

Joint Standing Committee on Foreign Affairs, Defence and Trade

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

Australian aid makes a vital contribution to improve social, economic and environmental outcomes for our world. We all benefit from a world that is safer, fairer, healthier and more just.

Thanks to the contributions of the Australian people, through their own direct donations and through their taxes, CARE Australia reached 2.4 million people across 24 countries in 2016/17 alone. Australian aid supports CARE Australia's efforts to deliver life-saving development and humanitarian assistance, build respect and resilience across families and communities, and support governments' efforts to serve their people.

We offer perspectives from our organisation's 75 years of experience in delivering humanitarian and development assistance and analysis of wider trends occurring in the Australian aid program. With the right approaches that tackle the systemic causes of these persistent problems, and a commitment to social and environmental justice, Australian aid can be more effective, strategic, and transformative - leading to long-lasting improvements to people's lives.

The Committee has been asked to consider the implementation and efficacy of:

- increased private sector and trade development outcomes;
- increased emphasis on outcomes for women and girls; and
- innovation in Australia's aid program.

This Submission addresses each of these three areas.

1. **(a) 'Aid for trade' that delivers for people: ensure 'aid for trade' investments support fairer economy that meets all people's needs, and helps lift people out of poverty**

CARE recognises the important role the private sector and trade can and should play in shaping better social, economic and environmental outcomes for all. We welcome the Australian Government's efforts to encourage the private sector to engage more strongly with the aid program through the Business Partnership Platform, Investing in Women and Pacific Rise. CARE supports steps to improve transparency in supply chains, for example, by progressing new modern slavery legislation. However, on balance, aid for trade investments have led to uncertain gains.

Aid for trade represents 23.3 per cent of the total aid budget.¹ However, there is little evidence to date, globally or in Australia, of its impact on poverty alleviation.² Illustrative of

¹ Bishop, J and Ciobo, S (Minister for Foreign Affairs and Minister for Trade, Tourism and Investment) 2018, *Aid for Trade Commitment Achieved, media release*, Parliament House, Canberra, 2 May

² Sunder, P and Harwood, M, World Vision. (2017). *Aid for Inclusive Trade: New Thinking for Australia's Aid for Trade Agenda*

this are two significant aid for trade investments in DFAT's Aid Investment Plans for South and South East Asia to improve regional connectivity and trade facilitation. These investments aim to reduce policy restrictions to cross-border trade, yet DFAT's annual program performance report shows little strategic benefit to Australia in terms of regional influence, nor are knock-on contributions to increased market activity identified. On the other hand, DFAT's regional Pacific agricultural market access program does measure changes in income of producers, but is unable to assess whether this has had an impact on poverty. At best, this suggests DFAT may not be effectively targeting or evaluating aid for trade investments, making it difficult to build on results. At worst, it suggests a lack of development outcomes.

To determine the impact of aid for trade investments, **DFAT could conduct a macro-evaluation of the effectiveness of its aid for trade portfolio over the last five years and consider opportunities to target more of these investments towards poverty alleviation objectives.**

Any evaluation should compare the impact of Australia's aid investments for smallholder producers, including women. There is good evidence to show these investments promote poverty alleviation by making markets work for the poor. CARE's work with the coffee industry in Papua New Guinea, funded by DFAT, for example demonstrates how industry and poverty objectives can be achieved while focussing on gender equality – leading to improved quality and yield of coffee, higher incomes and improved participation by women in the industry. There is further potential to integrate aid for trade outcomes in women's economic empowerment – both core objectives of the aid program.

1. **(b) Put purpose into the partnerships: work more strategically with the private sector to achieve better development outcomes for all.**

CARE recognises the potential for the private sector to more deliberately contribute to development outcomes in the Indo-Pacific. Along with other International NGOs in Australia, CARE has been seeking to build partnerships with private sector organisations to leverage aid investments towards stronger development outcomes. The experience of the last four years since the introduction of *Australian aid: promoting prosperity reducing poverty enhancing stability*, with the new focus on private sector engagement, demonstrates that, while there is real interest within some elements of the private sector in Australia to make a contribution, many corporations are not yet confident with development approaches and have not yet recognised the shared value that leveraging aid funding could represent. CARE considers that renewed and sustained attention within the aid program would help build trust in these processes and provide incentives for the private sector to invest in delivering development outcomes along with cost efficiencies, market share and brand recognition.

The Australian Government can help to broker strategic partnerships between corporate Australia and development actors, not just to further capitalise on the aid budget, but also to develop better protections and business practices in global supply chains. The development of modern slavery legislation is a good opportunity, but we would like to see the Government step up its whole-of-government efforts to reduce modern slavery and human rights abuses to capture companies with an annual turnover of more than \$50 million and require comprehensive obligations and incentives for supply chain investigation, reporting and

remediation. **This would require increasing the scope of the draft legislation to ensure companies know whether their first and second tier of suppliers are using unregulated subcontractors or exploiting homeworkers to cut costs.**

The Australian Government is also in an excellent position to use the aid budget to leverage capital markets to expand the reach and impact of the aid program. The Business Partnerships Platform was a good start, but a grants-based call for proposals is not always the best mechanism to unlock the shared value thinking that will scale-up the impact of the program. **More strategic private sector partnerships are likely if aligned with DFAT's long-term aid programs, with clarity about the role of partners and the purpose of the partnerships.** We rarely see incentives for shared value partnerships with the private sector engagement feature strongly in large-scale programs that are being designed or tendered by DFAT. This is a missed opportunity given the long-established partnerships that Australian NGOs have with the private sector to deliver development outcomes.

There is too often an artificial separation of programs based on the mode or type of delivery rather than the design objectives. Grants are managed by the NGO teams that address bottom-up change processes, managing contractors administer consultancy facilities to support government-to-government technical assistance, the InnovationXchange is the main entry point for private sector engagement and UN and development bank funding is managed by the multilateral teams. To be a leading force on aid for trade, the **Australian Government could break down these siloes at the point of program design, including through encouraging consortia-based partnerships**, which have worked effectively for coordinating humanitarian responses, and could be used to greater effect in long-term development programs.

To this end, **the Government should consider program designs that better link top-down and bottom-up approaches**, rather than programming these approaches in isolation of each other. For instance, Australia could dramatically expand its impact if it looked at all the markets and value chains where the aid program currently operates, and mapped the actors that influence at various points in the chain. This would feature a mix of NGOs supporting small-scale producers to access buyers, partnerships with Australian brands and retailers, technical research by the Australian Government and UN agencies, and leveraging advisory facilities to support regulators and national policy settings, all within a gender equality framework. The current approach of tendering out an aid for trade program to a single managing contractor does not support the brokering of these diverse set of, nor does it encourage investment in scalable business models that are already delivering results on the ground.

In taking forward any multi-sector approach, **we recommend DFAT apply the same level of due diligence it applies to NGOs through the ANCP accreditation system to all development partners.**

2. Scale-up efforts to achieve gender equality

We commend the Australian Government's prioritisation of gender equality and women's empowerment in our aid program, and its role in championing women's rights, including

sexual and reproductive rights, globally. We have seen the Government take a leadership role in G20 on closing the gender gap on women's workforce participation and access to finance. The Gender Equality Fund and Pacific Women Shaping Pacific Development have been valuable resources for promoting gender equality and women's empowerment. In addition, the strong signal sent by the Government has inspired agencies across our sector to prioritise gender equality as well.

In order to build on this work, the Australian Government should:

- **Go beyond a focus on women's entrepreneurship** and enterprise development to address the structural barriers to gender equality, including gender-based violence, discriminatory laws or company policies and harmful gender norms. Equality cannot be achieved by only focussing on women working. It must also focus equally on working with men and boys and address injustices that affect people of all genders. The development program needs to become more sophisticated in working simultaneously to help develop women's individual agency, strengthen norms of gender equality in families and communities and build capacity of partner governments and institutions to address structural barriers to equality.
- **Promote a whole of government approach to gender equality** throughout Australia's international engagements. Beyond the aid program, Australia's foreign affairs, defence and trade portfolios are well placed to advance this agenda. This includes championing gender equality and women's rights throughout international fora, undertaking gender analyses to inform decisions around trade agreements, and ensuring diplomatic posts report annually on their work to promote gender equality. Defence could ensure dedicated resources to promote the Women, Peace and Security agenda, support the development of the National Action Plan, and prioritise the integration of gender equality across Australia's security efforts. CARE is pleased to see ACIAR increasingly focussing on gender equality, but more is still needed to ensure consistent emphasis on gender equality across ACIAR's investments.
- **Consistency across all of the Australian Government's efforts internationally** is crucial if Australia is to be seen as a serious partner in addressing the challenge of gender inequality. If our efforts are restricted to core aid programming, particularly in human development, and gender issues are ignored in other aspects of our work, partners will know we are not serious. When many of our allies are taking comprehensive approaches to feminist aid programs or foreign policy, the Australian Government can do significantly better to integrate a gender lens across all our international work.
- DFAT's **Gender Equality Strategy requires attention to gender equality across foreign policy and trade policy as well as development**, but in practice, the first two commitments are yet to be realised. It is important that the commitment to integrate gender equality within foreign policy is taken seriously in all Australia's engagement and that trade policy and trade agreements are informed by comprehensive gender analysis. Trade Agreements should increasingly include provisions on commitments to gender equality and non-discrimination in trade. These are important commitments

by Australia in their own rights, but also influence the seriousness with which partners view our commitment to gender equality in our development program.

- **Raise the bar on the extent to which aid programs are required to integrate gender equality.** This means meeting the commitment that 80 per cent of Australia's development program effectively address gender issues in their implementation *and* set targets for addressing gender issues at inception. Using the OECD gender equality policy marker, we recommend at least 10 per cent of aid programming be coded as a 'principal' investment by 2020, and 15 per cent by 2025. A further 70 per cent should be coded 'significant' by 2020 and 80 per cent by 2025. This should ensure that investments in infrastructure and aid for trade also promote gender equality outcomes.
- DFAT's own assessment of Australia's humanitarian response recommends better **integrating gender equality considerations in emergency preparedness, response and recovery** phases – ensuring that the different needs of women, men, boys and girls are met. CARE's 'gender in emergency' tools, including rapid gender analysis, have been adopted by the IASC as good practice across the sector and we recommend DFAT institutionalise this in the humanitarian portfolio, ensure adequate gender-based budgeting in humanitarian response budgets and take a leadership role in ensuring minimum gender equality commitments are embedded in all humanitarian sectors.
- **Dedicated funding pools are a valuable resource for promoting gender equality.** The Gender Equality Fund and Pacific Women Shaping Pacific Development have been useful and we recommend continuing and expanding these kinds of dedicated gender equality programs. We recommend that the aid program prioritise funding for ending gender-based violence (GBV) across our region, including in Middle Income Countries. The rates of GBV in our region are the highest in the world and affect women in Low and Middle Income countries alike. It is a major barrier to achieving the ambitious gender equality objectives of the aid program. We further recommend establishing a funding target for women's rights organisations: \$15 million by 2020 and \$20 million by 2025. Funding for Family Planning should also increase to \$50 million per year.

3. Integrate mechanisms to scale-up innovation across the aid program

CARE supports the principle of innovation and appreciates the Government's interest in exploring new and better ways to alleviate poverty. We support the Government's interest in developing indigenous to indigenous approaches to development. Innovation thrives with the input of different ideas, experience and knowledge.

We appreciate the support that the InnovationXChange has provided NGOs and social enterprises to incubate new ideas. We think there is a lost opportunity, however, to integrate new business models that the InnovationXchange has incubated into Australia's bilateral and regional programs. **We could achieve greater impact on poverty alleviation if there were more direct linkages to the successful InnovationXchange investments at seed stage to long-term program interventions.** The InnovationXchange could also do more to effectively integrate

gender equality across all its investments – **there is nothing innovative about gender blind programming**, and we are still seeing too much of this.

We welcome the Government’s approach to thinking and working politically, and there are some great examples of how organisations working through bottom up approaches have influenced top down decisions in this way. For instance, after CARE Australia’s 15 years of investing in local level ethnic minority education models (with the help of Australian NGO Cooperation Program funding), we were able to successfully influence the national education ministry in Cambodia to take over delivery and financing of this model in its core education budget.

The proliferation of adviser-heavy, mega-facilities is unfortunately limiting the scope for strategically plugging into these locally driven models. Top-down investments in the aid program, in the form of technical support to government ministries, are important to build influence in an increasingly competitive Indo-Pacific donor market. But there are missed opportunities to connect Australia’s diplomatic relationships and adviser-heavy investments with the strong decentralised governance capacity of NGOs that can influence local government elites with connections to centralised power structures.

Despite having achieved consolidation in the aid program (i.e. fewer, larger investments), Australia’s aid programs are currently not designed with this systemic approach in mind. There are also limitations in the extent that managing contractors can broker these connections given their reliance on project -specific subcontractors and individual consultants to deliver their programs, and lack of legitimacy to influence community level governance structures. With these managing contractor-led approaches constituting 21 per cent of the aid budget in 2016-17,³ there is scope to improve incentives for innovation within this funding.

To better integrate capacity and incentives for innovation in the aid program, we recommend DFAT consider the following options:

- reduce outsourcing of DFAT’s strategic brokering and partnership roles and **re-invest in in-house aid management functions**;
- encourage **systemic solutions, rather than adviser-driven solutions** in DFAT tender documentation;
- encourage program managers to identify **proven business models** that could be replicated or adapted;
- **design programs for impact at scale** through strategic partnerships or other scalable solutions;
- facilitate **partnership brokering and innovative tendering models** to solving development problems through similar mechanisms to the USAID Broad Agency Announcement. This mechanism invites non-profit organisations and companies to come together to find a solution to a development challenge jointly, rather than respond to a prescribed design; ⁴

³ Australian Government, Department of Foreign Affairs and Trade. (2018). *Australia’s Official Development Assistance: Official Sector Statistical Summary, 2016–17*. p.4

⁴ <https://www.usaid.gov/partnership-opportunities/respond-solicitation/baa-process>

- link **past performance** records to investment decisions in the tendering process (currently past performance is not a sufficiently weighted criterion in competitive bidding processes for Australian aid)
- increase weight given to demonstrated **integration of gender equality as a necessary criterion** for successful proposals or bids.

There are also opportunities for DFAT to more effectively influence innovation in multilateral organisation spending, which constitutes 43 per cent of the aid budget.⁵ The Office for Development Effectiveness found in 2015 that despite accounting for just 2.7 per cent of the aid budget, the Australian NGO Cooperation Program delivered almost one-fifth of the results for the Australian Government.⁶ The work of NGOs punches above its weight in terms of value for money to the aid program and aligns well with the commitments the Australian Government has made to strengthening local civil society, promoting human rights and maximising efficiency and quality. **We recommend the same cost-benefit analysis be applied to multilateral agencies relative to the results they report.**

NGOs are critical implementing partners for multilateral agencies that have a normative mandate but are often stretched in their capacity to implement. Many of these arrangements take the form of sub-contracting, and not always considered until too late in the design process after DFAT funding has been allocated. **DFAT could consider joint design processes and incentivise partnership brokering earlier on in the design process before funding is allocated.** This would go a long way to maximising the impact and reach of programs through multilateral mechanisms, the largest channel of funding for Australian aid.

Conclusion

The development challenges facing the Indo-Pacific region are significant. It is increasingly conflict affected and marked by climate change- induced natural disasters. It is a site of considerable geopolitical manoeuvring, which will require integrated, consistent and nuanced responses across all our international efforts, particularly development, foreign policy, trade and defence. And in an increasingly Middle Income region, we are working with development partners of increasing sophistication, who will expect a development partner willing to take risks, program intelligently and respond quickly to emerging issues.

Following the integration of DFAT and AusAID, it is clear that DAFT lost significant specialist development skills. The Australian Government should ensure there is sufficient professional development expertise to administer a strong development program and deliver on these changing challenges.

There is also much to be done to improve the effectiveness of Australia's aid program, particularly to strengthen the development effectiveness in aid for trade work.

At a time when Australia's aid program sits at its lowest proportion of Gross National Income ever, it is particularly important that the Australian Government reiterate its recognition that

⁵ <https://www.devex.com/news/before-the-australian-aid-budget-s-release-new-data-shows-how-aid-funding-is-distributed-92710>

⁶ Australian Government, Department of Foreign Affairs and Trade, Office for Development Effectiveness. (2015). *Evaluation of the Australian NGO Cooperation Program*. p.13

our international aid program plays a hugely relevant role in securing the stability, prosperity and development of our region.

It is important that Australia stay the distance and maintain a strong aid program, to help our emerging Middle Income partner governments to finish the tasks of development, particularly to support a robust civil society, sustained progress towards gender equality and entrenched principles of inclusive governance. Without these elements in place, progress towards development is likely to be fragile and Australia's own stability, security and prosperity at risk.