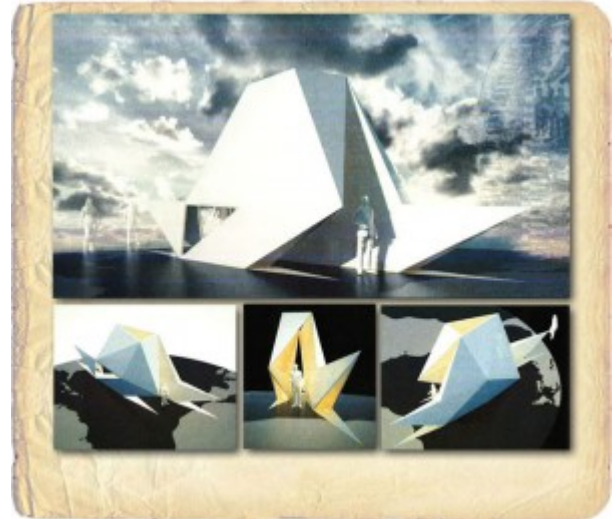


The future of AusAID: bend it, don't break it

by Robin Davies

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The notorious Ark of Return

By one measure, the Australian Agency for International Development (AusAID) was due to turn forty in just a couple of months' time. On December 1 in 1973, the Whitlam government set up a temporary Office of the Australian Development Assistance Agency (ADAA) in the then Department of Foreign Affairs. Just over one year later, ADAA became a statutory authority within the foreign affairs portfolio. ADAA's independence was short-lived. In February 1976 the Fraser government announced its intention to repeal the agency's legislation and fold it back into the foreign ministry, which was done by July 1977. Thirty-three years later, in 2010, the agency, as AusAID, again became independent for a few years, this time as an **Executive Agency**. Now the Abbott government has decided to return it to the foreign ministry, **citing** a need for greater alignment between 'the aid and diplomatic arms of Australia's international policy agenda'.

Is Abbott's decision of any greater moment than Fraser's? The latter didn't result in the disappearance of the agency. On the contrary; it has maintained a definite identity, a direct line to foreign ministers and a considerable degree of administrative autonomy for almost forty years, regardless of the nature of its administrative relationship with the foreign ministry. Thus the question is not whether loss of Executive Agency status and 'integration' into the Department of Foreign Affairs and Trade (DFAT) is bad; it isn't. The question is whether integration really means disintegration—whether something still recognisable as AusAID will get to be middle-aged.

We're unlikely to hear much more about the details of what is being described as a 'merger' between AusAID and DFAT for some time. We **know** a task force has been established within DFAT to determine what the new arrangements will be, and that this will be a 'major undertaking' and a 'lengthy and complex' process. That makes plain that the changes could be quite far-reaching, even if most of the public servants concerned on both sides of Lake Burley Griffin might prefer that not to be

the case. In the absence of any significant new information since the change was announced on September 18, I offer the following broad reflections to complement the Development Policy Centre's [initial reaction](#) to the announcement. It was only two weeks ago that I did [the same](#) in relation to the Coalition's aid budget cuts. For some reason, seven reflections have again suggested themselves.

1. Housing aid policy and administration in a foreign ministry is unexceptional

Among OECD donor countries, there's now only one—the UK—that has a fully independent international development agency with a dominant role in aid policy and management. The rest have a variety of arrangements (more on this below) but all vest substantial responsibility for aid policy, and in many cases aid administration, in their foreign ministries.

AusAID did separate from DFAT in 2010, while remaining within the same ministerial portfolio, but it's important not to overstate the significance of its change of status at that time. Becoming an Executive Agency placed it in the company of a handful of non-statutory agencies like the Bureau of Meteorology and the National Archives, which have quite specialised roles. This was clearly odd company to be in given that the other agencies in this category operate rather mechanically, without much need for policy oversight and without large expenditures. But it was a convenient and easily made change which had two practical impacts. First, it facilitated an expansion of [the senior echelons of the organisation](#) [pdf], principally through the elevation of the Director General's position to CEO level and the creation of an additional management tier at Deputy Secretary level (the level at which the agency had previously been headed). Second, it relieved DFAT of its residual management responsibility for the agency, which was only exercised very lightly through the employer-employee relationship between DFAT's Secretary and AusAID's Director General. Occupants of the latter position reported at all times directly to the Minister for Foreign Affairs on matters of aid policy. There was no change on this score in 2010.

In short, the change in 2010 was of no great significance. Australia's official aid agency has consistently had a separate identity and a direct reporting relationship with its ministers from late 1974 until now, including through the continuous 33-year period when it was part of the foreign affairs department.

2. Achieving macro-level policy alignment requires no change at all

There are some strikingly incoherent views around on the question of AusAID's responsiveness to foreign policy priorities. The Coalition's pre-election [foreign policy document](#) [pdf] says that the aid program's strategic priorities 'were skewed by

Labor's campaign for the UN Security Council seat'. If this statement is accepted, it is difficult to escape the conclusion that there is little need for the aid and diplomatic arms of Australia's international policy agenda to be more closely aligned. It appears the aid program was in fact highly responsive to the foreign policy priorities of the government of the day, even if the Coalition didn't like those priorities.

The same can be said in response to [this piece](#) by Greg Sheridan of *The Australian*, which is a masterclass in the same line of illogic. Sheridan thinks aid is in need of 'reform', the pincers of which are less money and the subordination of AusAID to DFAT. Implicitly, aid misallocation results from too much money and too little adult supervision of the aid program. Thus AusAID is effectively responsible for such absurdities as spending aid money on [domestic asylum-seeker costs](#).

More trivially but more vividly, Sheridan leads readers to believe AusAID funded a memorial to the victims of the international slave trade in New York City. This latter case is in fact an instructive one. Foreign minister Julie Bishop criticised the use of aid for the same project in a [speech](#) in October 2012. However, a moment's research reveals that AusAID wasn't in fact the funding agency. Perhaps you don't need to visit row 366 of [this](#) [xls] spreadsheet to work out which agency made the grant. Undoubtedly the cost would have been sheeted home to Australia's aid program, but not to any part managed by AusAID. (Those interested in how Australia's funding was used can see above an artist's impression of the [just-announced](#) winner of a design competition for the memorial, eerily named the 'Ark of Return'.)

In general, if AusAID is in fact found to have funded something that patently has little to do with its core business, you can be sure it was leaned upon to do so by another agency, most often DFAT, or by one minister or another, most often its own. On matters of major policy, which one would hope are all and only the matters that would be considered at the political level, AusAID and DFAT have always reported to the same portfolio minister. AusAID is not (contra [another](#) Sheridan piece) a statutory authority that charts its own path. It is as much subject to political direction as DFAT—and it's the same direction. For better or worse, this rather guarantees alignment on macro-level policy matters.

Certainly there have always been disagreements between AusAID and DFAT about funding priorities in cases of a more microscopic nature—arks and such. However, the same tensions would arise between different parts of DFAT were they competing internally for resources. The obvious conclusion to be drawn is that, unless the integration of AusAID into DFAT is intended as a cost-saving measure or as a simple reversion to pre-2010 arrangements, or both, the Coalition wants DFAT to have much more fine-grained, day-to-day control over the aid program than it has

had previously, extending to matters that would not normally be considered at ministerial level.

3. Achieving micro-level policy alignment requires at most minor change

A simple reversal of the 2010 decision would place AusAID back under the control of a DFAT Deputy Secretary, eliminate its existing layer of deputies and maintain a direct reporting line to the foreign minister on aid policy. It is this last point that seems most in question—though it's important to note that the arrangements just described were considered good enough for the Howard government throughout its twelve years in office.

Some of the Prime Minister's [recent comments](#) might well be taken to imply little or nothing more than a reversal of the 2010 change of status. However, it's likely that his strong emphasis on policy alignment does signal a desire to give DFAT more microscopic policy control than it had prior to the 2010 change—whether at Secretary level or also at lower levels. Such control might be exercised, for example, to ensure Australia's aid is more identifiably Australian—something that Bishop has flagged as a priority. If that's the case, the government's ends could easily be achieved by modifying pre-2010 aid oversight structures in quite minor ways.

The only real reason for more wrenching change would be to reap savings from AusAID's administrative budget. Abbott has [noted specifically](#) that AusAID, like 'other areas of the public sector', could well have fewer staff within several years. We cannot know at this point whether it will be expected to bear more than its pro-rata share of public service staffing reductions, perhaps on the assumption that existing DFAT staff (whose ranks will presumably also be thinned) will take on some of the aid workload. Indeed, we might never be in a position to make a before-and-after comparison if the distinction between AusAID and DFAT agency personnel is entirely erased.

4. There are three possible integration models, two of them undesirable

Several years ago the OECD undertook a [comparative assessment](#) [pdf] of how the member countries of its Development Assistance Committee manage their aid programs. As noted above, they found foreign ministries generally take a leading role. However, if you look at the variety of arrangements adopted by other donors, it becomes apparent that there are broadly three ways of skinning the cat.

One approach is to have a clearly identified entity within the foreign ministry that does both aid policy and program implementation. This is the model that has prevailed in Australia and quite a few other countries. Another approach is to have

the foreign ministry responsible for aid policy but create a separate implementation agency. This model is found in Sweden and many other countries.* A third approach is to mainstream aid policy and management across the foreign ministry. This is now, it seems, the Canadian model (see, by the way, [this](#) wonderfully baffling rationale for the folding of Canada's aid agency into its foreign ministry in March 2013) and it is also found in Denmark.

The fundamental question now is which of the three integration models will ultimately be adopted for Australia. Mainstreaming would dissolve AusAID's identity and create a host of problems with aid effectiveness, particularly including problems with fiduciary risk management. Converting AusAID to an implementation agency would maintain its identity but lobotomise it—which in an extreme scenario could leave the government open to challenge from private contractors alleging unfair competition from a public sector agency.

In short, there are considerable and unnecessary difficulties with the more substantial departures from the Australian status quo. A return to pre-2010 arrangements, or similar, would be by far the best outcome.

5. Simultaneously cutting Australia's aid and restructuring its administration is heroic

Even if the AusAID-DFAT 'merger' turns out to be less revolutionary than some might fear at present, both AusAID and DFAT face a considerable period of uncertainty—at least six months, quite probably longer. The degree of difficulty involved in executing the manoeuvre of course depends on which of the above integration options is ultimately chosen. However, former foreign minister Alexander Downer could attest that terminating programs requires close and senior attention. While Downer became a long-serving and respected minister for foreign affairs, closely engaged in the oversight of the aid program, his management of the termination of the [Development Import Finance Facility](#) in 1996 almost saw him lose his position in his first six months—as Graeme Dobell has [chronicled](#). Senior officials responsible for implementing aid cuts even greater than those imposed by the Howard government in 1996 would preferably be outward-looking rather than inward-looking over the next six months.

6. The AusAID brand is part of Australia's diplomatic toolkit

Over a very extended period of time, Australia's official aid agency has transitioned from a situation in which it had a low domestic profile, little international recognition and a series of ungainly names to a situation in which it is, for the most part, very readily recognised and identified internationally with the Australian government and

the generosity of the Australian people. Subordinating AusAID's leadership to DFAT's is one thing; entirely deleting AusAID's identity as an agency is quite another—and unnecessary if the government's aims are to achieve stronger policy alignment and greater administrative efficiency.

If AusAID were effaced as some might fear and others hope, about the only explanation one could devise for the act would be that the agency was perceived to have gotten too big for its boots and needed to be blasted back to Year Zero. That view might be held in some parts of the bureaucracy and media but it's not one that serves the government well. It is indisputable that AusAID can better support Australia's foreign policy objectives as an identifiable agency than it can as an ex-agency.

7. Rigorous administration won't be achieved by benchmarks alone

According to the Coalition's pre-election foreign policy document, it will focus on 'the quality and rigorous administration' of the aid program. What does this mean? The Coalition had earlier stressed that it would put in place robust aid management 'benchmarks' to guide the growth of aid toward 0.5 per cent of GNI. Though there will now be no such growth this side of 2016, aid management benchmarks will presumably still be put in place. Scrutiny, transparency and benchmarking are certainly all important for aid effectiveness. However, two other things—in addition to a reasonable degree of predictability in the quantity of aid—are even more important: adequately resourced management oversight and appropriate rules and processes for managing the investment of funds.

Aid quality is achieved through structured approaches to program conception and design that incorporate contestability and the lessons of experience. Rigorous administration is achieved through the development and continuous improvement of rules and processes for conducting large-scale procurement, meeting obligations under complex contracts and agreements, undertaking independent review and evaluation and detecting and dealing with instances of fraud and mismanagement, where they occur. These approaches and capabilities do not exist to any significant degree within DFAT at present, and must therefore be carefully preserved as AusAID is integrated into DFAT.

Appropriate senior oversight is important both for aid quality and for administrative efficiency. Toward the end of the Howard era, the Palmer and Comrie reviews found that serious problems in the management of the immigration detention system stemmed in part from **unrealistic spans of management control**. Even after its **12 per cent reduction** this year, Australia's aid program will be above \$5 billion per annum. There must be a question whether a single Deputy Secretary and some fraction of

DFAT's Secretary can provide adequate senior oversight of this large and complex program without undue risk. (There is, therefore, perhaps a case for assigning at least two Deputy Secretaries to the program—for example, one dealing with policy and geography and one with organisational and operational matters.)

Given the previous point, it's difficult to credit Sheridan's **assessment** that senior DFAT officials would be uniformly 'delighted' by the prospect of absorbing some very significant new functions and risks, or the implication that they all would have been unhappy with the 2010 decision to make AusAID an Executive Agency. It might have been their wish to have more say in the allocation of aid resources in particular cases, or to have a greater share of the aid budget under their direct control, but not necessarily to take responsibility for the whole complicated show.

In sum, the government would be well advised to do two things...

First, if the government intends to proceed with unprecedented within-year cuts of \$656 million in 2013?14 then it should accord highest priority to figuring out where they will fall before the financial year advances much further, and to devising strategies for managing them in ways that minimise negative development and diplomatic impacts. It would be odd if a high-powered task force was busily drawing up alternative organisational charts but no similar body was looking, with greater urgency, at options for implementing large and immediate aid cuts.

Second, integration should be implemented in a way that, while meeting whatever specific aims the government has in mind for it, creates minimum disruption to the operation and effectiveness of both the Australian aid program and DFAT's diplomatic and consular activities. That would preferably involve an outcome closely resembling, or at least not too far distant from, the arrangements that applied from 1977 to 2010. While administrative autonomy was part of the pre-2010 arrangements, it was not an indispensable part. Perhaps the more generic corporate services could be shared to a higher degree than they were in 2010. Perhaps, also, DFAT's Secretary and other senior staff could play a greater role in informing advice to the government on aid policy than under previous arrangements. However, the essential point is that it would be in everybody's interests—the government's, partner countries' and DFAT's—for Australia's official aid agency to remain a discrete body with substantial policy capacity and strong management systems. Moreover, there is every reason, from a foreign policy perspective, to preserve AusAID's existing identity and brand.

It is entirely proper that the newly elected government should bend AusAID, like other agents of the executive arm of government, to its will. But the agency—which is capable of being both an international public good and a useful tool of Australian

international policy—will only bend so far before it breaks. The day it breaks might not be such a good day for diplomacy.

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**In the original version of this post, Germany rather than Sweden was nominated as an example of this model. However, responsibility for German aid policy rests with BMZ, a Cabinet-level ministry separate from the Foreign Office. Germany does, however, have a separate aid implementation agency, GIZ.*

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