate Change, the dominant view in the negotiations for REDD has clearly been in favour of a market based offset scheme. Developed countries quickly came to see REDD as a cheap alternative to domestic emissions reductions in the face of binding UNFCCC targets. The Australia-Indonesia REDD proposal favours the complete marketisation of forest credits in order to help Australia offset its responsibility to reduce greenhouse gas emissions. In addition, unlike other REDD agreements the Australian agreement with Indonesia does not guarantee indigenous rights, and therefore breaches the UN Declaration on the Rights of Indigenous People, signed by Australia in April 2009. As a result many NGOs and indigenous people's organisations argue REDD offset schemes are ineffective in reducing overall emissions, undermine the livelihood of subsistence farmers and displace forest-dwelling indigenous peoples.

MDGs

As the bill states the MDGs should be the key drivers of the Australian aid program, not promoting Australia's national political and commercial interests. The MDGs are important insofar as they move away from a development paradigm concerned primarily with economic growth to a broader human development focus. Noticeably and detrimentally absent from the MDG framework is an analysis of the systems and policies that generate poverty and inequality, and attempts to renounce these. This gap leads to an inability to create alternative pathways to alleviate poverty where past methods have proven unsuccessful or even harmful. Australia has signed up to the MDGs which set out 8 objectives to be achieved by 2015. It is universally recognised that further work is required to achieve these goals and therefore a higher level panel has been appointed to identify what the MDGs of the future will look like. This is significant to this bill as it states that it is concerned with a timetable for meeting UN targets 2015-16 to 2020-21.

The recent report released by the high level panel outlines a new development agenda but also remains committed to working towards achieving the existing MDGs. These goals are ambitious and may once again, not include a clear pathway on how to

achieve these, nor contain indicators of poverty that go beyond an economic paradigm which can limit the effectiveness of monitoring real success. It will be the responsibility of Australia to ensure that the pathway to achieving the MDGs is one which places the needs and interests of the poor and disadvantaged as central.

AID/WATCH is supportive of the way the report highlights the environmental aspects of sustainable development and the incorporation of climate change as a cross cutting issue and we would encourage this approach to be mirrored by the Australian aid program. This is a key concern of our work; over the years AID/WATCH has exposed the negative environmental impact of so called 'development initiatives' across a number of countries in our region. For example, one of our current campaigns focuses on AusAID's Mining for Development Initiative which is based on the idea that mining can reduce poverty by increasing economic growth as long as the mining sector is well-managed and the government enforces strong regulation to ensure that the benefits of mining are shared and environmental impacts are minimised. Whether these potential benefits can be delivered is questionable.

Mining projects have long been associated with what is referred to as the "resource curse". This refers to the dispossession of indigenous peoples and other communities from their land, irreversible environmental destruction, increasing economic and social inequality, government corruption, corporate rent-seeking and violent conflicts. There is little evidence to demonstrate where mining has had a positive effect on lifting people out of poverty. Minimal effort has been made to articulate how large-scale mining, as promoted through this initiative, is 'sustainable' either for economies or the environment, which is problematic in the context of large protests in developing countries against large-scale mining projects.

The higher level panel report is the beginning of the next phase of debate, negotiation and agreement on a new development agenda. We hope that the Australian Government will support the environmental considerations outlined in this report in order to ensure that future aid supports development that is environmentally sound.

Conclusion

AID/WATCH, as a significant stakeholder in the international development accountability field, supports the Overseas Aid (Millennium Development Goals) Bill 2013 within the caveats mentioned above. We urge the Inquiry to work to create an aid program that focuses on reducing poverty and is driven by those whose needs are being addressed. The interests and rights of the poor and marginalised must be at the centre of the aid program, not Australia's national or commercial interests.

Thank you for the opportunity to make this submission

Yours sincerely,

Matt Hilton

Chair

AID/WATCH Committee of Management