

### **Alfred Deakin Institute for Citizenship and Globalisation (ADI)**

Deakin University

Submission to the:

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

**22 May 2018**

### **Background**

This submission is made on behalf of the Alfred Deakin Institute (ADI) and in response to the Minister for Foreign Affairs, the Hon Julie Bishop MP, who initiated this 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.

By way of introduction, ADI is one of Australia's largest and most productive research institutes in social sciences and humanities and one of the more prominent such units internationally. It is a large multi-disciplinary institute focused on research excellence and real world impact with more than 110 members, including 55 full-time researchers and nearly 100 PhD candidates. It has attracted world-class research leaders in diverse disciplines working and developing new interdisciplinary research programs and generating 'big ideas' aimed at addressing real-world problems. Currently, ADI hosts 15 prestigious Australian Research Council (ARC) grants and more than 50 substantive funded collaborative projects in partnerships with federal and state government agencies, industry and community organisations. ADI organises its research programs around four multidisciplinary research clusters, namely: (a) Heritage and Indigeneity; (b) Mobilities, Diversity and Multiculturalism; (c) Culture, Environment and Science; and (d) Governance, Development and Peace. The last cluster in particular is specifically devoted to issues pertaining to this inquiry's terms of reference.

In 2016, Australia's foreign aid dropped to the level that had been allocated for aid a decade earlier, despite the growing demand for aid, and the real change that foreign aid has made in the lives of millions around the world. Recent events have shown that foreign aid is a tool for states to exert their socioeconomic and political power across the globe and to have a stronger input and influence in international affairs. Poverty, insecurity, illiteracy, disease, along with a growing number of refugees and internally displaced people are some of the global concerns that have pushed many

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states to proactively share the responsibility to help those in need. Despite its growing gross national income, Australia paradoxically has reduced its foreign aid budget once again. This decision has been criticized by scholars, aid practitioners and politicians alike. As Denmark's former prime minister recently stated: "Australia is not taking its place in the world with aid cuts."<sup>1</sup>

It is within this national context and against recent international developments that this ADI submission is made. This submission, while acknowledging Australia's regional imperatives, nevertheless views foreign aid in a much broader international relations agenda and emphasises its strategic role in ensuring security, good governance and development in many regions that are crying out for collaborative partnerships and targeted support. This submission argues for three interconnected aims, namely:

1. **increasing** the overall foreign aid allocation in proportion to GDP, thus bringing it more in line with other developed countries;
2. **expanding strategically the geographic reach** of Australia's foreign aid programs; and
3. ensuring that there are **proper and effective mechanisms for implementing** allocated funds in innovative and sustainable ways.

### **1. The need to increase the overall aid budget allocation**

In the 2017 World Giving Index (WGI) Australia was ranked 6th in the world in terms of its people's generosity. Yet this generosity is not reflected in the Government's foreign aid allocation in relation to the country's gross national income (GNI). Australia's Minister for International Development and the Pacific, Concetta Fierravanti-Wells, claimed that 80 per cent of Australians welcomed the new foreign aid budget cuts, but some aid experts have called this "unfortunate and inaccurate."<sup>2</sup> In the region, more actors are filling the gap, providing substantial foreign aid. Internationally, Australia has fallen lower in the OECD list of donor countries, with some suggesting that "Australia is not taking its place in the world" with these aid cuts.<sup>3</sup>

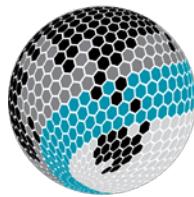
Indeed, in 2017 and under the current Foreign Minister Julie Bishop's cuts to the budget, "Australia's total contribution fell to just over \$3 billion in 2016, or 0.25 per cent of GNI. This was below the average of 0.32 per cent of GNI recorded by the 29 OECD countries last year."<sup>4</sup> This freeze on foreign aid funding continued in the 2018 Federal Budget, at about \$4 billion, where it will extend

<sup>1</sup> <https://www.smh.com.au/politics/federal/australian-foreign-aid-cuts-under-fire-australia-is-not-taking-its-place-in-the-world-danish-former-pm-says-20170404-gvcx53.html>

<sup>2</sup> <https://www.theguardian.com/australia-news/2018/apr/17/australian-minister-claims-foreign-aid-spending-too-unpopular-to-increase>

<sup>3</sup> <https://www.smh.com.au/politics/federal/australian-foreign-aid-cuts-under-fire-australia-is-not-taking-its-place-in-the-world-danish-former-pm-says-20170404-gvcx53.html>

<sup>4</sup> <https://www.smh.com.au/politics/federal/australian-foreign-aid-cuts-criticised-as-nation-slips-in-oecd-rankings-20170413-gvk05j.html>



until 2022–2023.<sup>5</sup> This is one of the most significant cuts in aid among OECD countries. Ironically, Australia is a member of the OECD's Development Assistance Committee (DAC) which currently has 30 members. Australia was the 14th most generous DAC member in 2015, contributing 0.29% of GNI as aid, and in 2017, its ranking dropped to 19th, with 0.23% of GNI as aid.<sup>6</sup>

Since 1971 Australia has been part of this elite club of the OECD, which introduced and defined 'official development assistance' (ODA) as "government aid designed to promote the economic development and welfare of developing countries. Loans and credits for military purposes are excluded. Aid may be provided bilaterally, from donor to recipient, or channelled through a multilateral development agency such as the United Nations or the World Bank."<sup>7</sup> A long-standing United Nations target is that developed countries should allocate 0.7% of their GNIs to ODA. Spending 0.7% of GNI on aid was endorsed in 1968 by the OECD and all members signed up to meet the target. Only a handful of countries have ever actually met this target – Sweden, Norway, Denmark, the Netherlands, Luxembourg, United Arab Emirates (non-DAC member), and the UK – the only major economies to hit the target. According to the OECD, in 2016 aid actually fell in seven countries adding, the most significant cuts were recorded for Australia, Finland, the Netherlands and Sweden.<sup>8</sup>

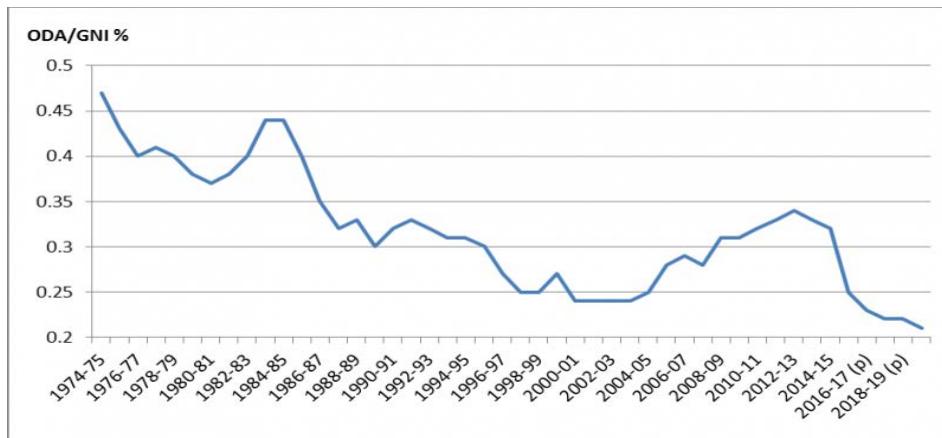


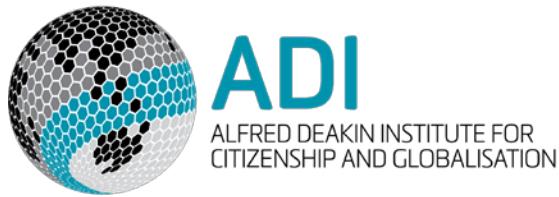
Figure 1. Australia's ODA as percentage of GNI

<sup>5</sup> <https://www.theaustralian.com.au/federal-budget/budget-2018-foreign-aid-freeze-extended-for-a-year/news-story/75e26e4a4649b6400f3c62b3f387e591?login=1>

<sup>6</sup> <http://devpolicy.org/aidtracker/comparisons/>

<sup>7</sup> <https://data.oecd.org/oda/net-oda.htm>

<sup>8</sup> <https://www.smh.com.au/politics/federal/australian-foreign-aid-cuts-criticised-as-nation-slips-in-oecd-rankings-20170413-gvk05j.html>



As Figure 1, above, shows, Australia's negative trending in aid allocation leaves us currently well below the average of 0.32 per cent of GNI recorded by the 29 OECD countries last year. The government has persistently argued that budget deficit is the main reason for cutting aid allocations. Indeed, Foreign Affairs Minister Julie Bishop stated in 2014 at an Australasian Aid conference that, "we inherited a deteriorating budget from the previous government... I had little choice but to reduce this year's aid budget and I did so by reducing it by about \$100 million over last year".<sup>9</sup>

The significance of any decrease in allocated foreign aid programs is best captured by the findings of an Oxfam Australia study that focussed on the 2014/15 period.<sup>10</sup> It reported that Australia's aid program during that financial year:

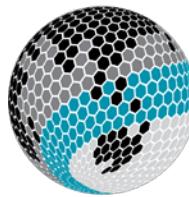
- Provided access to agriculture technologies for more than 417,000 poor women and men;
- Helped to build more than 9,000 additional classrooms, train over 100,000 teachers and enabled over 1.3 million more children to access schooling across Asia and the Pacific;
- Supported the international humanitarian response to the Syria crisis, which reached over 10 million people in Syria and 836,000 people in the region with safe drinking water;
- Provided immediate and life-saving support to over three million people affected by Typhoon Haiyan in the Philippines;
- Ensured that nearly 900,000 additional births were attended by a skilled birth attendant;
- Vaccinated over 2.3 million children;
- Increased access to safe water for over 2.9 million people;
- Increased access to hygiene for over 2 million people and basic sanitation for over 1million people; and
- Helped over 66,000 women survivors of violence access critical services such as emergency shelters, counselling and legal advice in Bangladesh, Sri Lanka, Cambodia, Timor-Leste, Papua New Guinea, Fiji, Solomon Islands, Vanuatu and Sub-Saharan Africa.

These findings and other similar evidence, including from research conducted with the Alfred Deakin Institute, shows that rather than cutting aid programs, Australia should at least keep pace with OECD average allocations if not gradually improve on that. Unfortunately, the 2017 Foreign Policy White Paper does not provide any justifications as to why foreign aid has been targeted for cuts.<sup>11</sup> The White Paper does not even mention Australia's commitment as an OECD member to allocate 0.7% of its GNI as foreign aid, a percentage that requires almost doubling the current levels of funding.

<sup>9</sup>[https://foreignminister.gov.au/speeches/Pages/2014/jb\\_sp\\_140213.aspx?w=tb1CaGpkPX%2FlSOk%2Bg9ZKEg%3D%3D](https://foreignminister.gov.au/speeches/Pages/2014/jb_sp_140213.aspx?w=tb1CaGpkPX%2FlSOk%2Bg9ZKEg%3D%3D)

<sup>10</sup><https://www.oxfam.org.au/wp-content/uploads/2015/09/Oxfam-Foreign-Aid-GeoDate-Vol-28-No-3-July-2015.pdf>

<sup>11</sup><https://www.fpwhitepaper.gov.au/foreign-policy-white-paper>



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## 2. Australia needs to be more proactively engaged in other regions where significant geopolitical interests are at stake, not just the immediate Asia-Pacific region

Growing incidents of conflict and displacements of civilians across the world including, most recently, in the Middle East and North Africa (MENA) region and South Asia, and increasing frequency of natural disasters caused by global warming call for stronger involvement of big economies such as Australia, with a more serious commitment to international aid and development efforts.

At the 2015 Climate Change Conference in Paris, Prime Minister Malcolm Turnbull pledged only \$1 billion over the next five years to climate change adaptation and mitigation, which is one of the lowest levels of commitment to mitigation efforts.<sup>12</sup> This lack of serious engagement with the emerging climatic challenges and how these affect particularly developing nations is yet another indication of an instrumentalist approach to global challenges. Along similar lines and in relation to ongoing regional conflicts, in particular the quagmire that is Syria, Australia's current priorities do not include Syria even in its top 10 countries that receive aid.<sup>13</sup> Yet, the Syrian conflict has produced millions of refugees and displaced people and the country's infrastructure has been severely damaged to the point where basic education and medical services have lost any capacity to service the population, in particular the young.

The Syrian case shows that Australia's decision to focus its aid budget almost exclusively in and around the Pacific region has meant that not enough attention is paid to serious conflicts in the Middle East nor the difficult situations in many African countries that still require larger and more extensive support if they are to achieve improved levels of good governance and development.

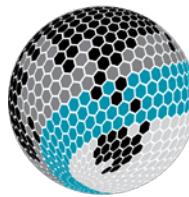
But the argument for expanding strategically the geographic reach of Australia's aid program can also be made on **pure economic grounds**. Indeed, some recent research findings show that aid can increase exports in the long-run where every "one dollar of Australian aid increases Australian exports to the recipient by \$7.10."<sup>14</sup>

Australia needs **to keep pace with traditional OECD-type donor countries** whose level of funding should at least be matched. But even more critically, Australia needs to pay close attention to **emerging new players**, in particular China who is a growing actor when it comes to foreign aid, especially in the Pacific region. Additionally, Qatar, India and the United Arab Emirates foreign aid have also shown upward trajectory as have other non-OECD donor states. Until a decade ago Australia's aid was the strongest force in the region, however current lesser engagement in the

<sup>12</sup> <https://www.lowyinstitute.org/issues/australian-foreign-aid>

<sup>13</sup> <http://www.oecd.org/dac/financing-sustainable-development/development-finance-data/aid-at-a-glance.htm>

<sup>14</sup> Otor, S.A. and Dornan, M. (2017). "How does foreign aid impact Australian exports in the long-run?" *Development Policy Centre Discussion*. pp. 1-38.



region means leaving more room for other actors, mainly China, which could have serious economic impact on Australia and its offshore markets in the long term.<sup>15</sup>

And whilst the 2017 Foreign Policy White Paper highlights the importance of foreign aid for Australia's security and economic benefits, it also emphasizes the positive outcomes that aid has on the lives of many around the world.<sup>16</sup> The paper highlights the importance of "aid for trade", which could, at least partially, explain why Asia-Pacific is such a priority for Australia. Indeed, according to the White Paper, 90% of Australia's foreign aid budget of \$3.9 billion a year is focused on the Asia-Pacific region in support of countries' efforts "to become more stable, prosperous and resilient" (page 18). The document on page 25 acknowledges the rise of China and the impact that China's aid can have on Australia's partners in the Indo-Pacific region. It also recognizes regional collaboration with other partners such as Indonesia, PNG and others to ensure Australia's interests in the region.

And whilst these are all credible policy goals, as Australia must shoulder a leadership burden in the region commensurate with its economic and political weight, it nevertheless should not become blind to significant geopolitical imperatives taking place further afield. This can be done in relatively cost efficient ways that do not necessarily involve establishment of full, stand-alone country programmes in MENA or other countries outside of the Asia-Pacific. Delegated co-operation, the establishment of a regional programme or programmes and increased funding to multilateral organisations active in these further afield countries are cost efficient and effective options.

### **3. The need to ensure proper and effective mechanisms for implementing allocated funds**

In 2005, the OECD member nations adopted the Paris Declaration of Aid Effectiveness, which provided a guideline to all donor states in partnership with recipient states to have a stronger and more efficient mechanism for aid delivery. This commitment was further advanced in 2008 by the Accra Agenda for Action and in 2011 by the Busan Partnership of Effective Development Co-operation, which reiterated the Paris Declaration principles of ownership, alignment, harmonization, working for results and mutual accountability and gave a stronger push for a more sustainable model of capacity building and development. These three documents along with the Sustainable Development Goals have become the guiding principles for Australia's foreign aid policy.

This submission argues that in order to achieve overall improved effectiveness in the implementation of allocated funds, and in addition to the guiding principles outlined above, a more

<sup>15</sup> <https://www.lowyinstitute.org/issues/australian-foreign-aid>

<sup>16</sup> <https://www.fpwhitepaper.gov.au/foreign-policy-white-paper>



**transparent and flexible** approach to allocation, implementation, accountability and evaluation must be adopted. Such an approach must be guided by three key principles:

- methodological innovation;
- socio-economic sustainability; and
- cross-culturally sensitive collaborative partnerships.

**Conclusion:**

Building on the above arguments, this submission urges the Federal Government to increase its percentage of GNI allocation to foreign aid in order to bring Australia in line with the OECD average. Whilst recognising the necessity of a regional focus, this submission argues that a more strategic approach needs to be adopted, one that extends the geographic reach of Australia's influence, especially when there are clear mid- to long-term interests such as a more proactive engagement in the MENA region and Africa more broadly. A good case in point here is the situation in Tunisia, the only 'success story' of the Arab Spring which can be used as a template for promoting democracy and good governance as well as fighting violent extremism across the region. But, unfortunately, Tunisia as with the rest of the MENA region, does not feature on the priority list of the Australian government when it comes to international affairs and in particular foreign aid.

Finally, and in addition to budget allocation and geographic expansion, the mode of delivering foreign aid must ensure stronger partnerships with local entities, more efficient implementation strategies, clearer sustainability plans and overall more transparent governance and accountability mechanisms.

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