

Submission to the Senate Foreign Affairs, Defence and Trade Legislation Committee

August 2013

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This submission has been prepared by The Centre for Independent Studies (CIS) for the Senate Foreign Affairs, Defence and Trade Legislation Committee inquiry into the *Overseas Aid (Millennium Development Goals) Bill 2013*. The arguments outlined in this submission will be explored further in a forthcoming CIS publication proposing reforms to Australia's Official Development Assistance (ODA).

Recommendations:

1. The office of an Independent Commissioner on Aid Effectiveness not be established.
2. Aid effectiveness be assessed by existing government departments and agencies.
3. Australia's ODA target not be increased to 0.7% of Gross National Income (GNI) by 2020–21.
4. Australia's volume of ODA not exceed the resources required by effective development projects.
5. The strategic goals of the Australian Agency for International Development (AusAID) be amended to include the policy reforms necessary to enable economic growth and ensure political stability in ODA recipient countries.

Recommendations 1 and 2

- **The office of an Independent Commissioner on Aid Effectiveness not be established.**
- **Aid effectiveness be assessed by existing government departments and agencies.**

Section 8, Part 3 of the *Overseas Aid (Millennium Development Goals) Bill 2013* calls for the establishment of an Independent Commissioner on Aid Effectiveness.¹ The Commissioner's role would be to determine whether Australia is meeting its United Nations (UN) Millennium Development Goals (MDGs) targets, to assess the effectiveness and efficiency of Australia's ODA, and to report relevant matters to the Minister for Foreign Affairs and Parliament.²

The goals of ensuring independent oversight of Australia's ODA and administering development projects effectively and efficiently are laudable. However, an Independent Commissioner on Aid Effectiveness would duplicate existing accountability and oversight mechanisms, and therefore would not improve the quality and value for money of Australia's ODA.

AusAID—the primary ODA delivery agency—is already required under Australia's Comprehensive Aid Policy Framework to conduct an Annual Review of Aid Effectiveness.³ The Review reports to the Cabinet on the performance of Australia's ODA spending across all government departments and agencies against five strategic goals (see Appendix) and

¹ [Overseas Aid \(Millennium Development Goals\) Bill 2013](#), 6.

² As above.

³ AusAID, [Helping the World's Poor Through Effective Aid: Australia's Comprehensive Aid Policy Framework to 2015–16](#) (Canberra: Commonwealth of Australia, May 2012), 29.

recommends any necessary changes to the rolling four-year budget strategy.⁴ Importantly, the Review also assesses Australia's contribution to the global effort to meet the UN MDGs.⁵ The first Review (2011–12) was successfully delivered and made publicly available in January 2013.⁶

As well as overlooking the Annual Review of Aid Effectiveness, the proposal to establish an Independent Commissioner on Aid Effectiveness ignores existing independent ODA assessment expertise. AusAID's Independent Evaluation Committee was created in May 2012 and is charged with improving the quality and independence of development project evaluations.⁷ This Committee provides oversight and complements the assessment expertise of the Office of Development Effectiveness, an independent unit in AusAID created in 2006 to conduct in-depth evaluations of Australian ODA.⁸ Independent ODA assessment expertise also exists in other government departments and agencies, including the Australian National Audit Office (ANAO).⁹ In May 2013, for example, the ANAO delivered a comprehensive and independent audit of AusAID's infrastructure programs in Indonesia.¹⁰

Recommendations 3 and 4

- **Australia's ODA target not be increased to 0.7% of GNI by 2020–21.**
- **Australia's volume of ODA not exceed the resources required by effective development projects.**

The aspiration to increase Australia's ODA to 0.7% of GNI by 2020–21 to reach the UN MDGs is well-intentioned (Section 5, Part 2).¹¹ However, determining the scale of Australia's ODA based on a rigid target risks producing waste and inefficiency. Instead, the size of Australia's ODA should be limited by the availability of development projects with a reasonable chance of successfully helping people overcome poverty and efficiently using Australian resources.

Of Australia's ODA budget of \$5.7 billion for 2013–14, vast sums are funnelled to countries where dire security problems, unresponsive governments, and/or dysfunctional institutions undermine the benefits of development projects.¹² For example, Australia will provide \$180 million worth of ODA to Afghanistan in 2013–14 despite the country's ongoing

4 As above.

5 AusAID, *2011–12 Annual Review of Aid Effectiveness*, 12–15.

6 'Aid effectiveness review 2011–12,' www.foreignminister.gov.au/releases/2013/bc_mr_130130b.html.

7 AusAID, *2011–12 Annual Review of Aid Effectiveness*, 8, 12–34.

8 'About ODE,' www.ode.ausaid.gov.au/about/.

9 AusAID, *2011–12 Annual Review of Aid Effectiveness*, 30.

10 'ANAO audit of AusAID's infrastructure programs in Indonesia tabled today,' www.ausaid.gov.au/HotTopics/Pages/Display.aspx?QID=1142.

11 *Overseas Aid (Millennium Development Goals) Bill 2013*, 4.

12 '2013–14 International Development Assistance Budget,' http://foreignminister.gov.au/releases/2013/bc_mr_130514b.html.

civil war and the real prospect of the Afghan government's collapse and a return to Taliban rule after international forces withdraw at the end of 2014.¹³

ODA should not be withheld simply because there is no guarantee that development projects will be successful. Such a benchmark would be overly demanding and would curtail essentially all Australia's ODA spending. Nevertheless, increases in ODA should be limited by the availability of viable and cost-effective development projects. If a development project's benefits will be largely undone by a conflict, poor governance, and/or weak institutions, then the ODA will neither effectively help people overcome poverty nor efficiently use Australian resources.¹⁴

ODA in countries suffering from systemic security, governance and/or institutional problems should be carefully scrutinised and subject to thorough cost-benefit analyses. ODA delivery departments and agencies should ensure that only development projects that have a reasonable chance of effectively helping people overcome poverty and efficiently using Australian resources receive funding. In some cases, this may require suspending ODA until security can be guaranteed and/or the quality of governance and institutions improves.

Recommendation 5

- **AusAID's strategic goals be amended to include the policy reforms necessary to enable economic growth and ensure political stability in ODA recipient countries.**

In response to the *Independent Review of Aid Effectiveness* in 2011, AusAID acknowledged that ODA is much less important for economic development than a country's own policies and actions.¹⁵ This suggests that Australia's ODA would more effectively combat poverty if it was also used to assist recipient countries improve the quality of public policy. For example, reforming systems of collective land ownership in many Pacific countries is essential for spurring economic growth and ending poverty.¹⁶

To increase the effectiveness of Australia's ODA, AusAID's five strategic goals should be amended to include an additional sixth goal: Facilitate the policy reforms necessary to enable economic growth and ensure political stability in ODA recipient countries.

Although AusAID's fourth strategic goal of improving the quality of governance is a crucial plank of Australia's ODA, development will often require reforming governance instead of simply ameliorating existing governance.¹⁷ Australia's ODA should therefore offer the necessary expertise to help redesign ineffective policies in recipient countries. Including policy reforms as a strategic goal of ODA would not only improve the effectiveness and

13 'Afghanistan,' www.aisaid.gov.au/countries/southasia/afghanistan/Pages/home.aspx; Jayshree Bajoria and Zachary Laub, 'The Taliban in Afghanistan,' *Council on Foreign Relations* (6 August 2013).

14 AusAID, *An Effective Aid Program for Australia: Making a Real Difference—Delivering Real Results* (Canberra: Commonwealth of Australia, 2012), 4.

15 As above, 13–14.

16 Helen Hughes, *The Pacific is Viable!* Issue Analysis 53 (Sydney: The Centre for Independent Studies, 2004).

17 AusAID, *Helping the World's Poor Through Effective Aid*, as above, 7.

efficiency of Australia's development efforts, but would also give recipient countries the best chance of achieving sustainable economic development and ending their dependence on international aid donors.

Appendix: Australian ODA's five strategic goals¹⁸

1. Saving lives
 - improving public health by increasing access to safe water and sanitation;
 - saving the lives of poor women and children through greater access to quality maternal and child health services; and
 - supporting large-scale disease prevention, vaccination and treatment.
2. Promoting opportunities for all
 - giving more children access to school;
 - empowering women to participate in the economy, leadership and education; and
 - enhancing the lives of people with disabilities.
3. Sustainable economic development
 - ameliorating food security;
 - improving incomes, employment and enterprise opportunities; and
 - reducing the negative impacts of climate change and other environmental factors.
4. Effective governance
 - improving governance to deliver better services, increase security, and enhance justice and human rights.
5. Humanitarian and disaster response
 - providing more effective preparedness for and responses to disasters and crises.

¹⁸ As above.

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