Changes to Australia’s overseas aid program under the Abbott and Turnbull governments 2013–2016: key policies and responses

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Executive summary

• Since the election of the Coalition Government in September 2013, funding reductions as well as administrative and policy changes have been made to Australia’s overseas aid program. This paper outlines the key changes under the Abbott and Turnbull governments from September 2013 to June 2016.

• Successive and very large funding cuts and the decision by both major parties to eschew a timetable for the goal of Official Development Assistance (ODA) expenditure reaching 0.5 per cent of Gross National Income (GNI) have been explained as a response to worsening fiscal circumstances. This marks a pronounced shift away from the trend of previous years, which saw bipartisan support for significant increases to ODA.

• The merger of the former Australian Agency for International Development (AusAID) with the Department of Foreign Affairs and Trade (DFAT) aligns aid more closely with Australia’s foreign and trade policy objectives, while potentially diminishing the relative weight accorded to poverty reduction and sustainable development in considerations of Australia’s ‘national interests’.

• Both the Abbott and Turnbull governments emphasised the aid program’s strengthened focus on the Indo-Pacific region. Nevertheless, as part of the wider funding cuts, aid to most countries in East Asia and South and West Asia has been reduced since 2013. Australian aid to Africa and the Middle East has been significantly reduced and aid to the Caribbean and Latin America is being phased out completely. While aid to Papua New Guinea has increased, aid to the other Pacific Island countries has been subject to smaller funding reductions. Many global programs have also had their funding reduced.

• A new monitoring and evaluation framework attempts to link funding more closely to performance. This has been accompanied by an increased emphasis on aid-for-trade and gender equality as sectoral priorities.

• Climate change has been an area of significant readjustment, with references to global warming all but disappearing from key aid policy documents during the Abbott Government. Climate change re-emerged as an important area of assistance, with the Turnbull Government funding commitments at the 2015 Paris climate change summit.

• The 44th Parliament demonstrated a continued interest in aid and international development issues. Several parliamentary inquiries examined various aspects of the aid program and alternative policies were announced by the Labor Opposition and other non-government parties ahead of the 2016 federal election.
## Contents

### Executive summary

### Introduction

### Background: aid program funding and expenditure 2005–2013

### Funding cuts to the aid program 2013–14 to 2016–17

- The Coalition’s 2013 election platform
- 2014–15 Budget
  - Funding cuts
  - Geographic priorities
  - Other changes
- 2015–16 and 2016–17 Budgets
  - 2015–16 Budget
  - 2016–17 Budget
- 2016 federal election campaign

### Changes to aid management and policy directions

- Integration of AusAID and DFAT
- Aid and the ‘national interest’
- Aid-for-trade and private sector development
- The new performance framework: changes to monitoring and evaluation
- The Indo-Pacific and increased consolidation
- Addressing gender inequality
- Climate change

### The 44th Parliament and Australia’s overseas aid program

- Parliamentary Committee inquiries
  - ‘Australia’s overseas aid and development assistance program’, SFADT References Committee, 2014
  - ‘The role of the private sector in promoting economic growth and reducing poverty in the Indo-Pacific’, JSFADT, 2015
- Alternative policies
  - Labor Opposition
  - Other parties

### Conclusion
Introduction

The Coalition Abbott Government made important changes to Australia’s Official Development Assistance (ODA) programs following its election in September 2013.

Large reductions in funding, foreshadowed in the Coalition’s September 2013 pre-election costings, commenced in January 2014. A further series of funding cuts were announced in the December 2014 Mid-Year Economic and Fiscal Outlook (MYEFO) and implemented in the 2015–16 Budget. While non-government organisations (NGOs) and some independent experts strongly criticised the severity of these cuts, they continued to be implemented as part of the Turnbull Government’s 2016–17 Budget ahead of the dissolution of the 44th Parliament.

Alongside the reductions in funding, the Coalition Government has changed the way Australia’s aid program is administered, and has adjusted sectoral priorities. These changes include:

• the merger of the former Australian Agency for International Development (AusAID) with the Department of Foreign Affairs and Trade (DFAT)
• a more explicit focus on using aid to pursue foreign and trade policy goals
• an increased focus on aid-for-trade
• changes to monitoring and evaluation
• a higher proportion of aid funding directed to the Indo-Pacific region and
• a commitment to strengthen the focus on addressing gender inequality and, after some adjustment, the causes and impacts of climate change through aid.

Some of these changes, such as the merger of AusAID and DFAT and the increased emphasis on the national interest and aid-for-trade, have been criticised by some NGOs and other experts. Others, such as an increased focus on addressing gender inequality and adjustments to funding for climate change, have been welcomed. But they have also raised new questions about how these issues will be incorporated effectively into existing programs, how outcomes will be measured and how new activities will be funded.

The government heralded its changes as part of a ‘new aid paradigm’.¹ Some commentators supported this view, welcoming the changes as ‘arguably, the most significant structural reform in our aid history’.² Others, however, have suggested that the changes pursued by the Coalition Government since 2013 represent little more than a ‘rebranding’ or a process of ‘incremental change’, rather than a fundamental shift in approach.³

The 44th Parliament continued to take a strong interest in aid and development issues during its term. The Senate Foreign Affairs, Defence and Trade (SFADT) References Committee conducted inquiries into ‘Australia’s overseas aid and development assistance program’ (2014) and ‘the delivery and effectiveness of Australia’s bilateral aid program in Papua New Guinea’ (2016). The Joint Standing Committee on Foreign Affairs, Defence and Trade (JSCFADT) conducted inquiries into ‘the role of the private sector in promoting economic growth and reducing poverty in the Indo-Pacific region’ (2015) and ‘the human rights issues confronting women and girls in the Indian Ocean–Asia Pacific region’ (2015).

This paper outlines the key changes to the aid program during the Abbott and Turnbull Coalition governments during the period from September 2013 to May 2016, and examines the responses from NGOs and other experts. It also briefly discusses the findings and recommendations from parliamentary committee inquiries conducted during the 44th Parliament, as well as alternative policies put forward by the Labor Opposition and non-government parties over this period.

Changes to Australia’s overseas aid program under the Abbott and Turnbull governments 2013–2016: key policies and responses

Background: aid program funding and expenditure 2005–2013

During the period 2005 to 2013 Australia’s ODA expenditure steadily increased, both as a share of Gross National Income (GNI) and in absolute dollar terms. While Australia’s agreement to the Millennium Development Goals (MDGs) in 2001 is sometimes viewed as the point at which Australia committed to increase ODA as a percentage of GNI, Tim Costello, the then CEO of World Vision Australia, explained that this was not the case:

Australia agreed, along with all other UN [United Nations] members, to adopt the MDGs in 2001. Goal 8 sets 0.7% of GNI as the benchmark level of development assistance that developed countries should commit to. However, the Howard Government insisted that both the 0.7% target and the use of the MDGs as a measure of aid effectiveness were only aspirational. Hence it was not until 2007 that Australia agreed to use the MDGs as a benchmark in measuring the effectiveness of its own aid program. 4

Prior to this, Prime Minister John Howard had pledged at a 2005 UN conference that his government would double the size of Australia’s aid program by 2010, from $2 billion to $4 billion annually. 5 This commitment was preceded by Australia’s historic $1 billion aid package to assist Indonesia’s reconstruction and development after the 2004 Indian Ocean tsunami. 6 The Howard Government’s last aid budget statement, delivered in May 2007, included major new initiatives to assist Australia’s developing country partners to deliver better education and health services ($1.1 billion over four years), improve infrastructure ($500 million over four years), and address environmental and climate change challenges ($196 million over five years). 7

During the subsequent 2007 election campaign, the Labor Party committed to reaching 0.5 per cent of GNI in foreign aid by 2015–16 and this target gained bipartisan support. 8 The Sydney Morning Herald reported that ‘aid sector insiders say it is the first time in memory that overseas aid has received so much attention during an election campaign’. 9 The 2008–09 Budget reflected the Rudd Government’s 2007 commitment, stating that ‘in 2008–09 AusAID will commence implementation of the Government’s long-term commitment to increase Australia’s official development assistance (ODA) to 0.5 per cent of GNI by 2015–16’. 10

The 0.5 per cent target was reaffirmed by both parties during the 2010 election campaign. Opposition foreign affairs spokesperson, Julie Bishop, stated that if the Coalition were elected it would ‘honour our commitment to deliver 0.5 per cent by 2015’. 11 Despite the reaffirmation of the target in a 2011 review of the aid program, the commitment was delayed by one year in the Gillard Labor Government’s 2012–13 Budget. It was again delayed (to 2017–18) in the 2013–14 Budget. 12 In this last budget statement, the Gillard Government committed to total ODA expenditure estimated at $5.66 billion, or 0.37 per cent of GNI. 13

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Funding cuts to the aid program 2013–14 to 2016–17

The Coalition’s 2013 election platform

With the election of the Coalition Government in September 2013, a timetable for achieving the 0.5 per cent target was abandoned altogether and aid funding was significantly reduced from previous levels. The Coalition’s final pre-election costings document, published just prior to the 2013 federal election, stated:

> It is unsustainable to continue massive projected growth in foreign aid funding whilst the Australian economy continues at below trend growth. Australia needs a stronger economy today so that it can be more generous in the future. The Coalition will cut the growth in foreign aid. We will index the increase to the Consumer Price Index. Reductions in projected aid spending of $4.5 billion will be allocated to other Coalition policy priorities, including productive infrastructure such as Melbourne’s East West link ($1.5 billion), Sydney’s WestConnex ($1.5 billion) and the Brisbane Gateway Motorway upgrade ($1 billion).

The Coalition remains committed to the Millennium Development Goal of increasing foreign aid to 0.5 per cent of GNI over time, but cannot commit to a date given the current state of the federal budget after six years of Labor debt and deficit. As well, the Coalition will re-prioritise foreign aid allocations towards Non-Government Organisations that deliver on-the-ground support for those most in need.\(^{14}\)

After assuming office in September 2013, the Coalition Government announced in January 2014 that it would cut $656 million—or almost 12 per cent—from the 2013‒14 aid budget.\(^{15}\)

### 2014–15 Budget

**Funding cuts**

In the 2014–15 Budget, the total ODA expenditure estimate was $5.032 billion, with Foreign Minister Julie Bishop explaining that the budget would be ‘stabilised at $5 billion in 2015‒16, thereafter increasing annually by CPI [the Consumer Price Index]’.\(^{16}\) The impact of this decision was described at the time by the Parliamentary Library—‘in effect, the Government expects to “save” $7.7 billion over five years by maintaining ODA at its 2013‒14 level of $5 billion in 2014‒15 and 2015‒16 before it starts to grow in line with CPI from 2016‒17’.\(^{17}\)

Despite the commitment to ‘stabilise’ funding and to increase aid spending in line with inflation, the subsequent December 2014 MYEFO contained additional cuts to the aid budget. These cuts amounted to $3.7 billion over the forward estimates.\(^{18}\) Stephen Howes and Jonathan Pryke of the Development Policy Centre at the Australian National University (ANU) described the 2014 MYEFO reductions as the ‘biggest aid cuts ever’ and ‘completely unprecedented’.\(^{19}\) They explained that ‘after inflation the cuts, which continue to 2016‒17, are 28% relative to this year. In 2016–17, aid will be 33% less than it was relative to the Labor’s [sic] final year of aid spending, that is, 2012–13’.\(^{20}\) They also detailed how this compared to previous funding cuts:

> ...most of the cuts will be implemented next year (2015‒16), when the aid program will fall by around $1 billion or 20%. This will be the biggest single-year change ever to the aid program (up or down), more than three times as big


\(^{20}\) Ibid.
as the next largest cut ($323 million in 2012–13 prices; back in 1986–87). It is also the largest percentage change (up or down), and almost twice as large as the next largest cut (–12%, again 1986–87).21

In terms of the trends in aid funding, under the scheduled reductions, ODA expenditure has fallen from a high of $5.4 billion in 2012–13 to an estimated $3.8 billion in 2016–17 (see Figure 1). According to projections by the Development Policy Centre, in proportional terms the cuts will see Australian aid falling further to a record low of 0.21 per cent of GNI by 2019–20 (see Figure 2).

In comparative terms, over this same period (2012–13 to 2019–2020) Australia is forecast to drop from 13 to 19th place in the ODA/GNI rankings of the Organisation for Economic Co-operation and Development’s (OECD) 28 bilateral donors, assuming other donors maintain current levels of aid.22 In 2015, Australia ranked 16th on the ODA/GNI comparison (see Figure 3).

According to the Lowy Institute, the funding cuts put Australia:

...at odds with the aid budget trajectories that many other OECD countries are following. In 2013, the Conservative government in the UK became the first G7 donor to reach the OECD’s 0.7% of GNI target, increasing its official development assistance (ODA) by 27.8% on 2012 levels. It has since passed a bill enshrining the 0.7% commitment into law.23

Figure 1: ODA expenditure, 1971–72 to 2019–20 (est.)

Source: Development Policy Centre, Australian aid tracker: trends

Figure 2: ODA as a percentage of GNI, 1971–72 to 2019–20 (est.)

Source: Development Policy Centre, Australian aid tracker: trends

21. Ibid.
22. Ibid.
23. Lowy Institute, Australian foreign aid, op. cit.
Unsurprisingly, some aid organisations and analysts criticised the cuts on the basis of their potential impact on the world’s poor. UNICEF Australia claimed that Australia was set to ‘become one of the world’s least generous donors’, while Care Australia asserted that the cuts would put poverty reduction gains in the region at risk.24

In addition to decreasing available funds, aid organisations also pointed out that the cuts combined with other changes to the aid program meant that funding would become less predictable and that this would reduce the effectiveness of Australia’s aid by undermining long-term planning. Oxfam Australia stated in its submission to the 2014 Senate inquiry into ‘Australia’s overseas aid and development assistance program’:

...the implementation of aid cuts, the reduction in the future aid budget and the integration of AusAID and DFAT ... have generated significant uncertainty within DFAT, NGOs, beneficiaries and partners on the ground with particular disquiet around the predictability of funding.

Yet predictability is one of the fundamental aid effectiveness principles to which Australia has committed. Aid programs generally require a multi-year commitment to enable proper planning, implementation, impact and evaluation. A lack of certainty as to the continuity of funding is detrimental to aid programming and may undermine the benefits already achieved.25

This view was also reflected in the Australian Council for International Development’s (ACFID) submission, which argued that aid funding is considerably less effective when it is highly variable and unpredictable from year to year.26

Geographic priorities

The 2014–15 Budget was an opportunity for the Coalition Government to further detail which regions and countries would be subject to reductions in funding. The geographic areas that experienced the most significant cuts in proportional terms were Africa and the Middle East and Latin America and the Caribbean.

While in Opposition, the Coalition had claimed that increases in aid to Africa, Latin America and the Caribbean prior to Australia winning a UN Security Council seat in late 2012, were linked to the Labor Government seeking support for the bid from countries in these regions.27 Using this justification, the Coalition asserted that the cuts could be seen as returning aid spending in these areas to pre-bid levels.28
ODA to sub-Saharan Africa was reduced from $355.1 million in 2013–14 to $186.9 million in 2014–15. In the case of the Middle East and North Africa (excluding the Palestinian Territories), the budget estimate over the same period was reduced from $46.8 million in 2013–14 to $8.8 million in 2015–16. 29

In Latin America and the Caribbean, programs were scheduled to be phased out completely and the 2014–15 budget estimates for the two regions were $16.1 million and $5 million respectively, down from $24.8 million and $13.3 million in the 2013–14 budget estimates. 30

As the Development Policy Centre noted at the time, one of the few winners was Papua New Guinea (PNG), which received an increase in ODA from the 2013–14 budget estimate of $507.2 million to an estimated $577.1 million in the 2014–15 Budget. 31 The increased aid to PNG—and a commitment to spend 50 per cent of this aid on infrastructure projects—was a continuation of the existing Regional Resettlement Arrangement, an agreement made with PNG under the Rudd Labor Government in June 2013. 32 This was despite the Coalition Opposition’s previous criticism of the agreement in the months leading up to the 2013 election, when it argued that the Rudd Government had ‘subcontracted out to PNG the management of our aid program’. 33

Other changes

Two other key changes in the 2014–15 Budget were the restoration of humanitarian and emergency funding, which had been cut in January 2014, and the cessation of the previous government’s use of funds from the aid budget to meet onshore asylum seeker subsistence costs.

In January 2014, the allocation for Humanitarian, Emergencies and Refugee programs was cut to $264.2 million, down from a 2013–14 budget estimate of $383.9 million. This was increased to $338.6 million in the 2014–15 Budget. 34 A significant portion of these funds has been provided to the international response to the ongoing humanitarian crisis in Syria, to which successive Australian governments have committed over $430 million since 2011. 35

While the reversal of the Labor Government’s decision to allocate some $375 million from the aid budget to meet onshore asylum seeker costs was welcomed by organisations such as ACFID, some criticism was made of the aforementioned increase in ODA to countries cooperating with Australia on asylum seeker policies. 36 In an article deeply critical of the government’s aid policies, Thulsi Narayanasamy, the director of the aid monitoring NGO, AID/WATCH, suggested that the aid increase for PNG agreed by Labor and continued by the incoming Coalition Government was a ‘bargaining chip’ for Australia’s detention centre on Manus Island. 37 Similar criticisms were levelled following the government’s decision to increase aid to Cambodia by $40 million over four years as part of a refugee resettlement agreement announced in October 2014. 38

2015–16 and 2016–17 Budgets

2015–16 Budget

In accordance with the schedule of cuts outlined in the December 2014 MYEFO, the 2015–16 Budget saw the biggest single reduction in annual aid by any Australian government. Total ODA dropped by around 20 per cent,
or almost $1 billion, decreasing from an expenditure outcome of $5.031 billion in 2014–15 to budgeted expenditure of $4.051 billion in 2015–16. 39

In terms of the impact on country and regional programs, the Development Policy Centre observed at the time:

The regions that were worst hit, not surprisingly, were those deemed outside of Australia’s traditional areas of interest, now defined as the Indo–Pacific region. Sub-Saharan Africa saw its budget cut by 70 percent. Aid to the Middle East, including the Palestinian Territories, declined by 43 percent.

The Pacific and PNG have been spared for the most part. Indeed, DFAT country allocations remain constant in nominal terms in all Pacific island countries, even in the North Pacific, which has not traditionally been a priority for Australia. Aid to Papua New Guinea has declined, but only marginally, by 5 percent. Funding for regional programs in the Pacific will be 10 percent lower in 2015-16.

The government has adopted an across the board 40 percent cut in other regions in order to meet the $1 billion of cuts to the aid budget. In East Asia, all but two countries suffered a cut to aid of 40 percent. Indonesia fared no worse than the Philippines or Mongolia, despite recent commentary suggesting that larger cuts were a possibility. Timor Leste was protected with a 5 percent cut. Aid to Cambodia will remain constant in nominal terms—the only country in East Asia where this is the case. Aid for regional initiatives was similarly cut by 40 percent.

The same approach was applied in South and West Asia, where all but one country saw a 40 percent decline in aid from Australia. That one country, Nepal, will receive the same level of funding as in 2014-15. The 40 percent cut was applied to regional initiatives in South Asia, just as in East Asia. 40 (emphasis added)

Indonesia, which suffered one of the largest cuts in terms of Australia’s East Asia aid programs, appeared unconcerned, at least publicly, with a government spokesman stating in May 2015:

‘Indonesia at the moment is no longer a country that needs aid for development’, he said. ‘Nevertheless, any aid given by Australia is their effort to increase, to strengthen our partnership. And so, it’s their right to give, but Indonesia is not asking’. 41

In terms of global programs, while NGO programs, humanitarian aid and multilateral development banks were largely spared from large cuts, funding for UN agencies (with the exception of UN Women) and volunteer programs was subject to significant reductions. 42

The magnitude of the cuts was confirmed by figures released subsequently by the OECD which showed that Portugal and Australia were the two members of its Development Assistance Committee which oversaw the largest declines in ODA in 2015. 43

2016–17 Budget

As part of the December 2014 MYEFO, over $220 million worth of cuts to the aid program were scheduled for the 2016–17 Budget. Despite calls from NGOs in the lead-up to the Budget for these to be reversed, the cuts proceeded. 44

The 2016–17 country and regional allocations reinforced those set in 2015–16. Total estimated ODA to PNG and the Pacific was increased slightly, from $1.119 billion in 2015–16 to $1.138 billion in 2016–17. Total estimated ODA to South East and East Asia (down from $909.5 million to $887.7 million), South and West Asia ($310.4

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million to $282.8 million), Africa and the Middle East ($185.8 million to $184.9 million) and Latin America and the Caribbean ($13.4 million to $11.0 million) was largely stabilised in the wake of the large cuts in 2015–16.\(^{45}\)

Global programs bore the brunt of the 2016–17 cuts, decreasing from $334 million to an estimated $199 million as a result of delayed payments to some international health funds.\(^{46}\) The need to honour these commitments in future years is likely to limit any future growth in country programs. Other pending decisions, such as whether future contributions to the China-led Asian Infrastructure Investment Bank will come from the existing ODA budget, will also constrain future country program growth.\(^{47}\)

No further cuts over the forward estimates were announced in the 2016–17 Budget which provides for aid to increase in line with inflation over the forward estimates.\(^{48}\)

### 2016 federal election campaign

In the penultimate week of the 2016 federal election campaign, the government released its foreign policy statement, *The Coalition’s Policy for a Safe and Prosperous Australia*. The statement flagged two new aid initiatives. The first is a commitment to invest $100 million over five years in a new ‘regional health security partnerships fund’ that will ‘harness Australia’s world leading research institutions, scientific expertise, innovators and entrepreneurs to improve health outcomes in our part of the world’.\(^{49}\) The second initiative is a mentoring program that will connect ‘female leaders in Australia with emerging women leaders in our region’.\(^{50}\) This latter program is estimated to cost $5.4 million over five years. Both initiatives would be funded out of the aid budget.\(^{51}\)

### Changes to aid management and policy directions

#### Integration of AusAID and DFAT

In addition to the funding cuts, one of the first and most dramatic changes the Abbott Government made to the management of the aid program was the abolition of AusAID and the integration of the agency’s aid management function into DFAT. This change was announced soon after the election of the Coalition in September 2013 and the merger commenced in November 2013. This change had not been foreshadowed prior to the election, nor had it been identified as an individual savings measure in the Coalition’s pre-election costings.\(^{52}\) One of the most immediate impacts of the decision was that the candidates selected for AusAID’s 2014 graduate program had their offers withdrawn, prompting some to initiate legal action against DFAT.\(^{53}\)

In a 1 November 2013 media release, the Foreign Minister, Julie Bishop, argued that the merger would result in:

> ...the alignment of Australia’s foreign, trade and development policies and programs in a coherent, effective and efficient way ... It will promote Australia’s national interests, through contributing to international economic growth and poverty reduction, and support Australia’s foreign and trade policy.\(^{54}\)

The minister went on to emphasise that integration of AusAID and DFAT would ‘strengthen economic diplomacy as the centre of Australia’s international engagement’.\(^{55}\) While Australia’s aid agency had been through a number of changes in the past 40 years, including being part of the wider foreign affairs portfolio from 1977 to

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50. Ibid.
51. Ibid.
55. Ibid.
2010, it consistently had a separate identity and a direct reporting relationship with its ministers from late 1974 until the 2013 change. The merger followed similar changes undertaken by conservative governments in Canada and New Zealand.

Acknowledging the significant challenges associated with the merger, the Secretary of DFAT, Peter Varghese, observed early in the process that ‘we are bringing together two moving and shrinking parts, and that’s going to be a very, very complicated process’. He also noted that ‘there has to be a general acceptance that we’re going through this integration process but that the spine of our organisational structure is going to rest with the DFAT organisational structure’.

PNG, one of Australia’s largest aid recipients, ‘enthusiastically’ welcomed the merger. The country’s Prime Minister, Peter O’Neil, stated that it would allow Australia’s development assistance to be better aligned with PNG’s priorities.

Although some NGOs acknowledged the potential benefits of the merger, many also raised concerns about how the change might negatively impact development effectiveness, including through the loss of experienced staff. World Vision described the merger as a ‘backward step’ and its then CEO, Tim Costello, said it would ‘detract from the fundamental purpose of foreign aid—which is to alleviate poverty overseas’.

ACFID also questioned whether the merger would reduce the effectiveness of aid delivery, noting in a February 2014 submission to the 2014 Senate reference committee’s inquiry that the new structure was at odds with international practice, and that the ‘delivery and assessment of a large aid program is obviously not the traditional activity of a foreign ministry’.

Care Australia, in its submission to the same inquiry, argued that despite some potential benefits—including a ‘consistent Government position on aid and development’, ‘the potential for a much stronger diplomatic effort on key development issues’ and ‘greater integration across government in areas which have both domestic and international implications such as pandemic disease’—there was still a need for the aid program to have a distinct identity within the portfolio. Some of the risks of the merger raised by Care Australia included:

...uncertainty about policy priorities and budgets are disrupting program delivery and could undermine effectiveness; loss of experienced aid staff could weaken program quality and performance oversight; short term imperatives could over-ride long-term issues of effectiveness and sustainability; and foreign policy objectives may distort effective aid spending.

Save the Children agreed that ‘aid should be aligned with our national interest’, but emphasised that ‘the concept of national interest must be interpreted more broadly than Australia’s immediate foreign affairs and trade objectives’. It argued that a key benefit of AusAID’s status as an executive agency—that is, being administratively separate, but with a direct reporting responsibility to a minister—was that it ‘had a distinct humanitarian identity, housed a dedicated body of expertise on aid and development policy and programs, was

59. Ibid.
61. Ibid.
64. ACFID, Submission to Senate Foreign Affairs, Defence and Trade References Committee, op. cit., p. 21.
65. Care Australia, Submission to Senate Foreign Affairs, Defence and Trade References Committee, Inquiry into Australia’s overseas aid and development assistance program, February 2014, p. 5, accessed 19 April 2016.
66. Ibid.
67. Save the Children Australia, Submission to Senate Foreign Affairs, Defence and Trade References Committee, Inquiry into Australia’s overseas aid and development assistance program, February 2014, p. 11, accessed 19 April 2016.
one step removed from short-term political objectives, and was a highly visible demonstration of Australia’s commitment to international development. 68

As part of concerns over how the merger might detract from aid effectiveness in the long-term, Oxfam Australia noted the need to retain appropriate aid expertise, referring to the experience of the New Zealand Government, which ‘found that retaining development specialists was key to an effective aid program when it merged aid into foreign affairs and trade’. 69 Oxfam’s submission to the inquiry emphasised that ‘it is essential that expertise and institutional learning in the complex area of international development be maintained and that the development of skills be encouraged’. 70

While Oxfam Australia acknowledged that the merger offered ‘opportunities to strengthen Australia’s contribution to international development by better aligning foreign affairs, trade and aid’ and ‘opportunities to better integrate Australia’s poverty reduction aims into its trade negotiations, with potentially significant benefits for developing countries’, it also emphasised that ‘the aid program must be given appropriate focus and priority within DFAT’. 71

The impact of losing experienced staff was also raised by ACFID, which pointed to a 2012 Australian Aid Stakeholder Survey by the Development Policy Centre that had already ‘identified high staff turnover as the most serious weakness in the effectiveness of Australia’s aid program. It was found to undermine the consistency of effort, and the accumulation of expertise, required to deliver effective aid’. 72

As anticipated, after the merger, a significant number of former AusAID staff was not retained. In evidence to Senate Estimates hearings in early 2015, DFAT Secretary Peter Varghese stated that of the 500 positions abolished as a result of the merger, 374 redundancies had been offered. Former AusAID staff were disproportionately represented with 221, compared to 153 pre-merger DFAT staff. 73 Given that prior to integration, DFAT had 2,521 Australian staff (plus 1,771 locally engaged staff) while AusAID had 1,724 Australian staff (and 651 locally engaged staff) this disparity is even more pronounced. 74

As well as noting the Australian staff lost through redundancies, some commentators highlighted the risk that reduced staff satisfaction among locally engaged staff, who are often cited as a key asset of the aid program, could lead to an attrition of skilled workers. The Development Policy Centre warned of indications that talented local staff in Indonesia were ‘looking for, and finding, alternative options’, a development that ‘could compromise the quality of aid delivery and thus reduce the claimed foreign policy dividends from the merger’. 75

Reduced morale among former AusAID staff at DFAT was revealed by the media in a leaked 2014 survey of staff satisfaction, which showed former AusAID staff were less happy after the merger, and considerably less happy than staff who had been in DFAT prior to the merger. According to an ABC News report:

...only 33 per cent of former AusAID staff feel “part of the team”, compared to 70 per cent of their colleagues who have always been at DFAT ... Twenty-one per cent of ex-AusAID staff surveyed indicated they would leave the agency within the next two years, compared to 11 per cent of staff who were at DFAT before the integration. 76

The report added that ‘some AusAID staff have privately described it as a “hostile takeover” by DFAT’. 77 A DFAT spokesperson said at the time that ‘the relatively low satisfaction rates among former AusAID staff was [sic] not
unexpected, given the scale of the changes, and that the survey was conducted only four months into the integration process. 78

Commenting in 2015 on the results of a follow-up survey, Varghese observed that while overall morale had improved, not all the challenges of integrating AusAID into DFAT had been overcome and that the results painted a ‘mixed picture’. 79 He observed that DFAT’s information technology and human resource management systems had come under ‘significant pressure’. 80 In mid-2015, it was reported that almost 800 former AusAID staff were still awaiting the necessary upgrades to their security clearances. 81 Varghese also said the department could still ‘do more to embed the DFAT values, improve transparency and ensure we are flexible and open to change’. 82

Aid and the ‘national interest’

In discussions of the goals and objectives of aid, the Abbott and Turnbull governments frequently emphasised the importance of pursuing Australia’s ‘national interest’ as a key justification for the AusAID-DFAT merger. 83 This received some criticism, including from AID/WATCH which argued that ‘Australia is a signatory to the Paris Declaration of Aid Effectiveness which acknowledges that aid should not be driven by donor priorities; so aid policy shouldn’t be based on Australia’s commercial or domestic considerations’. 84

Indeed, as noted, in Opposition the Coalition had decried the alleged use of the aid program to pursue foreign policy objectives such as the UN Security Council membership bid. In 2010, Julie Bishop (as Shadow Foreign Minister) had argued that the Rudd Government had ‘massively increased the aid budget in the year prior to the vote and there are growing concerns that it will be used to buy votes, particularly in Africa and Latin America, where there are large numbers of UN votes’. 85 It is important to note that the Security Council bid was led by DFAT, not AusAID. If correct, therefore, Ms Bishop’s allegation would seem to suggest a close ‘alignment’ between Australia’s foreign policy objectives and the aid program at the time, despite the fact that these were managed across two separate agencies.

In fact, furthering the ‘national interest’, however defined, has been a long-standing goal of the aid program under successive governments, both Labor and Coalition. In its 2006 white paper on Australian aid, the Howard Government stated that the official objective of the Australian aid program was ‘to assist developing countries to reduce poverty and achieve sustainable development, in line with Australia’s national interest’. 86 The Labor Government’s 2012 aid policy, An Effective Aid Program for Australia: Making a Real Difference—Delivering Real Results, stated ‘The fundamental purpose of Australian aid is to help people overcome poverty. This also serves Australia’s national interests by promoting stability and prosperity both in our region and beyond’. 87

Under the Abbott and Turnbull Coalition governments, the objective of the aid program was determined as:

78. Ibid.
80. Ibid.
82. Thomson, ‘DFAT and AusAID merger “placed significant pressure” on HR and ICT’, op. cit.
84. Narayanasamy, ‘There are problems with foreign aid, but Bishop has solved none of them’, op. cit.
...to promote Australia’s national interests by contributing to sustainable economic growth and poverty reduction ... The Australian Government’s aid program will promote prosperity, reduce poverty and enhance stability with a strengthened focus on our region, the Indo-Pacific.  

In this context, the policy debate is less about whether or not the aid program should be used to serve the national interest, and more about how the ‘national interest’ is defined in particular circumstances. At issue is the weighting that is accorded to the long-term benefits of an effective aid program that does—and, just as importantly, is seen to—reduce poverty and help partner countries address their long-term development priorities, relative to that accorded to more immediate foreign and trade policy considerations.

These elements of the ‘national interest’ are not necessarily mutually exclusive. There are times, however, when the relative priority accorded to each requires conscious choices and trade-offs. As one former AusAID senior official observed just prior to the merger, ‘there is tension from time to time between AusAID and DFAT in terms of how development can support foreign policy objectives’. In the absence of a dedicated institutional and intellectual body responsible for advancing a development perspective on the national interest, these choices and trade-offs are more likely to favour narrower, short-term objectives.

Nevertheless, while the merger of AusAID and DFAT represented a strengthening of the weight accorded to foreign and trade policy objectives, this has been characterised by some as less of a major policy shift and more of a symbolic change or ‘rebranding’. Professor Stephen Howes from the Development Policy Centre takes this view:

...all the talk of economic diplomacy and the national interest seems to be a way to rebrand the aid program, to sell it to a sceptical Australian audience ... if the Foreign Minister can firm up support for aid using a different language then all strength to her. 

Others are less sanguine, describing the pursuit of the AusAID–DFAT merger in order to better align aid with foreign and trade policy objectives as ‘considerable pain for marginal policy gain’.  

**Aid-for-trade and private sector development**

In a speech in April 2014, the Foreign Minister emphasised that the centrepiece of the Coalition Government’s approach to aid would be the use of ‘aid-for-trade’ to support economic growth and attract private sector investment in developing countries:

In these first seven months as Foreign Minister, one of my highest priorities in this area has been to adopt an ‘aid for trade’ policy which uses foreign aid to connect businesses in developing countries to regional and global supply chains. This includes provision of infrastructure, training and business support. It also involves helping countries reform their trade and economic policies and improve their capacity to negotiate trade agreements. On average, each dollar invested in aid for trade initiatives increases recipient country exports by eight dollars. 

... We will also work with our partners to identify specific market failures, and address them through well targeted projects and programs to create governance environments that attract international, particularly private sector investment.

The government’s aid-for-trade policy contains a target for the aid program to lift its expenditure in this area to least 20 per cent by 2020. A 2015 report on the performance of Australia’s aid details the changes and progress as follows:

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90. Howes, ‘Five things to like about the Foreign Minister’s aid speech; and two concerns’, op. cit.


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Changes to Australia’s overseas aid program under the Abbott and Turnbull governments 2013–2016: key policies and responses
Over the last nine years, the average proportion of the aid budget spent on aid for trade was 13.8 per cent. The estimated expenditure on aid for trade in 2013–14 was $675 million, equivalent to approximately 13.5 per cent of total ODA. It is estimated that this will increase to approximately 14.7 per cent of total ODA in 2014–15. If realised, this would demonstrate good initial progress in meeting the 20 per cent target.94

Aid-for-trade and private sector development were areas also promoted by the previous Labor government through its support for large infrastructure and connectivity projects such as the Cao Lanh bridge in Vietnam, the inclusion of aid components in various free trade agreements and its 2011 announcement of a new ‘Mining for Development’ initiative.95

Supporters of aid-for-trade, such as Jim Redden from the University of Adelaide’s Institute for International Trade, have argued:

Recent research across the Asia Pacific and elsewhere demonstrates an increasingly positive correlation between more open, competitive trade policies and sustainable poverty reduction if certain pre-requisites (trade openness, domestic reform & support for adjustment costs, robust and responsible private sector, international reform and political will) are in place.96

Organisations and experts contesting the increased focus on aid-for-trade have countered that while trade liberalisation and economic growth may be necessary conditions for poverty reduction, they are rarely sufficient. They have pointed to the fact that around 73 per cent of the world’s poor now live in so-called ‘middle income’ countries, despite these countries being the ‘major engines of global growth’.97

There have also been some questions around the evidence base that underpins aid-for-trade. In an article on The Conversation, research consultant Anna Gero argues that the effectiveness of aid-for-trade has not actually been clearly established, as studies to date have not properly assessed poverty reduction impacts:

Despite the growth in aid for trade interventions globally, critics argue that there remains a lack of data on if, how, and to what extend aid for trade interventions impact on levels of poverty. While studies are emerging that aim to assess the aid for trade “lessons from the ground”, most fail to provide details of local impacts of aid for trade, instead focusing on macro-level results.

And as is the case with many evaluations, causal linkages between aid for trade interventions and poverty are based on assumptions and are inherently difficult to measure, posing a challenge for donors as well as NGOs that may begin incorporating aid for trade into their programming in order to access funds through the aid program.98

As well as promoting the growth of the private sector to drive development, the concept of aid-for-trade includes engaging the private sector in ‘the design or delivery of investments; innovative approaches to project financing; public-private partnerships; improving the regulatory environment for private sector participants; or addressing other constraints to economic growth’.99 In an April 2014 speech, the Foreign Minister highlighted the ‘innovative approaches and different business models the private sector can bring’ and how these can provide ‘solutions for otherwise intractable development challenges’.100

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100. Bishop (Minister for Foreign Affairs), *A new paradigm in development assistance*, op. cit.
In March 2015, the Foreign Minister announced the first three *innovationXchange* initiatives—part of a $140 million project involving global and local organisations, businesses and experts in innovative approaches ‘to revolutionise the delivery and effectiveness of Australia’s aid program’. Under the initiative, all new aid investments are assessed for their ability to ‘explore innovative ways to promote private sector growth or engage the private sector’.

A warning regarding this approach has been raised by Matt Tinkler from Save the Children, who argues that ‘if private sectors are chasing commercial returns then by their very nature they are unlikely to occur in the hardest to reach places’. Other NGOs have cautioned that ‘human rights and public interest must be safeguarded when using development aid to leverage private finance, including public-private partnerships’.

One policy option in this area that both the Abbott and Turnbull governments repeatedly ruled out, however, is formally re-‘tying’ Australia’s aid to the use of Australian goods and services in order to benefit local companies and exporters. DFAT Secretary Peter Varghese highlighted soon after the integration of AusAID into DFAT that this former policy, which was abolished in 2006, would not be revisited:

> ...it’s also important to understand that when the government talks about aid and trade, they’re not talking about using the aid program to promote Australian exports. Their front-of-mind concern is the role for the aid program in building up the capacity of developing countries better to engage in the international trading system.

Despite a subsequent call from the JSCFADT to review this policy (see below under ‘Parliamentary committee inquiries’), the principle of untied aid was reaffirmed in the government’s 2015 aid-for-trade strategy:

> This approach is consistent with the Government’s commitment to openness in trade and competition. Untied aid is an important way to ensure activities deliver value for money, are cost-effective and use the best globally available expertise.

### The new performance framework: changes to monitoring and evaluation

As part of the changes relating to the aid program, the Coalition introduced a new strategic framework for monitoring and evaluation. The June 2014 DFAT policy document, *Making Performance Count: Enhancing the Accountability and Effectiveness of Australian Aid*, detailed this framework which operates ‘across all levels of the aid program’:

- At a strategic level, there will be 10 high level targets to assess the aid program against key goals and priorities;
- At a country, regional and partner program level, performance benchmarks will be introduced to measure the effectiveness of our portfolio of investments; and
- At a project level, robust quality systems will ensure that funding is directed to investments making the most difference.

A key principle underlying the framework is that funding at all levels of the aid program will be linked to progress against a rigorous set of targets and performance benchmarks.

In order to put these principles into operation, the Office of Development Effectiveness (ODE) and the Independent Evaluation Committee—aid quality mechanisms established by the Howard and Gillard governments respectively—were retained after the merger.

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105. Grattan, ‘DFAT Secretary’s tough message’, op. cit.
The ANU’s Development Policy Centre raised some questions about this new approach, including the removal of the previous practice of measuring the organisational reforms associated with improved aid delivery. Under a previous three-tiered performance framework adopted by the Gillard Government, corporate reforms such as reducing excessive staff turnover were measured as part of the third tier. While supportive of an approach that gives ‘more attention to country and project performance, and using this information to direct more money to better programs and projects’, the Center noted that variation from year to year can be hard to measure, and that measuring the internal reforms of an aid organisation was one of the few reliable ways to track effectiveness:

The worry is that the three new tiers seem to have squeezed out the old third tier, which is the most important. It is extremely difficult to measure aid results, and there is little variation from year to year ... It is much easier to measure organizational and operational performance. And we know that good organizations will deliver good aid. The sorts of things that should be measured in the third tier are: how often staff change positions; how transparent the aid program is; what the average aid project size is; how timely decision making is; how well the various systems needed to produce effective aid are working.

Yes, it’s process, process, process. But don’t screw your nose up at it. Sometimes process is the best and most important thing to measure. The aid program got better at reporting on process with its old three-tier framework. For the first time, the aid program started reporting, for example, how long staff were in position. It would be sad if that start was reversed ... process should get more not less profile in any new approach to aid effectiveness and results reporting.108

The Centre has argued subsequently that transparency—an aspect of aid management that has been nominated as worsening in recent surveys of aid stakeholders—is one area where measures of organisational performance should be assessed as part of the aid program’s annual reporting.109

Changes to the aid program discussed earlier, such as reduced funding and loss of experienced staff, could also impact on the ability of DFAT to effectively monitor the aid program. As noted, Oxfam Australia argues that the effective evaluation of aid programs requires reliable funding, as the project cycle can take years. Care Australia has pointed out that losing experienced former AusAID staff could weaken the ability of effective performance oversight—‘frequent shifts in policy, budget and program objectives complicate relations with partners, disrupt program delivery and make an assessment of impact and effectiveness difficult’.110

Another element of the changes is the emphasis on performance as ‘a key criteria used to determine future budget allocations’.111 In June 2014, the Foreign Minister said that Australia, through the use of performance-based aid, ‘will offer increased funding for programs and organisations found to be particularly effective in meeting targets and benchmarks’.112

While performance-based approaches have been generally supported in the aid effectiveness literature, they also raise difficult questions. For example, so-called ‘fragile’ or conflict-affected countries can present difficult and costly operating environments in which progress is often slow. These countries are, however, often also the ones most in need of assistance. The return on investment could appear low—depending on exactly what criteria is used to measure performance—and, as a result, those most in need could be excluded from receiving aid. Some of Australia’s closest neighbours (such as PNG, East Timor and the Solomon Islands) fall into this category.

Arguably, it is for this very reason that performance does not appear to be being used to drive funding allocations at the country level. As an analysis of these allocations in the 2015–16 Budget observes:

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108. Howes, ‘Five things to like about the Foreign Minister’s aid speech; and two concerns’, op. cit.
110. Care Australia, Submission to Senate Foreign Affairs, Defence and Trade References Committee, op. cit., p. 2.
111. DFAT, Making performance count, op. cit., p. 16.
112. Bishop (Minister for Foreign Affairs), The new aid paradigm, op. cit.
The Performance of Australian Aid 2013-14 report released by DFAT last month shows very clearly where aid is performing well—in East Asia, including Indonesia. These are the countries that have seen their aid programs cut by 40 percent. The only two countries spared such cuts in East Asia are the two worst performing ones: Timor Leste and Cambodia. Similarly, the worst performing region, the Pacific and PNG, is the only one to have been protected from the aid cuts.113

Similarly, at the sectoral level, areas such as gender equality—which are often characterised by incremental progress and often involve institutional or cultural change—are less amenable to the use of performance incentives based simply on funding.

While these issues can be addressed through effective planning—the new framework includes ‘aid investment plans’ that will be ‘tailored to the different development contexts and priorities of the countries we work in’—there remain multiple challenges to their application.114 Many of these challenges relate to the inevitable complexities and tensions that arise in balancing considerations of aid effectiveness, varying indicators of performance and multiple permutations of the ‘national interest’.

**The Indo-Pacific and increased consolidation**

Two of the ten ‘key targets’ in *Making Performance Count* are ‘focusing on the Indo-Pacific region’ and ‘increasing consolidation’—that is, reducing the number of individual investments to focus efforts and reduce transaction costs for the donor and recipient countries.115

Both of these strategies reflect international agreements on aid effectiveness to which Australia has committed. The 2008 *Accra Agenda for Action*—a statement to improve aid effectiveness signed by developing and donor countries, as well as multilateral aid agencies—commits signatories to ‘reduce costly fragmentation of aid’.116 In the *Paris Declaration on Aid Effectiveness*—the 2005 document agreed prior to the Accra Agenda—donor countries commit to ‘make full use of their respective comparative advantage at sector or country level’.117

Australia has a clear comparative advantage in the Indo-Pacific region due to proximity and knowledge, as well as long-standing relationships. In proportional terms, most of Australia’s aid has traditionally gone to the Indo-Pacific, a region in which many countries are still developing and face significant poverty issues. Even before the recent changes, Australian ODA to the Indo-Pacific was already 86 per cent of country and regional aid.118 According to DFAT, the government’s changes increased this to around 92 per cent.119

The stated goal of this consolidation is to ‘reduce the number of individual investments by 20 per cent by 2016–17 to focus efforts and reduce transaction costs’.120 In its report, *Performance of Australian Aid 2014–15*, DFAT stated that progress toward this goal was ‘on track’:

> The aid program is on track to achieve this target within the required timeframe. By 1 July 2015, the number of individual investments had reduced by just over 18 per cent ... Other measures also show strong consolidation in aid administration. Over the two years from July 2013 to July 2015, the average size of aid investments has increased by more than 20 per cent. Over the same period, there has been a 27 per cent reduction in the number of aid agreements (contracts and grant agreements) managed by DFAT, and a 73 per cent increase in the average value of agreements under management.121

Given ongoing funding reductions, the increased focus on the Indo-Pacific has not translated into additional aid for the region. Over the four budgets bought down by the Abbott and Turnbull governments, there has been a continuing decrease in overall aid funding for most Indo-Pacific countries in East Asia and South and West Asia.

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113. Dornan, ‘The same, the bad and the ugly’, op. cit.
117. Ibid., p. 6.
119. Ibid.
including both middle income countries such as Indonesia and Vietnam, and low income countries such as Bangladesh and Afghanistan. As noted, one notable exception in East Asia has been Cambodia. Aid to Pacific Island countries, with the exception of PNG, has been subject to smaller reductions.

While acknowledging that Australia has a particular obligation in relation to its region, groups such as ACFID have emphasised the need to continue some assistance to Africa, arguing that there ‘is good cause for continuing a strategic and modest focus on aid and development assistance for Africa’ and that by 2012, ‘over 50 per cent of the world’s poor lived in Africa’.122

Addressing gender inequality
The Foreign Minister has placed a very high priority on addressing gender inequality through the aid program. One of the current strategic targets for Australia’s overseas aid is that ‘more than 80 per cent of investments, regardless of their objectives, will effectively address gender issues in their implementation’.123 The Foreign Minister has explained the development rationale behind this target:

> When women are able to actively participate in the economy, and in community decision-making, everybody benefits … Training women for employment, building their capacity and challenging barriers to their participation will deliver social and economic benefits to all societies. Evidence shows that it is women who spend extra income promoting the health, education and well-being of their families.124

The minister has also highlighted the economic costs of gender inequality—‘it is estimated that the Asia-Pacific alone loses around US$50 billion a year because of limited female access to jobs and an estimated $30 billion a year is lost because of poor female education’.125

While the previous Labor government had committed to a strengthened focus on women and girls in the aid program, the Coalition Government’s commitment to specific gender equality funding targets was welcomed by NGOs, including the International Women’s Development Agency (IWDA) and the child rights organisation, Plan International. IWDA stated that the 80 per cent target ‘has the power to transform the status of women’s rights across Asia Pacific’.126

Both of these organisations, however, voiced some reservations about how the enhanced commitment to gender equality will be delivered in the face of ongoing funding reductions. IWDA said it was ‘pleased that the empowerment of women and girls is stated as an overall priority for Australian aid’ but pointed to other cuts in cross regional programs that risk having ‘a disproportionate impact on women and girls, and slow[ing] progress towards gender equality’, including water and sanitation, climate change and environmental sustainability, and governance.127 At the end of January 2015, Plan International argued that the government’s aid cuts would have a disproportionate impact on girls and could mean that over the financial year 2015–16:

- 220,000 fewer girls will be enrolled in school.
- 400,000 fewer girls will be immunised.
- 3,153 fewer classrooms where girls can learn will be renovated or built.
- 157,000 fewer girls will see improved access to safe drinking water.
- 750,000 fewer textbooks will be made available for girls.128

Nonetheless, there has been some important progress. DFAT’s *Performance of Australian Aid 2014–15* report, released in February 2016, observed:

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122. ACFID, Submission to Senate Foreign Affairs, Defence and Trade References Committee, op. cit., p. 12.
125. Bishop (Minister for Foreign Affairs), *A new paradigm in development assistance*, op. cit.
127. IWDA, Submission to Senate Foreign Affairs, Defence and Trade References Committee, Inquiry into Australia’s overseas aid and development assistance program, pp. 1–2, accessed 19 April 2016.
...in 2014–15, 78 per cent of aid investments were rated as satisfactorily addressing gender equality during their implementation, just short of the target of 80 per cent. This was a significant improvement from the 2013–14 baseline of 74 per cent.129

The report also acknowledged, however:

...investments in the priority investment area of “infrastructure, trade facilitation and international competitiveness”, on the other hand, saw significantly lower ratings than the previous year with an overall rating of 64 per cent satisfactory.130

In a 2014 evaluation report, the ODE also highlighted the challenges in the economic empowerment sector:

Australia has had less success integrating gender equality into its key economic sector investments (agriculture, rural development, transport, energy, trade and business and banking) compared to sectors like health and education.131

The ODE also noted that while ‘economic sector investments with a specific gender focus are few and have not specifically focused on established pathways for women’s economic empowerment’, this is something that ‘appears to be improving with new policies, guidance and gender capacity’.132

In this context, it is important to highlight that measurement of gender outcomes—even defining what, precisely, should be measured—is a contested issue. The Development Policy Centre notes that there remains some ambiguity in what the 80 per cent target actually means, noting that even aid projects which do not have gender as a focus, can have a satisfactory score:

The [Smart Economics: Evaluation of Australian Aid Support for Women’s Economic Empowerment] report reveals that only 55 per cent of aid projects have gender as a significant or principal objective. The other 45 per cent are not focused on gender equality.

The aid program’s performance management system already requires every project to report on its gender progress, and all projects are rated, regardless of whether gender is a focus. In that system, as the ODE report shows, even projects which are not focused on gender can get a satisfactory gender score. Indeed, the report shows that more than two-thirds of projects for which gender is not a focus nevertheless report satisfactory progress against gender.133

In the same article, the authors note another concern with meeting the 80 per cent target—‘only about one-third of Australian aid staff interviewed felt confident about how to incorporate gender within a project cycle, and many pointed to a need for more sector-specific advice’.134

It is no surprise therefore, that there exists some confusion around incorporating gender into projects and measuring results. This is widely recognised as a complex area in which measures of progress can vary significantly depending on the context. UN Women gives an indication of this complexity in one of its online Guidance Notes:

There is no single recipe for effectively monitoring and evaluating gender mainstreaming efforts. Instead, gender-sensitive M&E systems must be innovative and adaptable, and comprise a carefully selected suite of complementary approaches.135

130. Ibid., p. 11.
132. Ibid., p. 2.
134. Ibid.
This is also reflected in research by the OECD, which recommends that gender indicators be adjusted according to specific development contexts:

> Although there is often a temptation to simply apply universal templates and frameworks, it is important to adapt gender equality indicators so they are relevant to the specific context ...To be meaningful and illuminating, indicators need to be derived in consultation with local people, and to reflect the context of a particular region, country or community. 136

This issue of complexity is important as DFAT has already raised concerns about the lack of effective monitoring and evaluation of gender-related outcomes, and limited staff understanding in this area:

> Only one-quarter of the initiatives reviewed reported any gender-related outcomes and only at the simplest level—sex-disaggregated data on participation in training, and uptake of services. There was a lack of department-wide guidance on how to structure and implement a monitoring and evaluation plan to assess gender-related outcomes.137

The difficulties associated with measuring gender outcomes are also worth emphasising in the context of the changes the Foreign Minister has announced in the way aid will be measured, the impact of staff cuts and the reduced budget. As discussed previously, reporting is being simplified, some monitoring and evaluation expertise has been lost through staffing cuts, and the lack of certainty around funding could negatively affect forward planning. This is likely to make an already challenging task even more difficult.

In addition, if future funding is dependent on showing strong results, this could risk creating incentives to design indicators that are easy to attain, rather than indicators that most accurately measure actual development outcomes. It could also risk providing incentive to omit ‘negative’ indicators, such as increased reporting of domestic violence.

**Climate change**

Climate change was an area of significant change and readjustment under the Abbott and Turnbull governments, moving from an issue that received comparatively little attention under the Abbott Government to one which gained a high profile under the Turnbull Government in late 2015.

The Labor Government’s 2013–14 aid budget statement, mentioned ‘climate change’ 76 times in 160 pages, including in the ‘strategic goals’.138 The statement estimated environment-related expenditure to be around $600 million for the financial year.139

In contrast, the Abbott Government’s 2014–15 budget document, at 60 pages, contained only three references to ‘climate change’, a further one to ‘climate variability’ and two to ‘climate-related events’ and ‘climate-related shocks’.140 Nor did it contain an overall estimate for total environment or climate change expenditure. This reflected the view put by Julie Bishop from Opposition in December 2012:

> Climate change funding should not be disguised as foreign aid funding. That’s been the view of the United Nations and yet this government still continues to do it. We would certainly not spend our foreign aid budget on climate change programs.141

Given the region’s particular vulnerability to the impacts of climate change, some NGOs argued that this lack of attention to climate change was at odds with Australia’s long-standing commitment to, and focus on, the development needs of the Pacific Island countries.142 According to Oxfam Australia:

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137. ODE, *Smart economics*, op. cit., p. 2.  
139. Ibid., p. 117.  
142. See Narayanasamy, ‘There are problems with foreign aid, but Bishop has solved none of them’, op. cit.; N Maclellan, ‘Abbott’s first year: nowhere to be seen in the Pacific’, *The Interpreter*, blog, 10 September 2014, accessed 30 April 2015.
Millions of the world's poorest people are already bearing the brunt of climate change because of its damaging effects on their livelihoods, food security and peace. Our concern about ongoing funding for climate adaptation has arisen because of the recent budget cuts to the overall volume of aid to several 'climate vulnerable' Pacific nations, as well as a 97% cut for 'Climate Change and Environmental Sustainability' under 'Cross Regional Programs' and the elimination of all contributions to 'Global Environment Programs'. Pacific governments, development agencies and scientific bodies, have consistently recognized climate change as a major challenge to sustainable economic development in the Pacific.143

There were some adjustments under the Abbott Government. For example, while initially ruling out contributing to the international Green Climate Fund, the Abbott Government reversed this position in late 2014 with the announcement that it would provide $200 million over four years to the organisation.144 Foreign Minister Bishop stated that this commitment:

...will facilitate private sector-led economic growth in our region—the Indo-Pacific—it will be targeted in our region with a particular focus on investment in infrastructure, energy, forestry and the like.145

More significant changes followed establishment of the Turnbull Coalition Government in September 2015. In the lead-up to a major UN climate change summit in Paris in December 2015, there was significant domestic and international pressure on the government to provide additional financial aid to help developing countries meet their greenhouse gas reduction targets and adapt to the impacts of climate change.146 Some of the strongest pressure came from Australia’s Pacific neighbours.147 At the Paris summit, Prime Minister Turnbull announced that Australia would allocate at least $1 billion over five years from the existing aid budget to help developing countries 'build climate resilience and reduce emissions'.148

Environment groups such as the Climate Institute and the World Wide Fund for Nature welcomed this pledge as ‘encouraging’. They also argued it fell short of the $1.5 billion per year estimated as Australia’s ‘fair contribution’.149 Some development NGOs criticised the commitment on the grounds that it was not additional funding and as a result, would potentially result in more cuts to existing programs in areas such as health and education. Plan International stated:

...it is deeply disappointing to see the Prime Minister’s $1 billion commitment is not a new commitment, but rather a repurposing of funds already earmarked for Australia’s aid program. What we are seeing here is the Government robbing Peter to pay Paul—not something the developing world can afford on the back of years of the most savage cuts we have ever seen in our aid program.150

Other groups, including ACFID, observed that Australia was already spending close to $200 million a year on climate change aid and accused the government of ‘repackaging [existing] announcements’.151 In Senate Additional Estimates hearings in February 2016, DFAT confirmed that it had spent $229 million on climate change-related aid activities in 2014–15.152

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143. Oxfam Australia, Submission to Senate Foreign Affairs, Defence and Trade References Committee, op. cit., p. 12.
144. T Abbott (Prime Minister) and J Bishop (Minister for Foreign Affairs), Assisting the global response to climate change, media release, 10 December 2014, accessed 30 April 2015.
The 44th Parliament and Australia’s overseas aid program

Parliamentary Committee inquiries

The 44th Parliament expressed a strong interest in aid and development issues, including through several inquiries conducted by relevant parliamentary committees. While providing an opportunity for bipartisanship on some issues, it is important to note that many of the findings and recommendations of these inquiries reflected their political composition; the Opposition chaired the SFADT References Committee and non-government parties held a majority, while the government chaired and held the majority on the JSCFADT.

‘Australia’s overseas aid and development assistance program’, SFADT References Committee, 2014

The 44th Parliament’s first major examination of aid issues commenced in December 2013 when the Senate referred issues relating to Australia’s overseas aid and development assistance program to the SFADT References Committee. In light of the government’s cuts the aid budget, the committee was tasked with assessing the government’s ability to deliver aid in accordance with policy objectives and international commitments and priorities, including sectoral, regional, bilateral and multilateral partnerships. In addition, the inquiry sought to investigate the consequences of AusAID’s integration into DFAT and the freeze in international development assistance funding.

The committee reported in March 2014. The majority report made 24 recommendations. These emphasised the importance of long-term planning and predictability to the aid budget, recommending that the government release a policy framework for aid as part of the 2014 budget process and produce a white paper to identify Australia’s long-term aid objectives and the means to achieve them. It also recommended that the government should ensure that the ODA/GNI ratio does not fall below 0.33 per cent and that both major parties develop a bipartisan agreement to increase the Australian aid budget in order to achieve the ODA/GNI target of 0.5 per cent by 2024–25.

A dissenting report from the committee’s Coalition members recommended that the aid program should continue to: deliver against the government’s stated policy objective of promoting Australia’s national interests through contributing to economic growth and poverty reduction; implement rigorous performance benchmarks; and strengthen fraud management controls and systems.

A dissenting report from the Australian Greens reiterated the party’s commitment to the UN Millennium Development Goal target of 0.7 per cent ODA/GNI by 2015, the delinking of aid from asylum seeker policies and the reinstatement of AusAID as an executive agency.

While the government’s response either did not agree to, or simply ‘noted’, most of the committee’s recommendations, it did agree to release a new policy framework for the aid program. This framework, Australian Aid: Promoting Prosperity, Reducing Poverty, Enhancing Stability, was published in June 2014.

‘The role of the private sector in promoting economic growth and reducing poverty in the Indo-Pacific’, JSCFADT, 2015

The June 2015 final report of a JSCFADT inquiry into ‘the role of the private sector in promoting economic growth and reducing poverty in the Indo-Pacific’ made 37 recommendations. The recommendations called for enhanced engagement with regional private sector organisations and associations, greater...
involvement in ‘public-private partnership’ approaches to infrastructure financing and, perhaps most
controversially, for the government to ‘review the aid program’s untied aid grants strategy’. The government’s response all but ruled out this latter recommendation, arguing that ‘untied aid ensures
Australian aid delivers value for money, is cost-effective and uses the best available expertise, therefore
achieving the best results’.160


The JSCFADT’s December 2015 report on ‘the human rights issues confronting woman and girls in the Indian
Ocean–Asia Pacific region’ contained 33 recommendations, many of which related to Australia’s aid program.
These included greater capacity-building to improve access to justice for women and girls, greater efforts to
improve gender parity in school enrolment and increased support for women’s leadership across business and
the public sector.161

The government did not provide a formal response to the committee’s recommendations prior to the dissolution
of the 44th Parliament.

‘The delivery and effectiveness of Australia’s bilateral aid program in Papua New Guinea’, SFADT
References Committee, 2016

In May 2016, in one of the final acts of the 44th Parliament, the SFADT References Committee released the
report of its inquiry into ‘the delivery and effectiveness of Australia’s bilateral aid program in Papua New
Guinea’. The report, which contained 18 recommendations, argued for a strengthened focus on social
accountability through more support for local NGOs and churches, more aid for health programs and a reversal
of the (relatively small) cuts to bilateral aid made since 2013.162 The report also recommended that the total aid
budget be increased to 0.5 of GNI by 2024–2025, ‘effectively a call for not just a reversal of cuts but a
substantive increase in aid to PNG’.163

In response to the April 2016 decision of PNG’s Supreme Court that the detention of asylum seekers was
contrary to the country’s constitution, the report recommended that ‘the Government conduct an assessment
of the impact of the closure of the Manus Island Regional Processing Centre on development activities’.164 At the
time of writing, it remains unclear how the court’s decision might affect the aid components of the 2013
Regional Resettlement Arrangement.

The government did not provide a formal response to the report’s recommendations prior to the dissolution
of the 44th Parliament.

Alternative policies

The Labor Opposition and other non-government parties announced alternative development assistance policies
during the term of the 44th Parliament and in the lead-up to the 2016 federal election.

Labor Opposition

In October 2015, the Shadow Minister for Foreign Affairs and International Development, Tanya Plibersek,
criticised the Coalition Government’s ongoing funding cuts and announced that a Labor government would
provide an additional $30 million a year in aid to NGOs ‘to deliver critical projects like maternal and child health,

159. Joint Standing Committee on Foreign Affairs Defence and Trade (JSCFADT), Partnering for the greater good: the role of the private sector in
May 2016.

160. DFAT, Australian Government response to the Joint Standing Committee on Foreign Affairs, Defence and Trade report: partnering for the

161. JSCFADT, Empowering women and girls: the human rights issues confronting women and girls in the Indian Ocean–Asia-Pacific region, House

162. Senate Foreign Affairs, Defence and Trade References Committee, The delivery and effectiveness of Australia’s bilateral aid program in Papua

2016.

164. Senate Foreign Affairs, Defence and Trade References Committee, The delivery and effectiveness of Australia’s bilateral aid program in Papua
New Guinea, op. cit., p. xi.
schooling, clean water, and sanitation’. Ms Plibersek stated that a further $10 million a year ‘will be invested to work with these NGOs and others to improve aid effectiveness, to ensure we are getting the most from every single dollar spent on overseas aid’. The Opposition said it would introduce specific legislative measures to strengthen aid transparency and effectiveness. Labor also committed to provide an additional $450 million over three years to support the work of the United Nations High Commissioner for Refugees (UNHCR).

In order to fund these measures, Labor pledged during the 2016 election campaign that it would reverse the $224 million in cuts included in the 2016–17 Budget and would restore $800 million to the aid budget over the forward estimates should it win government. Australian NGOs were largely supportive of this announcement. However, given the need to meet over $600 million in combined commitments to NGOs and the UNHCR, Labor’s funding would leave very little scope to increase country programs.

Labor had not said whether it would undo the merger and restore AusAID’s status as an executive agency if elected, saying only that it would ‘ensure the department’s culture and practices gave appropriate prominence to development, and protected and prioritised development expertise’. Labor also said that it would abolish the innovationXchange program.

In relation to the 0.5 per cent ODA/GNI target, the Australian Labor Party’s 2015 national platform states:

Australia should do its fair share internationally, and work with the international community to achieve the longstanding funding targets reiterated by the SDGs. Labor will, over time, achieve a funding target for the aid program of at least 0.5 per cent of GNI.

Labor has not committed to a revised timeframe for reaching 0.5 per cent, contending that ‘the real question is: how can we get to 0.5 after being at 0.18 or 0.19? Certainly it can’t happen in the timeframe we had planned’. In the weeks prior to the 2016 federal election, ACFID called on the Liberal and Labor parties to commit to a timetable for reaching the 0.5 per cent target. When specifically asked to commit to a timetable at a National Press Club election debate in June 2016, both Ms Bishop and Ms Plibersek declined.

Other parties

The Australian Greens have committed to legislating and meeting the 0.7 per cent ODA/GNI UN target by 2025, a policy that the Parliamentary Budget Office has estimated would cost $7.97 billion over the forward estimates. The Greens’ aid and development policy also includes the establishment of an independent office to oversee aid effectiveness and passage of the International Aid (Promoting Gender Equality) Bill 2015.

165. T Plibersek (Shadow Minister for Foreign Affairs and International Development), Labor commits an extra $40 million a year to help some of the world’s poorest people, media release, 16 October 2015, accessed 25 May 2016.
166. Ibid.
167. T Plibersek (Shadow Minister for Foreign Affairs and International Development) and M Thistlethwaite (Shadow Parliamentary Secretary for Foreign Affairs and Immigration), Budget 2016: Liberals’ budget: cuts aid, consular help—passport fees up, media release, 3 May 2016, accessed 23 May 2016.
168. Ibid.
Changes to Australia’s overseas aid program under the Abbott and Turnbull governments 2013–2016: key policies and responses

legislation that ‘would require the Minister to report on how funds were spent, and how these funds help to promote gender equality’.\(^{179}\)

The Nick Xenophon Team has argued for the restoration ‘of the $7.6 billion of aid funding cut by the Australian government in the 2014 budget’ and for a foreign aid budget that represents 0.7 per cent of GNI, ‘in line with Australia’s commitment to the United Nations Sustainable Development Goals’.\(^{180}\) Similarly, the Family First party supports the 0.7 per cent target, but has not committed to a specific timetable.\(^{181}\)

The Jacqui Lambie Network has proposed halving the current level ($3.8 billion) of overseas aid and redirecting this funding to higher education and aged pensions.\(^{182}\)

**Conclusion**

Since assuming office in September 2013, the Coalition Government has made a range of changes to Australia’s overseas aid program.

The successive cuts to funding have been very large and represent a clear shift away from the previous bipartisan commitment to increase the aid budget. Both major parties have now eschewed a time-bound commitment to the 0.5 per cent ODA/GNI target in the name of fiscal discipline, even as total government outlays have increased. Indeed, while Australia’s ODA budget has been cut by 33 per cent since 2013, spending across government has increased by around 10 per cent over the same period.\(^{183}\)

While enhancing the overall cohesion of Australia’s foreign, trade and aid policies, the 2013 merger of AusAID and DFAT potentially diminishes the relative institutional and intellectual weight accorded to development objectives in calculations of Australia’s ‘national interest’. The merger has had a considerable impact on former AusAID personnel, as well as overall DFAT morale. It has also raised questions about whether a post-integration DFAT has sufficient staff with the requisite skills and experience to effectively oversee aid delivery.

Changes in other areas, such as the increased focus on performance, aid-for-trade and private sector development and gender equality build on previous initiatives and do not represent major policy departures. They do, however, raise questions about how the complex development challenges associated with each of these thematic priorities will be met within the strictures of a much smaller aid budget and a reduced aid management capacity. In addition, climate change has been an area of significant adjustment and an area that that re-emerged as an important focus with the shift from the Abbott to the Turnbull Government.

The place of the aid program in advancing Australia’s interests and values, particularly as these relate to ongoing strategic and economic changes in the Indo-Pacific region generated much discussion and debate over the course of the 44th Parliament. Given the level of community interest in the changes pursued by the Abbott and Turnbull governments, it is clear that this discussion and debate will continue in the 45th Parliament.

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179. Ibid.


