

Commission of Audit recommends flat aid and independent ODE

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The long-awaited report of the Commission of Audit released today [makes four recommendations](#) on aid, namely:

1. not tying aid spending to the level of Gross National Income, rather managing it in the same way as other agency funding, with any increase in resources justified in terms of the overall fiscal context rather than to a set of funding targets;
2. increasing future aid spending at a rate no greater than the rate of inflation, noting that even with this funding, aid spending would be at historically high levels;
3. reducing the significant fragmentation, with bilateral aid delivery tightly focused on countries of strategic interest to Australia and with assistance to other countries addressed through the better performing multilateral funds; and
4. focusing aid programme reporting on outcomes achieved rather than the quantity of resources applied.

The recommendations around volumes are in line with current government policy, and the Commission provides little basis for them beyond that. There is no explanation of why fixing aid in real terms is any less artificial than fixing it as a percentage of GNI. Nor does the Review do itself any favours by not coming out and arguing against the equally artificial and far more expensive 2% of GDP target that has been set for defence. It merely (and meekly) [asks](#) for a comparison of this target with “the balance of strategic and fiscal priorities.”

The recommendations around management are also largely in line with Coalition policy. The Coalition has already expressed resolve to tighten the geographic focus of the aid program to strategic countries within the region and to increase the focus on what aid achieves through its introduction of “benchmarks”.

The Commission’s support for multilateral funds is of note. Prior to the election, Treasurer Joe Hockey said Australia would [direct less aid to multilaterals](#). So far, this hasn’t really turned out to be the case and with the Audit Commission’s support, it now seems even less likely to eventuate. Though [elsewhere in the report](#), the Commission recommends reviewing memberships of some international organisations, and says Australia should consider withdrawing from organisations that are of “peripheral strategic interest”, citing the European Bank for Reconstruction and Development as an example. It recommends that Australia should not join the African Development Bank or the International Fund for Agricultural Development, both proposals of the previous government.

The narrative of the report makes a few other notable aid-related points:

- It lends support for the Office of Development Effectiveness and its Independent Evaluation Committee, and calls for transparency: “...higher level of transparency around aid spending is still highly desirable. This can be achieved by continuing to provide an annual ministerial statement on aid spending which articulates what aid funding is used for. AusAID made some useful progress with providing for independent review of aid programmes through the Office of Development Effectiveness and the Independent Evaluation Committee.”
- It calls for more independence for ODE: “In order to reinforce the independence and credibility of this process, the Office of Development Effectiveness should be separated from Department of Foreign Affairs and Trade and become a unit within another agency.” Finance? ANAO?
- It says the government “should articulate the relationship between aid spending and its strategic and diplomatic priorities.” This is something many have been waiting for the government to do since the

DFAT-AusAID merger.

The Commission also recommends ending funding for the Australia Network.