

Australia's New International Development Policy

Development Policy Centre Submission

Summary of recommendations

1. Labour mobility is critical for the Pacific Step-up. While progress has been made over the last decade, Australia's promotion of Pacific labour mobility itself needs to be stepped-up by:

- a) Developing permanent pathways for Pacific migrants via a NZ-style Pacific lottery.
- b) Ending the enforced separation of families under the Pacific Labour Scheme (PLS).
- c) Ending the third-year extension provided to backpackers if they work on farms.
- d) Strengthening the labour mobility mandate for the Asia Pacific Training Coalition (APTC), whose graduates are finding it increasingly difficult to find jobs in the Pacific.

2. Aid's enduring objectives. Aid has an uncertain, but important long-term future. Any new Australian development policy should recognise the enduring importance of aid (global and Australian) in relation to four objectives:

- a) support for fragile states;
- b) support for middle-income countries;
- c) the funding of international public goods; and,
- d) the financing of international disaster responses.

3. Australian aid volumes. Australia is increasingly rich and increasingly stingy. It belies our reputation as a generous nation to be an ODA laggard; foreign aid has been singled out for cuts even as it has moved to the top of the government's strategic agenda. The government should as a matter of urgency increase its ODA.

4. Aid effectiveness. A number of recommendations follow from the three Stakeholder Surveys and Transparency Audits the Centre has conducted since 2013. The recommendations of the 2018 Survey bear repeating:

- a) Focus aid on development.
- b) Review and reform facilities.
- c) Continue to build on improvements in staff continuity and staff expertise.
- d) Prioritise improving aid program transparency and communications – areas where performance continues to lag.
- e) Maintain the gender focus of the aid program, ensure that innovation in aid is properly scrutinised and drop the 20 per cent aid for trade focus.

In addition we recommend that:

- f) The aid program already has adequate flexibility; increasing flexibility should not be an aim of the new aid policy.
- g) The performance framework has already been streamlined; no further streamlining is warranted. Project-level transparency should be made one of the official benchmarks by which quality of aid is assessed.
- h) It would be positive and constructive for the new development policy to announce the continuation of a few large initiatives that have worked well in recent years, and whose initial funding is coming to an end; in particular, Pacific Women Shaping Pacific Development, and the Indo-Pacific Centre for Health Security.
- i) Australia should use its grant funding to provide long-term funding for local NGOs and public-private partnerships.
- j) Based on our Centre's own experience in implementing aid programs, a stronger emphasis on cost-effectiveness and results-contingent-continuity would improve aid value for money.

5. Aid to the Pacific. Australia should not continue to grow the share of aid focused on the Pacific. Australia's aid is more effective elsewhere.

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Development Policy Centre Submission

The Development Policy Centre is a think tank for aid and development serving Australia, the region, and the global development community. We are based at the Crawford School of Public Policy at The Australian National University. We were established in 2010, and undertake independent research and promote practical initiatives to improve the effectiveness of [Australian aid](#), support the development of [Papua New Guinea and the Pacific island region](#), and contribute to better [global development policy](#). This submission was prepared by Professor Stephen Howes, Dr Ryan Edwards, Dr Terence Wood and Mr Sherman Surandiran.

Labour mobility

We welcome the fact that the new policy will cover international development policy more broadly rather than official development assistance only. Expanding labour mobility opportunities is the best way Australia can grow its influence in the Pacific and promote Pacific prosperity. It is an area where progress has been made, but also one where much more action is needed.

Both the Seasonal Worker Programme (SWP) and the Pacific Labour Scheme (PLS) pre-date the Pacific Step-up. If labour mobility is one of two focus points of Australia's Pacific policy (alongside infrastructure) and the Step-up is itself being stepped up, what does this mean for labour mobility? We have four main recommendations.

First, we need to move beyond a focus on temporary migration to build pathways to permanency. Recycling workers in and out of countries that lack the jobs to employ them is of less benefit than building up the Pacific diaspora in Australia. Pacific Islanders are very poorly represented in Australia, with some nationalities particularly marginalised. There are fewer Papua New Guineans in Australia than there are Samoans (Samoans enter Australia via New Zealand). We recommend a **permanent lottery scheme**, as per the New Zealand model. The PLS could also be reformed to include a permanent pathway. More details [here](#) and [here](#).

Second, we recommend lifting enforced family separation, under the Pacific Labour Scheme (PLS). There are serious concerns about the potentially harmful social effects of family separation. For example, there is convincing evidence that, in the context of migration to New Zealand, Pacific household members left behind are often worse off in terms of poorer diets, more drinking, declining child weight, and lower asset holdings (see [here](#) and [here](#)). Allowing accompanying family members would go a long way to improve optics, strengthen positive relationships, and alleviate some of the ethical concerns around our Pacific temporary migration programs. There is also the possibility of school children building enduring relationships and getting a good education while accompanying their working parents. If Pacific workers want to take out the benefits of PLS participation via better education for their children, that rational choice should be respected. On the other hand, making the PLS Australia's only temporary migration scheme that bars accompanying families is simply not viable in the longer run.

Third, we recommend reversing recent policy changes to the working holiday visa, specifically the provision of a third-year extension. The working holiday visa extensions currently undermine the SWP by incentivising the working holiday program, and introducing a unregulated and poorly-targeted *de facto* agricultural visa. The strategic returns to Australia are dubious, and the consequences for worker exploitation dire. More [here](#).

Fourth, we recommend a strengthened focus on promoting migration opportunities to improve employment outcomes for Asia Pacific Training Coalition (APTC) graduates. Recent analysis shows that APTC graduates are increasingly struggling to find employment. Among the roughly half of APTC

graduates who do not have a pre-existing employment arrangement to return to, more than one-third are out of work at the time of follow-up tracer surveys, compared to less than 10% at the start of the last decade. The APTC needs to train fewer graduates for domestic markets and more for overseas markets.

There are two other issues which we raise without definite recommendations. One, PLS has a high per-worker cost, is growing fast, and presents concerns to its scalability and sustainability in its current top-down and heavily micro-managed form. Two, beyond APTC, aid activities could complement labour mobility initiatives and ratchet up gains, for example through reducing remittance costs.

The future of aid

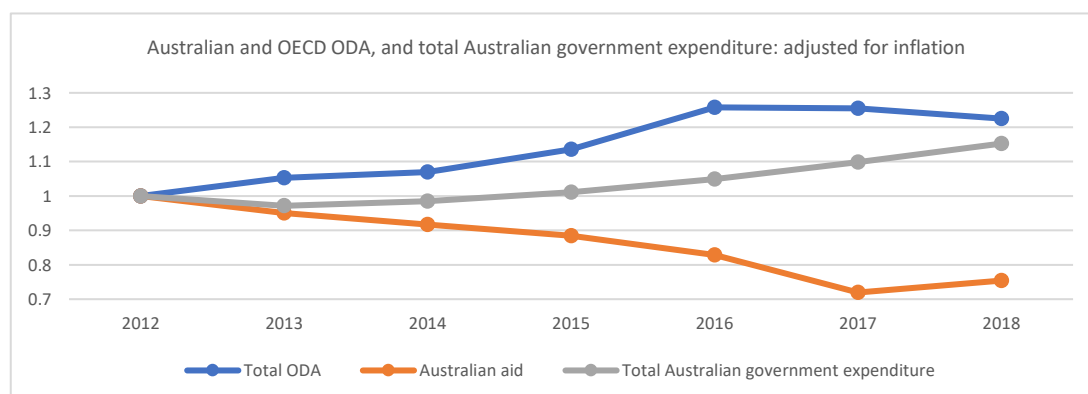
In relation to foreign aid, the policy development process needs to begin with the future of aid worldwide. There is considerable uncertainty, but aid is not going away. Global aid volumes have increased by 40% since the Global Financial Crisis, and more countries are becoming donors.

Aid is – and will continue to be – used for four main purposes

- **Support for fragile states.** Countries that have poor governance and/or are in conflict have poor poverty reduction prospects. They will continue to need aid for the indefinite future.
- **Support for middle-income countries.** Most countries are now middle income. In the past, countries would graduate as their incomes increased, such as China, Thailand and Malaysia. But it is unclear whether that will happen with the same speed in the future. Facing strategic rivalry from China, Western countries may well provide aid for longer to middle-income countries than they have in the past.
- **Support for international humanitarian responses.** About 15% of ODA is spent on international humanitarian crises, and the share is growing. With the world facing its most serious humanitarian crisis since the Second World War, that share needs to further increase.
- **Support for international public goods.** Developed countries will increasingly turn to their aid budgets to fund international climate change mitigation and adaptation, and to combat pandemics.

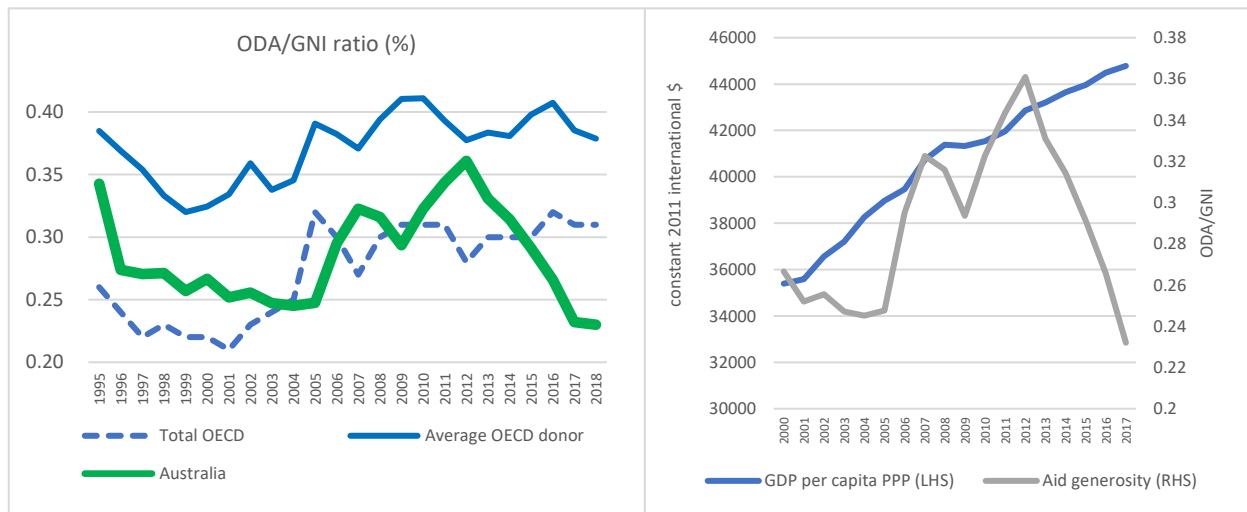
Aid volume

Although the terms of reference indicate that the government is not contemplating an increase in Australian aid, Australia is in fact already one of the least generous official aid donors. While total Official Development Assistance (ODA) from the OECD has increased by 20% (after inflation) since 2012, Australian aid has fallen by about the same amount (graph below).¹ Note that aid has been singled out for cuts, with Australian aggregate expenditure increasing significantly after inflation, even as the strategic priority given to aid has increased in recent times.



1. All graphs based on official DAC ODA statistics. In the first figure, the ODA figures are in USD, 2017 prices, and the Australian government expenditure figure is in AUD, 2019 prices.

Australia used to be a generous aid donor, but we are now only the 18th most generous out of 29 OECD donors (though the 11th richest). Our declining generosity relative to other countries is clearly evident. The gap between Australia's and average aid generosity (below left) has never been greater; nor has the gap between our growing incomes and our falling aid generosity (below right).



Aid performance

The Development Policy Centre tracks the performance of the Australian aid program through various tools, including our three-yearly [stakeholder surveys](#) and transparency audits. From these, a number of recommendations emerge. The key recommendations of the [2018 Aid Stakeholder Survey](#) for the government are:

- **Focus aid on development.** Absent a development focus, aid is less likely to help those in need. Promoting development also brings benefits to Australia.
- **Review and reform facilities.** Facilities can add value in certain situations, but at present they are often failing to do so.
- **Continue to build on improvements in staff continuity and staff expertise.** While significant gains have occurred, much needs to be done. Staff continuity is assessed as the second worst of all the individual attributes, and staff expertise the fifth worst.
- **Prioritise improving aid program transparency and communications – areas where performance continues to lag.** Project-level transparency should be made one of the official benchmarks by which quality of aid is assessed. The soon-to-be-released 2019 Australian Aid Transparency Audit shows limited project-level transparency. We recommend that project-level transparency be a benchmark by which overall aid effectiveness is assessed.
- **Maintain the gender focus of the aid program, ensure that innovation in aid is properly scrutinised and drop the 20 per cent aid for trade focus.** A preoccupation with innovation and aid for trade distracts from the important task of carefully tailoring aid to needs and focusing aid on what is actually likely to work.

In addition, based on our own experience and observations, we make the following recommendations:

- The aid program already has adequate flexibility. Increasing flexibility should not be an aim of the new aid or development policy.
- The Australian aid program performance framework has already been streamlined, and no further streamlining is warranted.
- The aid program should build on success, and make decisions about the continuation of successful projects in a timely manner, something that is not often done. What is needed is

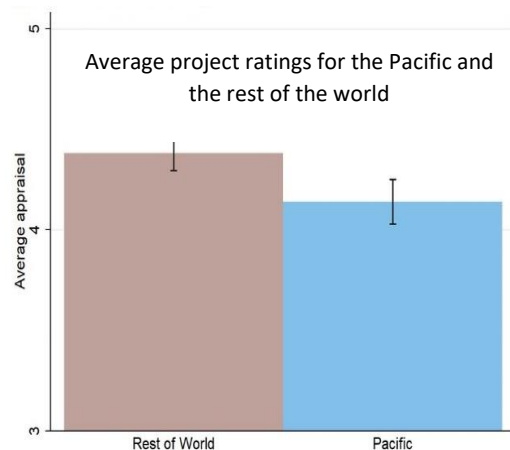
“results-contingent-continuity”: if projects are working well, they should continue, especially in difficult development environments.

- In this spirit, it would be a constructive, positive use of the new development policy to announce the continuation of a few large initiatives that have worked well in recent years, in particular the ten-year Pacific Women Shaping Pacific Development (2012-22) initiative, and the Indo-Pacific Centre for Health Security (2017-21). These are high-profile programs that are delivering results, that Australians can relate to, and which are coming to the end of their initial funding.
- Based on our Centre’s own experience in the delivery of aid, the aid program could obtain significantly more value for money by pushing down costs. For example, in relation to scholarships, there is no reason the aid program could not obtain significant discounts as a bulk funder of students.

Aid to the Pacific

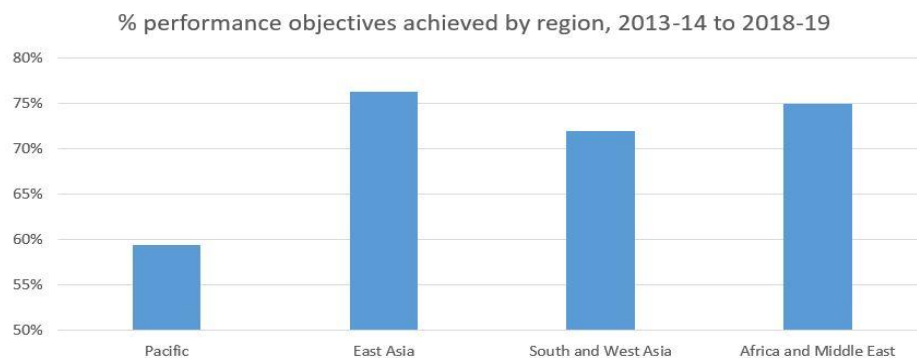
In the 2019-20 financial year, 34% of Australian aid spending will go to the Pacific. This is an increase from 21% in 2013-14. The last time Australia focused as large a share of its aid on the Pacific was 1990-91. There is no indication the current increase in Pacific focus will abate in coming years.

The figure opposite shows the average Aid Quality Check (AQC) effectiveness scores awarded by AusAID/DFAT for 456 Australian government aid projects since 2013.² On average, Australian aid projects in the Pacific are less effective than projects elsewhere. The result is statistically significant (that is, very unlikely to have arisen by chance). We know from regression analysis that the difference is not explained by projects being shorter, smaller, or in different sectors in the Pacific. Because AQC ratings tend to cluster around scores of four and five, rather than reflect the full range of project outcomes, Pacific under-performance is likely understated in our analysis.



We conducted similar analysis using data from the Asian Development Bank and World Bank. Once again, their projects in the Pacific were less effective. The Pacific is challenging for all donors.

The problems of aid effectiveness in the Pacific can also be seen in DFAT country-level data. The chart opposite is based on DFAT’s Annual Portfolio Performance Reports (APPRs).



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2. Only the most recent score for each project was used. This typically came from an AFQC appraisal or from an AQC appraisal if the project was still running. AHQCs were used for Humanitarian projects.