Introduction

I am a natural resource economist/consultant. I have worked in international development assistance (IDA) since 1973 and full time since 1980. I have worked in 43 developing countries, in Asia, the Pacific and Africa. I have worked on 160 projects and studies of which 23 were for AusAID – the Australian Agency for International Development, the most recent in 2013. I commenced working as a consultant to Asian Development Bank in 1982 and have mainly worked for the Bank since then.

1 Merging of AusAID into DFAT

While the closer integration of aid into foreign affairs has some positive elements, most of the results of integration were negative. Some problems are being addressed, while others remain unresolved. Detailed analysis of the merger outcomes are summarised in several reports, particularly Richard Moore’s detailed review. The merger was conducted with no prior analysis and without consultation, particularly with AusAID. In retrospect, a far more carefully planned and implemented merger may have produced much better outcomes. While it is not possible to be conclusive – it is considered that retaining an integrated structure for the development assistance program would have been far preferable.

Recommendation: Any future major change in the structure of Australia’s development assistance program should be preceded by detailed analysis and discussion with key stakeholders. Conduct of a detailed inquiry should be considered, and the public requested to make submissions. Major ad hoc changes (as in 2013) should not be made.

2 ODA as Proportion of Australia’s Gross National Income (GNI)

Official Development Assistance (ODA) can be defined as financial aid given by governments and other agencies to support the economic, environmental, social, and political development of developing countries. It excludes military aid and peacekeeping.

In the past, Australia was a moderately generous contributor to international development. In 1974/75, we contributed almost 0.5% of our gross national income (GNI) to ODA. However, by 2018/19, this had fallen to 0.22% of GNI – a decline of 53%.

The United Nations set an ODA target of 0.7% of GNI for developed countries under a UN resolution on 24 October 1970. Australia is currently achieving only 31% of this level, a pathetic performance for one of the richest countries in the world. But at least we are doing better than America, which only allocates 0.15% of GNI to ODA. However, Americans are far more generous than other countries on a personal basis, contributing more than the national aid budget as individuals and through NGOs such as the Gates Foundation. It is noted that the UK has set in law a contribution of 0.7% of GNI to ODA, while the Scandinavian countries are achieving between 0.76% and 1.36%.

A recent study concluded that every dollar spent by Australia on ODA resulted in exports of $7.1. While the relationship is not necessarily linear, the study does show that the Australian economy and industry benefit substantially from the aid program.

It is noted that Australia has wide experience in ODA, with skilled individuals, firms and NGOs that can implement aid projects and programs effectively. Provided that management in DFAT

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3 Matthew Dorman and Sabit Otor (2017) How does Australian foreign aid impact Australian exports?
is effective, there seems to be no reason why a much larger ODA program could not be implemented, with potentially immense benefits to the poor in regional countries.

**Recommendation:** Australia should follow the UK example and UN recommendation and sets its target contribution to ODA of 0.7% of GNI, to be achieved by around 2030. The percentage could be increased more or less linearly between 2021 and 2030.

3 Structure of ODA in DFAT

AusAID was established in 1974 as a department within the Ministry of Foreign Affairs. As such it had considerable autonomy for delivering the aid budget and staffing. It split from DFAT and became an executive agency under the Labor government in July 2010. This was reversed in November 2013, following a decision of the Abbott coalition government, which integrated its work into the Department of Foreign Affairs and Trade, where it remains in 2020.

Attempting to integrate the various branches and functions of AusAID into the DFAT structure was always going to be difficult, and in practice resulted in (i) disillusionment of many staff, (ii) destroying the structure and many of the internal linkages of AusAID and (iii) making the aid program less effective. In retrospect this is considered to have been a significant error, compared to retaining something like the pre-existing AusAID structure, eg, by adding a new division to DFAT. No positive outcomes can be easily identified.

Canada’s CIDA was integrated into its Department of Foreign Affairs also in 2013 which was renamed the Department of Foreign Affairs, Trade and Development. The structure of CIDA was largely retained in the new system, quite unlike the dismemberment of AusAID that took place during the merger with DFAT.

3.1 Stakeholder Surveys

Australian Aid stakeholder surveys have been conducted in 2013, 2015 and 2018. The 2018 survey\(^4\) reported some positive outcomes compared to 2015. However 2018 outcomes were still negative compared to 2013, particularly in relation to the number of respondents considering the aid program to be improving (17% compared to 78%) and a reduction in those perceiving aid to be effective (66% compared to 70%). Though some positive outcomes were noted, a number of key aspects remain strongly negative – particularly the expansion of contracting through facilities and the aid for trade program. A majority of respondents think that facilities are reducing the effectiveness of Australian aid. A bigger majority thinks that they are adding to transaction costs. The survey reports that 67% of respondents in 2018 considered that the aid program focused on advancing Australia’s interests (rather than supporting development) compared to 52% in 2013. In 2018 only 33% viewed the program as development focused. While there are many negatives in the 2018 survey, there are significant improvements in most areas compared to 2015, which is encouraging.

A major independent review of Australian aid effectiveness was undertaken in 2011. This produced 39 recommendations, almost all of which remain relevant in 2020.\(^5\)

3.2 Skills in DFAT

Because most (or all) development projects are contracted out, the skills of DFAT staff in relation to development assistance are often rather limited. When I used to undertake consultancies for AusAID prior to 2013, I noticed a similar trend emerging. How this can be resolved is uncertain, but must involve addressing staff recruitment, promotion and training.

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activities and also their integration into the development program. The integrated aid structure within DFAT suggested below would assist in promoting capacity.

**Recommendations:**
The structure of the development assistance program within DFAT should be changed to an integrated system. Consider the establishment of a new division within DFAT with responsibility for all or most Australian ODA under the Minister for International Development. Remove the words “and the Pacific” from his/her title. Also rename the Minister for Foreign Affairs, the Minister for Foreign Affairs and International Development.

DFAT should be renamed the Department of Foreign Affairs, International Development and Trade\(^6\) (or something similar). It is expected that such a structure would make aid-related employment more attractive and reduce the difficulty reported in filling positions as suggested by a respondent to a recent survey (reported in Richard Moore-2018).

Develop programs to improve staff knowledge of development assistance and their capacity to design and supervise programs.

Refocus the program on development – Australia is rich enough that it does not have to use its aid program to support its business interests.

The 39 recommendations of the 2011 review should be reviewed and those considered relevant to the current and future aid program implemented in the near future.

4  **Climate Change**

“In 2019–20, Australia will invest $200 million to support the Government’s five-year, $1 billion commitment to addressing climate change to support developing countries’ climate actions, to build climate resilience and reduce emissions.”\(^7\)

**Recommendation:** Given the enormous potential impact of sea level rise on S and SE Asia and the Pacific region, expenditure on climate change mitigation should be greatly increased to assist countries reduce dependence on hydrocarbons, and increase renewable energy production, including construction of micro-grids to support small rural communities. Projects to address issues likely to result from sea level rise should also be supported.

5  **Aid Balance**

Australia’s aid focus seems to be shifting towards the Pacific region. While this can be viewed as positive, to assist in counteracting Chinese influence in the region, it is considered that a more balanced approach is desirable, providing more support to the poor and disadvantaged in SE and S Asia.

The population of the Pacific islands is small, with the 22 islands and island groups (excepting PNG) having a total population of around 3.5 million. This can be compared with 72 million in Tamil Nadu and 33 million in Kerala, the southernmost states of India. It is noted also that India’s GNI averages around $2000 per person, similar to the poorer countries of the Pacific, with PNG averaging $2600 and Fiji $6000.

In 2018/19 Australia contributed $1.9 billion to multilateral organizations, or 43% of the total aid budget\(^8\). This represents an increase from 34% in 2013/14 (Moore 2019). While this represents a good use of funds and greatly simplifies DFAT’s fund management, it may well be


\(^8\) DFAT (2019) Australia’s Official development assistance - Statistical Summary, 2018–19
preferable if ways to use more funds on development assistance projects and programs managed by DFAT can be identified.

**Recommendations**

In principle, a maximum should be set for multilateral organization support, of the order of 35% of total expenditure.

Increase the capacity in DFAT to directly manage projects and programs, possibly requiring a return to an integrated management structure for development assistance.

Australia’s aid program should focus more on assisting the poor and needy in South Asia as well as the Pacific. It should also renew support to the poorer countries of Central Asia (Afghanistan, Kyrgyzstan and Tajikistan – all of which have average GDPs per person of less than US$1300). If this step is undertaken, consider reducing support to the Middle East and Africa, currently over $300 million per year.

Undertake strategic planning at the whole of country level, similar to the approach used by ADB9, with a focus on assisting countries to meet the 17 UN sustainable development goals. It is noted that DFAT does now estimate the extent of contribution to the SDGs commencing in the 2017-18 Statistical Summary.

6 **Accessibility of data**

While putting this paper together, I spent considerable time trying to assemble data on Australia’s ODA program. In 2013, under AusAID, the data were quite easy to download. However more recent data, though available, take much effort to obtain.

For example, taking Australia’s ODA Statistical Summary 2018-19, Table 1 provides data for two years, but no long-term trend in ODA, meaning that at least every second year needs to be downloaded. It is however, recognised that the 28 tables in the 2018/19 report do provide substantial and useful information on the Australian aid program.

Numerous reports have been prepared assessing the overall Australian development assistance program, all containing valuable lessons and recommendations. However, these are also difficult to find, though many are located in different parts of the DFAT web page.

**Recommendations:**

That additional tables are added to DFAT’s annual report summarising ODA over the period 2010 to date, in both current and real dollar values, with the relationship between ODA and GNI defined for the same period.

DFAT should develop an on-line library of all development assistance related reports and publications, and make it much more easily accessible to the public. It should include reports prepared by and for DFAT and relevant reports prepared by independent authors.

7 **2018 Inquiry**

In March 2018, an “Inquiry into the strategic effectiveness and outcomes of Australia’s aid program” was initiated and received submissions from the public and local and foreign organizations. The inquiry lapsed when the Joint Standing Committee on Foreign Affairs, Defence and Trade ceased to exist at the dissolution of the House of Representatives on 11 April 2019 prior to the May election. Substantial work was undertaken by the committee and those making submissions. No reason is easily available on why the committee could not

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9 ADB aligns its assistance strategies and operations with the development plans and poverty reduction strategies of its developing member countries. [https://www.adb.org/publications/series/country-diagnostic-studies](https://www.adb.org/publications/series/country-diagnostic-studies)
continue or be reconstituted after the election. It is implied by the request for submissions to the current proposed Inquiry that submissions made to the 2018 Inquiry can be relodge.

**Recommendation:** All who made submissions to the 2018 Inquiry should be invited to resubmit their papers with any changes they seek to make (if this has not already been done). They should be given at least a month to lodge their submissions if needed.

### 8 Innovation

DFAT published its Innovation Strategy 2018-21 presumably in 2018, though the document does not include a publication date. It states that “DFAT has applied innovation to foreign affairs, trade, and development activity for some time. Innovative work accelerated in 2015 with the development of the first DFAT Innovation Strategy, and the launch of the innovationXchange (iXc)”.

The Australian Aid Budget at a Glance (2019–20) indicates budgeted expenditure on the Innovation Fund of $35 million in 2018/19 and $11 million in 2019/20. The published strategy gives little specific information on how it will be applied to the development assistance program.

Innovation is perhaps relevant to some aspects of DFAT’s work – for example the case studies mentioned in the strategy. However, it has limited connection to the development assistance program. Innovation seems more relevant to the middle and higher classes and to industry rather than subsistence production or unskilled labour. It may in fact reduce unskilled employment opportunities.

**Recommendation:** While innovation is good in principle, it is considered that we already know enough about assisting the poor and needy, and thus a focus on innovation may not be needed and may use funds that could be better applied to direct assistance.

### 9 Evaluation

DFAT has a good record of conducting project and program evaluations. In total, 45 evaluations were completed in 2018, on which a management response was provided on 41. This demonstrates improved accountability and transparency of the aid program since the introduction of an updated aid evaluation policy in 2016. Prior to the 2016 aid evaluation policy, 38% of completed evaluations were published and only half of these included a management response. The management response explains whether management agrees in full or in part with the evaluation’s recommendations.

DFAT’s 2018 Aid Evaluation Plan Outcome was reviewed. It provides a full listing of the evaluations and reviews carried out during the year. The greatest proportion of evaluations appear to be mid-term reviews.

**Recommendations:** It is suggested that strategic, mid-term and end of project evaluations are separated in published documents. Mid-term evaluations may be better termed reviews, since their main aim is to look forward and improve design/implementation.

The frequency of mid-term evaluations/reviews could maybe be reduced (though it is not immediately clear how many mid-term reviews each project receives). The DFAT system could be compared to the ADB’s, though the latter now conducts few end-of-project evaluations, having moved instead to later and more evaluative completion reports, which are reviewed and validated by Independent Evaluation Department.

**JR Cook** 26 January 2020