

CRAWFORD SCHOOL DIALOGUE

DOUBLING AUSTRALIAN AID

Monday 7 February 2011

Molonglo Theatre, JG Crawford Building, ANU

Introduction

- Thank you for the invitation to speak today.

- The title of today's conference is a little bit misleading. With apologies to Stephen. The commitment of the government is to increase the aid program until it reaches 0.5 percent of gross national income by 2015-16.

- Based on current economic projections that is likely to see an increase in the aid program to about double its current level. But the overall volume of the aid program by 2015-16 will be determined by the strength of our economy over the coming five years.

- The full audience we have today is an indication of the importance of, and interest in, the government's commitment to expand the development assistance program and to improve the effectiveness and management of the program.

- A crucial part of delivering on that commitment is improving AusAID's ability to achieve results and demonstrate the contribution Australian government aid makes to improving the lives of people in developing countries and Australia's national interests.

- We at AusAID welcome that challenge. And we appreciate your participation in today's conference that focuses on our work.

- As all of you know the Minister for Foreign Affairs announced an Independent Review of Aid Effectiveness in November last year as part this commitment.
- The review is being conducted by a panel of distinguished Australians with deep experience in the public policy, development, business and political and non-government sectors.
- When he announced the review the Minister said its purpose was to make a good aid program even better.
- That is what we at AusAID are committed to doing. We look forward to the recommendations of the review.
- While we are confident in our ability to achieve effective outcomes at a high level of efficiency, we also know we are not the font of all wisdom on development issues. The review will help shape the aid program over the next five years.
- This conference is a very important input into that review process and I know you will hear from Sandy Hollway, the Chairman of the panel conducting the review later today.
- It is critically important that the commitment to increase the aid program is the subject of public debate.
- Like any area of public policy the taxpayer has a right to know that public funds expended on overseas development assistance are being used to produce real outcomes at the greatest level of efficiency and effectiveness.
- In addition to wanting assurance that the aid program is being delivered effectively and efficiently, the taxpayer also wants to know why it is Australia's interests to have an expanding aid program.

- That is not to infer that Australians are not extraordinarily generous in donating their own money to international development assistance efforts and humanitarian emergencies. They are.

- But in order to maintain the support of the Australian public for an expanded aid program we will need to both improve its effectiveness and efficiency and also our ability to explain why it is in Australia's interests to promote stability and prosperity in our own region and internationally.

- In recent months there have been calls from some areas for the aid program to be cut or suspended given the magnitude of natural disasters and the need to provide assistance to the many Australians that have been affected, particularly in Queensland.

- While I don't agree with this point of view, it is legitimate for people to ask why we have an aid program and why the both sides of politics are committed to expanding it.

- I would like to talk about four things today:
 - the reasons why the Australian Government and the major political parties are committed to expanding the aid program;
 - some of the achievements of the Australian aid program;
 - the challenges that an expansion of the aid program poses and the steps we are taking to improve the program's effectiveness; and
 - increased transparency within the aid program.

1. An expanding aid program

- The rapid expansion of the aid program began in 2005.
- In September 2005, then Prime Minister Howard announced the doubling of the aid program to about \$4 billion by 2010.
- By May 2010, under the Rudd government, that goal was not only reached but exceeded as part of the ALP's commitment to increase the aid program to 0.5 percent of gross national income.
- Over the last 5 years AusAID has delivered a high quality aid program with increased geographic scope under the pressure of rapid expansion.
- We are now preparing to increase the program from its current level of 0.33 percent of GNI to 0.5 percent of GNI by 2015-16.
- This increase will make Australia one of the fastest growing donors in the OECD, and one of the larger spending agencies in the Australian Commonwealth.

Why does Australia give aid?

- Why have successive governments from different political backgrounds made the judgement that increasing aid is in Australia's best interests?
- The fundamental reasons are enduring. The aid program is both:
 - An expression of Australian values – we are decent and caring people, with a generosity of spirit; and
 - A reflection of our national interests. It is in our interest to live in a world which is characterised by prosperity and stability rather than one plagued by poverty and insecurity.

Values

- Australia is a wealthy country – our per capita income is around twenty times that of “middle-income countries” such as Indonesia and around a hundred times that of least-developed countries like Nepal and Mozambique.

- The strength and resilience of Australia’s economy was evident in the manner in which we have weathered the global economic crisis.
 - But, according to the World Bank, the same crisis pushed an estimated 64 million additional people in developing countries below the internationally accepted poverty line – USD 1.25 a day.
 - By this measure, more than a billion people are living in extreme poverty today, two-thirds of them in the Asia-Pacific region.

- That this situation continues in the 21st century is an affront to what former UN Secretary-General Kofi Annan referred to as human dignity.

- Successive Australian governments have recognised this – with the Gillard government viewing the aid program as a central part of what makes Australia a “good international citizen.”

- All of the evidence strongly suggests the Australian community readily accepts that Australia as a rich developed country should shoulder our fair share of the responsibility to help those less fortunate than themselves.

- Australians are extraordinarily generous to those who are less fortunate in developing countries
 - Each year Australians give about \$800 million in private donations to non-government international aid organisations.
 - We saw this in the Australian public’s response to the 2004 Indian Ocean tsunami, following the Haiti earthquake and most recently in the response to the Queensland floods.

- According to the World Giving Index, Australia and New Zealand rank equal first among 153 countries as the most “giving” countries in the world.
- We know from our own research and from polling done by the Lowy Institute that Australians generally support government funding for overseas aid.
- The moral case for aid is strong and widely accepted, but of course not universally so.
- While most Australians accept the moral and humanitarian case for aid they also want to know the public funds that are given to AusAID and other agencies implementing the aid program are being delivered effectively and efficiently and in line with Australia’s national interests - including our humanitarian interest in reducing poverty and promoting prosperity and stability.

National interests

- There are other, equally compelling reasons why Australia should provide aid – and these involve our national interests.
- Eighteen out of twenty of Australia’s closest neighbours are developing countries and in some cases particularly fragile and vulnerable ones. This places Australia in a unique position for a developed donor country.
- Of the 49 least-developed countries in the world, fifteen are in our immediate or wider region – including countries as diverse as Kiribati, Solomon Islands, East Timor, Bangladesh and Afghanistan.
- What happens in these countries can affect Australians very directly, for example as a result of instability, irregular migration, the spread of infectious diseases and fiscal crises.
- The aid program is an increasingly important element in the Government’s foreign and security strategies to address these issues.

- In a country like Afghanistan, aid is an essential element in current efforts to help the Afghan government stabilise the country and achieve long term stability and prosperity through more effective and inclusive government.
- In Pakistan where we have doubled our program, the population will increase by 40 million over the next ten years. It is projected that 3.7 million school age children will be out of school by 2015. Economic growth has been massively impacted by last year's catastrophic floods.
- In Sri Lanka after decades of conflict a key element of future stability will be the successful integration of people affected by conflict back into their communities and the generation of economic growth. Australia's aid to Sri Lanka has also doubled over the past two years.
- Our region also includes some of the world's most prospective emerging economies. These economies still face enormous development challenges but with appropriate assistance they are becoming increasingly important trading partners and drivers of regional and global growth.
- Indonesia has made very good progress in many areas of development and is our largest development partner. Although now classified as a middle income country around 30 million people still live in poverty and around 200 million people live on around \$2 per day.
- By working in close partnership with the Indonesian government we are making a real contribution to reduce poverty, lift education standards, improve infrastructure and promote better governance. A prosperous and successful Indonesia is demonstrably in Australia's broad national interest from a humanitarian, economic and national security perspective.

- In short, by helping developing countries achieve sustainable and inclusive economic growth Australia is acting in line with its own national interests in promoting regional and international peace and prosperity,

Aid is only one ingredient

- While aid is an essential ingredient for development, it is not sufficient in itself.
 - Stability and security are a pre-requisite to development, but equally important is the adoption by partner governments of appropriate public policies – and the political commitment to implement them.

2. Achievements of the aid program

Setting targets

- Clearly, giving aid is only in the national interests if it actually works.
 - And to know whether aid works, we have to have a clear view of what it is we are trying to achieve.
- At the United Nation's Summit in New York in September last year Foreign Minister Rudd re-affirmed the Government's support for the Millennium Development Goals.
 - As Mr Rudd has said, "the MDGs are our best hope, and remain so, for ensuring the forces of globalisation are inclusive for all our human family, not just part of it".
- In some areas progress against the MDGs has been good. Hundreds of millions of people have been lifted out poverty:
 - Despite recent economic setbacks we are on track to reduce global poverty from 1.8 billion in 1990 to 0.9 billion in 2015.

- Three million less children are dying before their fifth birthday each year and forty million more children are going to school.
- And there has been important progress in access to safe water, in vaccination coverage and in the prevention and treatment of HIV/AIDS, malaria and tuberculosis.
- However, there is bad news in other areas:
 - The world as a whole is still falling short in a number of areas, including maternal health, child nutrition, gender equality, and access to sanitation services;
 - Sub-Saharan Africa and South Asia are faring badly and some of our Pacific neighbours have seen little improvement since 1990.
- The MDGs are strongly reflected in the structure of Australia's aid program.
 - Australia is investing heavily in education, health, water and sanitation, rural development and the environment, as well as in other areas that underpin MDG achievement like good governance, economic infrastructure and peace-building.
 - Between now and 2015 Australia expects to contribute around \$5 billion to education, \$1.6 billion to women's and child health, \$1.8 billion to food security and \$1.2 billion for action on climate change in developing countries.
- In New York Mr Rudd noted the particular needs of the world's 49 Least Developed Countries and committed to increase assistance to these countries to 0.15 per cent of GNI.

Achievements

- Delivering aid effectively is difficult and to achieve sustainable changes a long term perspective is required. Expectations of quick results are not usually realistic.

- But the Australian Government's investment in the aid program is paying dividends. We are achieving results which are affecting the lives of ordinary people. I will mention a few:
 - primary school enrolments have increased from 53 to 64 per cent in PNG since 2007;
 - last year we helped immunise 900,000 children in PNG, covering over 95 per cent of children in six provinces;
 - in partnership with the Solomon Islands Government we have seen a 59 percent decrease in the incidence of malaria over the past five years;
 - in Indonesia we have built 2,000 schools in poor areas in Indonesia, creating places for 330,000 children over the last 5 five years;
 - in Cambodia, our support for maternal health has seen the number of women being attended by trained birthing assistants increase from 58 per cent in 2008 to 63 per cent in 2009;
 - Afghanistan has one of the world's highest maternal mortality rates. In Uruzgan province, we have helped to increase the number of women who give birth in a hospital or health clinic from 2.5 per cent to more than 11 per cent; and
 - last financial year we provided life saving assistance in response to over 30 humanitarian emergencies.

3. Challenges to Improve Aid Effectiveness

- The Australian Government is committed to demonstrating to the public that the aid program is achieving real impacts and that aid is delivered in the most effective and efficient way possible.

Effectiveness review

- As you know, in November Mr Rudd announced the first independent review of the Australian since 1996.

- In launching the review Mr Rudd made the point that the aid program “is doing good work for Australia” but that “its important to keep such a significant investment of taxpayers’ dollars under continuing review”.
 - He said “we have the mechanisms to do that but every now and then you need to stop and say ... what’s the policy framework, are the programs in place best designed to give effect to the policy in terms of poverty reduction...”
 - In other words, his aim with the review is to make a good program even better.
- Ensuring that appropriate policies and programs are in place before embarking on a further expansion of the aid program is simply good public policy.

Existing reform program

- A doubling of the aid program from \$4 to \$8 billion will be a challenging task. Business as usual is not an option for AusAID if it is to manage this expansion successfully.
 - We know that changes will be required to the way we deliver the aid program and that AusAID as an aid delivery agency needs to be strengthened. The aid program has already changed dramatically in many areas in terms of how and where we deliver our assistance. Afghanistan in our fastest growing post in terms of AusAID officers overseas.
- The current review of aid effectiveness will build on reforms already under way to improve aid effectiveness and demonstrate value for money to the Australian taxpayer.

Changes to program delivery

- We know that part of delivering a more effective aid program is to shift the relationship with partner countries from that of donor to recipient to one based on policy dialogue and shared commitment to development goals.

- In the Pacific, Australia has been doing this by developing a new approach to aid delivery through the Pacific Partnerships for Development – which have now been concluded with 11 countries.
- These partnerships are based on mutual accountability and responsibility.
 - Each of the partnerships contain schedules which identify specific measurable outcomes in areas such as health and education. This improves the accountability for results of both AusAID and partner governments.
 - The partnerships will not be a silver bullet but after one year they are showing some promise of delivering better results in some of our partners.
- At a regional level we are working to produce better results by working with partners to implement the Cairns Compact on Strengthening Development Coordination.
- While there have been some attempts at improved donor coordination the Cairns Compact is the first owned and driven by the PIF and accepted by almost all donors.
- Last year an independent review of Australian aid to Papua New Guinea was completed.
 - Australian and PNG ministers have agreed to implement its recommendations, which commit both governments to effectively addressing PNG's long-term development needs;
 - Including that the aid program to PNG should target a narrower set of priority areas critical to PNG's economic and social development.

New Partnerships

- Increased cooperation with other bilateral donor agencies is reducing duplication of effort and improving aid effectiveness.
 - We are strengthening our cooperation arrangements with New Zealand in the Pacific. We now have formal partnership arrangements with the United Kingdom, Germany, the European Union and, most recently, the United States
 - through these arrangements we are building on the comparative advantage of donors and reducing transaction costs for partner governments
- We are also strengthening our engagement with multilateral organisations and NGO partners. Over the last two years we have signed:
 - Multi-year strategic partnership agreements with nine UN agencies, including the World Food Programme, UNDP and UNICEF which increase Australia's core funding ; and
 - and we have begun discussions with the World Bank on a formal partnership agreement recognising our increased cooperation in the Asia-Pacific and globally
- These new arrangements are not just funding agreements but commit AusAID and its partners to stronger policy dialogue and closer collaboration.
- The key part of this policy dialogue is how Australia can influence multilateral and regional organisations to adopt a more results focus to their programs and improve outcomes.
- As the aid program increases, our contributions to multilateral development assistance agencies development banks will also increase. We will play a more prominent role in international development policy debates and efforts to improve aid effectiveness.

- We have also strengthened our cooperation with Australia's non-government organisations through new partnership arrangements with the Australian Council for International Development and our five largest Australian NGO partners.
- The non-government sector has an increasingly important role in both the implementation of Australia's aid program and the policy dialogue on its priorities and approach. The NGO sector has a unique capability to deliver effective aid, particularly at the community level, and brings important and often different perspectives to policy debates.

New ways of doing business

- In order to increase the effectiveness of the growing aid program AusAID is changing the way it does business.
- Our business model has been changing rapidly over the past decade. The old model of delivering the program through managing contractors working with or in parallel with the partner government is diminishing in importance.
- The proportion of aid delivered through commercial contractors has fallen from 41 per cent in 2006 to 22 per cent in 2010.
- We are increasing the use of partner governments for program delivery where that is appropriate and possible,
 - we are working through and with regional and multilateral agencies,
 - and, we are increasing our funding to non-government organisations.
- As we move to higher volumes of aid we will need to shift towards delivering larger, more strategic activities – reducing the inefficiencies associated with smaller fragmented interventions.

- AusAID has also adopted a more open approach to the development of its country strategies to ensure greater whole of government and stakeholder consultation.
 - This will ensure that strategies reflect a clearer understanding of our partners' challenges, Australia's national interests and our comparative advantages in providing assistance.

Adviser and contracting reviews

- A well publicised change to our approach to aid delivery has been the government's decision to review the use of technical advisers in our programs and shift our focus to other forms of aid delivery.
 - We have decided to phase out one-third of the positions in Papua New Guinea over two years. That means savings of about \$40 million which will be redirected to health and education.
 - In East Timor we'll also phase out one-third of positions, with the money saved going towards rural development and other priorities.
- A standardised remuneration framework for advisers, benchmarked against other donors, has been developed.
- I do not want to discount the benefits of the judicious use of advisers.
 - In September last year, for example, the Prime Minister of Vanuatu wrote to me highlighting the crucial contribution that advisers in the legal and infrastructure sectors had made in that country.
 - But when we used advisers we must be confident they are the most effective option for addressing a development issue and that they provide value for money.
- In December we commenced a review of the way we make and administer contracts and other agreements to ensure our procurement process provide value for money.

Managing Risk

- As the aid program grows we remain committed to high standards of public administration – this is essential if we are to maximise the return on our aid investments and maintain public confidence.
- But aid delivery has risks. We operate in countries that do not have strong and transparent systems of governance and where corruption is often rife.
 - We take great care to manage these risks and take a zero tolerance approach to fraud. We vigorously investigate all reports of fraud and have comprehensive risk and fraud management plans.
- Of course, there will be cases of fraud – estimated potential fraud losses in 2009-10 equated to about \$850,000.
 - at 0.028 per cent of AusAID’s annual administrative expenditure (around \$3 billion) its a small fraction of the aid budget;
 - and we are working hard to reduce it further.
- Beyond financial risk there is of course considerable risk in implementing programs successfully in many developing countries. While these are a small minority of cases it is a reality that in some cases aid will not produce the desired outcome.

Agency change

- As part of our efforts to improve the effectiveness of our programs, AusAID is implementing internal reforms to strengthen the agency’s capacity to manage a growing aid program.
- AusAID was established as an executive agency under the Australian Public Service Act in July 2010. This change provided the opportunity to strengthen the senior management capacity of the agency.
 - As Director General I now report directly to the Foreign Minister.

- A new layer of senior management has been put in place, with particular emphasis placed on improving key corporate management areas. These include budget, finance, audit, procurement and program management.
 - AusAID's Audit Committee has been strengthened by the appointment of an independent chair.
 - AusAID has also undertaken reforms to improve financial management policies and practices.
- We are also examining the skill sets of our staff.
 - Increasingly AusAID will need staff with a deeper understanding of partner government systems and policies – how they allocate and transfer funds for service delivery.
 - This requires greater expertise in areas such as economics and public financial management.

4. Increased transparency

- As the aid program grows it will inevitably be the subject of much greater public scrutiny.
 - We have seen more media coverage of the aid program in the last twelve months than in any year previously.
 - This is a good thing. It is important that the public is able to access credible information on what we are achieving, where we are failing and what we are doing to improve our performance.
- Of course, AusAID as a government agency is already subject to the full range of public sector accountability mechanisms.
 - biannual audits by the Australian National Audit Office which are tabled in parliament.
 - a range of parliamentary processes, in particular Senate Estimates.

- But our commitment to evaluating our performance and identifying where can improve also includes:
 - participating in four yearly reviews by the OECD with a public report as well as mid-term reviews every two years by that organisation
 - and issuing public reports on the evaluations of our programs and policies conducted by Development Effectiveness including the Annual Report on Development Effectiveness.
 - ODE reports often contain very frank assessments of our performance and are a critical element of our efforts to improve the outcomes we achieve.

- ODE's role is recognised internationally as good practice and we are in the process of strengthening this role further, including by publishing in advance a schedule of planned evaluations.

- In the past year we have also issued an independent report on our program in PNG, issued a review of the PNG University sector and enhanced our consultation with NGOs and the broader community.
 - is worth noting that the ANAO's 2009-10 audit of our management of the aid program found that "since 2005 AusAID has managed the expansion of the aid program in a way that supports delivery of effective aid."

- Improving the transparency of how Australian aid is being used is about more than just evaluation. The government is committed to making more information about the aid program available on our website and through our dialogue with partners and stakeholders.

- One of the unique features of the aid program in Australian public policy is that we deliver the vast majority of our programs in foreign countries to citizens of foreign countries, not Australians.

- That means we must do more than domestically focused agencies to make clear our objectives, demonstrate our performance against those objectives, be frank about our failures, and explain the measures we are taking to improve our performance.

Conclusion

- One of the great benefits of the effectiveness review has been the impetus it has given for events like today.
- There has not been sufficient substantive public debate on the future of the Australian aid program and what can be done to improve its effectiveness and efficiency.
 - AusAID is committed to delivering a better Australian aid program and we welcome new ideas and approaches.
 - If there are things we can learn that will improve the delivery of our aid, then we want to hear about them.
- I would like to thank the Crawford School for convening today's conference and I look forward to a robust exchange of ideas.

Thank you.

4554words (25-30 minutes)