

Policy Document

Australian Foreign Aid

Background

The Australian Medical Students' Association (AMSA) is the peak representative body for medical students in Australia. AMSA believes that all communities have the right to the best attainable health. As such, AMSA advocates on issues which affect local, national and global health outcomes.

Quantity of Foreign Aid

Since 1970, Australia has committed itself to progressively increasing its foreign aid contributions to 0.7% of its Gross National Income (GNI) at various international meetings [1]. Whilst this target was originally set to be reached in the mid 1970s, Australia, like many other developed countries, has failed to reach its target.

In 1970, the UN General Assembly made it a goal that "each economically advanced country will progressively increase its official development assistance to the developing countries and will exert its best efforts to reach a minimum net amount of 0.7% of its gross national product at market prices by the middle of the decade." [1]

This amount was deduced by considering work by 1969 Nobel Prize for Economics winner Jan Tinbergen, who estimated that developing economies required a capital inflow of 0.75% of Gross National Product (GNP) to achieve desirable growth rates. This was considered alongside a 1969 report written by the Pearson Commission which was appointed by the World Bank President in 1969 recommending that a minimum target of 0.7% of GNP should be set for official development aid (ODA) to come to the 0.7% of GNP goal set by the UN General Assembly in 1970 [2,3].

In 2000, all 189 members of the United Nations affirmed their commitment to the Millennium Development Goals [4]. These 8 targets are aimed at eradicating extreme poverty by 2015, and recognise the relationship between education, employment and health. Australia, along with other developed countries, again reaffirmed its commitment to increasing its contribution to foreign aid to 0.7% of its GNI in order to achieve these goals [5].

In 2007, both major political parties made a bipartisan agreement to lift Australia's aid expenditure to 0.5% of its GNI, and the Federal Government at the time committed to achieving this target by 2015 [6]. However, successive budgets for 2012-13 and 2013-14 have delayed this target to 2017-18 [7]. During

the 2015 election neither party made any commitment to the aforementioned 0.5% target [8]. In the 2016-17 budget, a further \$224 million was cut from official development assistance, leaving \$3.847 billion allocated to foreign aid, 0.23% of GNI. This is the first time that Australia's aid budget has been cut four times successively and as a result of the latest cuts, aid expenditure is the lowest it has ever been as seen by graph below [9]. For 2017-18 the Australian Government forecast an expenditure of \$3.448 billion on foreign aid, which is 0.22% of the projected GNI [10].

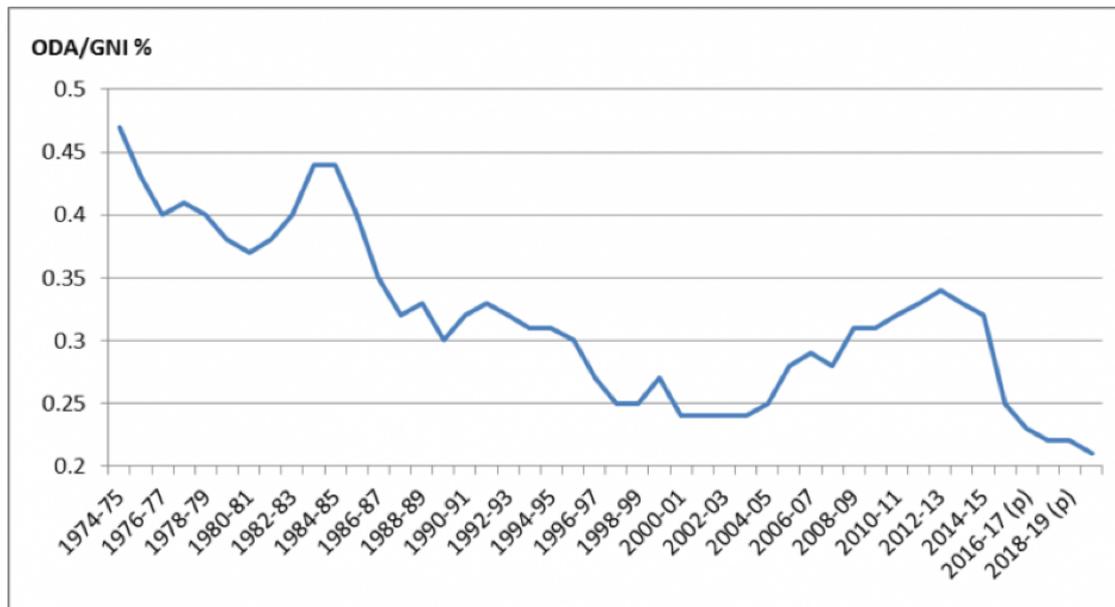


Figure 1: Australian Aid Expenditure as a Proportion of GNI [11]

The Current Status of Australian Foreign Aid

Currently, 90% of our country-attributable aid is given to countries in the Indo-Pacific region. These funds are used to support various projects that promote development and self-sustenance within the recipient country. In 2016-17 there will also be an effort to shift the nature of Australian foreign aid to promote an 'economic partnership' with some recipients, which will support economic and human development toward independence.

DFAT's health expenditure strategy for 2015 – 2020 is targeted at the Southeast Asia and Pacific region, as this region poses a large risk to emerging infectious disease and global disease spread due to the higher mortality rate from chronic disease in low and middle income areas and the little recorded improvement in sanitation practices in this region [12]. Such countries include Indonesia and Papua New Guinea, in which DFAT coordinates with international governmental and non-profit organisations to provide access to and improve healthcare practice and management [13, 14]. Health expenditure of the Australian Aid program is targeted at the three areas identified as crucial for population health improvement: Water, Sanitation and Hygiene (WASH). Minor investments for the minimisation of premature death include education and environment [12].

An estimated \$473.3 million of the foreign aid budget is allocated for expenditure in developing core public health systems, combatting health threats across

borders, increasing the efficacy of global health responses, and improving nutrition, access to clean water, sanitation and hygiene [15].

Some funding does appear to go towards 'border protection', especially in the Asia-Pacific region. The 2016-17 Foreign Aid budget mentions involvement of the Department of Immigration and Border Protection (DIBP) in providing \$3.3 million to help countries develop a border protection program. It is unclear, however, whether this funding and support by the DIBP is more beneficial for the recipient country or Australia [8]. Further, there are questions of whether foreign aid is promised to countries in exchange for support of 'border protection' and asylum seeker and refugee processing [16].

Effectiveness of Foreign Aid

Initially AusAID operated as an executive agency and had autonomous control of 84% of Australia's aid program. Previously, the agency reported to the Minister for Foreign Affairs but a Minister for International Development was appointed to directly oversee its operation, increasing the agency's autonomy. In 2013 under the Coalition Government, Tony Abbott announced that AusAID was to be incorporated into the Department of Foreign Affairs and Trade (DFAT) to 'enable the aid and diplomatic arms of Australia's international policy agenda to be more closely aligned' [17].

In 2009, the Australian government commissioned an independent review of its aid expenditure [18]. This followed international efforts and commitments from donor countries to coordinate their aid expenditure and align donor programs with recipient government priorities [19, 20]. In 2011, the findings of this review were reported, with a blueprint for Australia to improve the effectiveness of its aid expenditure. However, a key element of this plan was to reach the 0.5% target by 2015-2016, which was immediately deferred in successive budgets.

In order to evaluate the performance and efficacy of Australian foreign aid, the Australian government has designed a new performance framework for Aid programs. Progress is reviewed yearly and reported publicly in the Performance of Australian Aid report. The assessments made in this report will contribute to the allocation of the annual budget and will be verified by the Office of Development Effectiveness, under the direct supervision of the Independent Evaluation Committee within DFAT [21].

Recent studies show that when aid is unpredictable and volatile, its value is reduced by 15-20% [22]. Further, the lack of aid predictability is regarded by recipient governments as an obstacle to effective planning [23]. By providing and abiding to three to five year plans, the World Bank suggests that donor countries can improve medium-term predictability of aid expenditure and assist recipient governments [24].

Philosophy and Purpose of Foreign Aid

As described by the independent aid review of 2011, the fundamental motive of Australia's Foreign Aid program is 'because Australians are a decent and caring

people' [25]. The essential focus of aid is poverty reduction, with a 'people focussed' outlook [25]. National interest is a secondary consideration in foreign aid. This is pursued through two means: intrinsically, as Australia 'has a strong national interest in a world with less poverty', and through the use of certain foreign aid locations or projects, to advance specific interests [25]. Crucially, the primary emphasis of aid is poverty reduction, however, concurrently addressing the national interest is to be expected.

Poverty reduction currently focuses on providing better women's education and health, and emphasising development in the private sector and human development [14]. Such areas focus on skill development and education in these low to middle income areas, which can encourage employment opportunities, small and local business expansion and promote women's contribution to business [14]. While poverty reduction is an important goal in itself, the economic growth of developing nations is in the best interests of Australia, particularly as it translates to increased opportunities for trade [26]. Foreign aid assists in forming connections and building trust with developing nation recipients, and increases the profile of Australia on the world stage as a wealthy developed nation [26].

The opinion of the independent aid review mirrors current public opinion. Current analysis on public polling regarding foreign aid found that a clear majority of Australians have a positive opinion towards aid [27]. Additionally, a similarly large majority believes the primary motivation behind aid should be humanitarian, as opposed to political [27].

Position Statement

AMSA believes that Australia should uphold its responsibility to reach the aspirational target of contributing 0.7% of its GNI to foreign aid, and is disappointed in the lack of action towards this target. However, taking into consideration the current political climate, and the position of the major parties, we believe that pushing for a realistic, pragmatic and achievable target while staying true to our principles is reasonable. Accordingly, the government should increase its current aid expenditure by recommitting to the 2013 pledge to allocate 0.5% of GNI to foreign aid, and create a definite timeline towards this goal to increase predictability, sustainability, and therefore quantity and quality, of aid.

AMSA considers that the objective of foreign aid itself should enshrine the crucial goal to reduce poverty within the recipient region, with the advancement of Australia's national interests a reasonable secondary objective, as long as the core humanitarian motivations are not sacrificed.

Policy

AMSA calls upon the Australian Government to:

1. Increase its foreign aid expenditure to 0.5% of GNI;
 - a. A timeline should be developed for the attainment of this goal;
 - b. The ultimate target of 0.7% of GNI should not be disregarded;
 - c. On the condition that increased funding to foreign aid does not disproportionately affect vulnerable Australians.
2. Ensure the primary objective of Australian aid is to help people overcome poverty;
 - a. This comprises people in humanitarian crises, chronic poverty, and sustainable economic and social development aimed at alleviating this poverty in the face of war and food and water shortages;
 - b. Given continued funding for asylum seeker and refugee processing from other budget sources, funding from foreign aid should not be redirected for this purpose or be attributed as such;
3. Ensure that a reasonable secondary objective of Australian aid is the advancement of Australia's national interest;
 - a. As a donor country, Australia will be able to enhance its international credibility and to increase its standing as a leader on the global stage;
 - b. It is in Australia's national interest to donate foreign aid, particularly in the Asia-Pacific region, to encourage stability, security and prosperity among its immediate neighbours;
 - c. While the pursuit of Australia's national interest can subsist with the core humanitarian motivations for providing foreign aid, those motivations should not be sacrificed for the objective of fulfilling Australia's diplomatic, trade or security interests;
 - d. Any evaluation of the performance and efficacy of Australia's foreign aid should encompass considerations of the value to recipient countries and should not be primarily influenced by factors concerned with Australia's national interests;
4. In allocating aid to partner countries:
 - a. Respect the leadership of these countries and help strengthen their capacity to exercise it;
 - b. Base its overall support on the development strategies, institutions, procedures and performance reporting frameworks of these partner countries;
 - c. Work with these partner countries, as well as other development actors such as global funds, the private sector and local and international non-government organisations on local and international development goals; and
 - d. Cooperatively work with the partner countries to develop and carry through three to five year plans to increase aid effectiveness and predictability.-

5. Be prepared to accept accountability for development results and maintain transparency in delivery and allocation of foreign aid.

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Policy Details

Name:	Australian Foreign Aid
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