

The Australian Political Parties for Democracy Program: it covers nobody in glory

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Today's *Australian Financial Review* contains this piece by Pamela Williams: '[How AusAID pays for Labor official's salary](#)'. The thrust of it is that a program administered formerly by AusAID, and now by DFAT, is rather unaccountably funding part of the salary of 'one of the Labor Party's most powerful machine-men', Assistant National Secretary Nick Martin. The program in question is the [Australian Political Parties for Democracy Program](#) (APPDP). Martin runs the ALP's international division and, in that capacity, manages grants received and activities funded by the APPDP.

At least some casual readers will conclude from the AFR piece that here we have a good example of the waste and mismanagement of aid that occurred on AusAID's watch. But the piece tells only part of the story.

The program in question was actually established by the Howard government in 2005 (which Williams does note) and until 2009 was administered by the Department of Finance. Following a very unfavourable audit by the Australian National Audit Office (ANAO) of Finance's management of the program, management responsibility was transferred to AusAID. The relevant part of AusAID can hardly have been enthusiastic about this, as the ANAO's audit report included the following observations:

- The decision to establish the Australian Political Parties for Democracy Program was made in October 2005, without being informed by departmental analysis of the need for the Program.
- ... there is an insufficient accountability 'loop' established to link the purpose for which funding has been applied with the purposes for which funding may be validly spent.
- [There is a need for] greater attention to requiring the parties to adhere to the established acquittal arrangements (bearing in mind that payments are made to the parties in advance of Program activities being undertaken).
- [There is a need for] a performance measurement framework combined with public reporting of the extent to which the Program is meeting its objective of 'strengthening democracy internationally'.

And of particular relevance here:

The Program governance arrangements include provision for up to 15 per cent of the grant funding available to a party in a year ... to be used to fund 'incremental administrative expenses' associated with the Program. ... Finance has not had processes in place to ensure that the project costs reported by the parties do not incorporate activities that should instead have been included as part of the parties' administrative costs, or that the total administrative costs reported are within the bounds of the limit set by the Program documentation.

So, even though half the program's expenditure relates to activities in developed countries and thus is not part of the aid program, it was given to AusAID to implement the ANAO's recommendations. This couldn't be achieved by a stroke of the pen; it required negotiations with the major political parties—which we must assume were quite happy with the status quo given they had never complained about it.

AusAID conducted an [independent review](#) of the APPDP in 2011 which, among other things, questioned the rationale for transferring the program to AusAID and noted that the payment of a 15 per cent administration

fee to each of the beneficiary political parties was in line with practice in similar programs overseas (the Greens reportedly argued for a higher percentage).

AusAID further conducted its own [internal audit](#) of the APPDP in 2012, to assess whether the ANAO's recommendations had been satisfactorily implemented. This found that appropriate action had been taken to implement the ANAO's recommendations but that further steps were needed in several areas. In particular, there was a need to 'strengthen the oversight of administrative expenses and ensure understanding by grantees of allowable and non-allowable administrative items'. AusAID management, in accepting this recommendation, said:

A list of allowable and non-allowable administrative items will be included as an attachment to the grant deed. Administrative costs are to be reasonable and must directly relate to project activities ('reasonable' administrative costs to replace the 15% limit).

This was subsequently reflected in the deeds of agreement negotiated with the three political parties—see for example clause 12.2(b) of the [agreement with the Liberal Party of Australia](#).

In short, this is a program that was foisted upon AusAID and should not have been. It was poorly designed, in fact not actually designed at all. Its development impact is unknown and unlikely to be significant. It provides funding to all three of the major parties to cover 'reasonable' administrative costs associated with the overall management of the program and of individual activities under the program. It is easy to agree with the proposition that is readily inferred from Williams's article, that the government shouldn't subsidise the salaries of party officials—particularly with overseas aid funds. But it should not be concluded that only one of the three parties benefits from current arrangements. Nor should it be assumed that AusAID devised or liked the arrangements.

Robin Davies is the Associate Director of the Development Policy Centre. Anybody interested in excruciating detail on administrative expenditure under the APPDP, and on negotiations between AusAID and the political parties about deeds of agreement, can find it at item 21 [here](#) thanks to an FOI request from an unknown person in February 2013.